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# TAXES ON FATS AND OILS

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# HEARINGS

BEFORE THE

## COMMITTEE ON FINANCE
## UNITED STATES SENATE

SEVENTY-SIXTH CONGRESS

FIRST SESSION

ON

PROPOSED AMENDMENTS TO

## H. R. 3790

AN ACT RELATING TO THE TAXATION OF THE COMPENSATION OF PUBLIC OFFICERS AND EMPLOYEES

MARCH 6, 7, 8, and 9, 1939

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# TAXES ON FATS AND OILS

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**MONDAY, MARCH 6, 1939**

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

The committee met, pursuant to call at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will be in order.

Gentlemen, on February 24 we reported H. R. 3790 to the Senate. H. R. 3790, as you will recall, which passed the House on February 13, 1939, related to the taxation of the compensation of public officers and employees.

Senator Connally has introduced an amendment to H. R. 3790 that proposes to strike out the 3 cents a pound tax and insert in lieu thereof a 5 cents a pound tax on certain imported oils.

Senator CONNALLY. They are not described as imported oils.

The CHAIRMAN. It will be recalled that in 1934, we had the question before us and in the Revenue Act of 1934 placed a 3 cents a pound excise tax on these oils. They were being imported in competition, it was said, with the vegetable oils in this country, and quite a fight ensued. Appreciating the fact that there would be a sharp issue on the floor of the Senate when this amendment and the amendments of Senators Bailey and Gillette are offered, because many of the farmers and people in this country are highly interested in raising the tax on these oils from 3 cents to 5 cents, and having received from my State telegrams numbering 500 or more, all favoring these amendments, and I imagine that people from soybean sections and cottonseed sections and fish oil sections and cattle sections, have also petitioned their Senators on this matter, and there being interests in this country that are violently opposed to increasing the tax to more than 3 cents, notably the soap industry, and the whale oil industry, I thought it was well for us before this issue came upon the floor of the Senate, to get the views of the State Department, in view of the fact that I had received a letter from the Secretary of State and also from the Secretary of War in opposition to Senator Connally's amendment. I therefore thought that we had better take an inventory of it now before the committee to ascertain the facts.

Mr. Secretary, I have invited you down this morning to express yourself about this amendment, as well as the amendment offered by Senator Bailey, which proposes an increased tax on certain fish oils and also an amendment offered by Senator Gillette that deals with many other different kinds of oil.

I will insert the three amendments in the record at this point.

[H. R. 8790, 76th Cong., 1st sess.]

AMENDMENT Intended to be proposed by Mr. Connally to the bill (H. R. 8790) relating to the taxation of the compensation of public officers and employees, viz: On page 6, after line 3, insert the following:

SEC. 208. Section 2470 (a) (1) of the Internal Revenue Code (relating to the processing tax on certain vegetable oils) is amended by striking out "3 cents per pound" and inserting in lieu thereof "5 cents per pound". The amendment made by this section shall be effective with respect to processing occurring after the date of enactment of this Act.

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[H. R. 3790, 76th Cong., 1st sess.]

AMENDMENT Intended to be proposed by Mr. Bailey to the bill (H. R. 3790) relating to the taxation of the compensation of public officers and employees, viz: At the end of title II insert the following:

SEC. 208. Section 601 (c) (8) (A) of the Revenue Act of 1932, as amended (relating to the import tax on certain fish oils), is amended by striking out "3 cents per pound" and inserting in lieu thereof "5 cents per pound". The amendment made by this section shall apply to importations after the date of enactment of this Act.

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[H. R. 3790, 76th Cong., 1st sess.]

AMENDMENT Intended to be proposed by Mr. Gillette to the bill (H. R. 3790) relating to the taxation of the compensation of public officers and employees, viz: At the end of title II insert the following:

SEC. —. (a) Section 2491 (b) of the Internal Revenue Code is amended to read as follows: "Sesame oil, provided for in paragraph 54 of the Tariff Act of 1930, cottonseed oil, fatty acids derived from any of the foregoing, and salts of any of the foregoing; all of the foregoing, whether or not refined, sulphonated, sulphated, hydrogenated, or otherwise processed, a tax at the rate of 2 cents per pound; corn oil, fatty acids, or salts thereof and whether or not refined, sulphonated, sulphated, hydrogenated, or otherwise processed, a tax at the rate of 4 cents per pound; soybean oil, whether or not refined, sulphonated, sulphated, hydrogenated, or otherwise processed, a tax at the rate of 1½ cents per pound; fatty acids and/or salts of linseed oil or soybean oil, a tax at the rate of 5 cents per pound."

(b) Section 2491 (d) of such code shall not apply to articles described therein imported after the date of the enactment of this Act.

(c) Section 2471 (a) (1) of the Internal Revenue Code is amended by inserting after the words "palm kernel oil" the words "sesame oil provided for in paragraph 1732 of the Tariff Act of 1930, sunflower oil, rapeseed oil, kapok oil, hempseed oil, perilla oil, oils and/or fats derived from the pulp or kernel of the fruits of any variety of the palm tree".

(d) Section 2470 (a) (1) of the Internal Revenue Code is further amended as follows: After the words "3 cents per pound" strike out the words "to be paid by the processor" and insert a comma and the following words: "also upon oil cake and/or oil meal processed from copra, palm nuts and kernels, sesame seed, sunflower seed, rapeseed, kapok seed, hempseed, perilla seed, a tax at the rate of three-tenths of 1 cent per pound, such tax to be paid by the processor."

The committee will be very glad to hear you, Mr. Secretary.

## STATEMENT OF HON. CORDELL HULL, SECRETARY OF STATE

Mr. HULL. Mr. Chairman and members of the committee, I presume that any witness testifying should ordinarily give some statement of his qualifications, and in connection with agriculture, I may say that I was reared 75 miles from a railroad station, and that I represented an agricultural community for some 22 years in Congress—an exclusively agricultural constituency. I suppose there were not 250 organized laboring people in it and no cities. Fortunately or unfortunately, I have a few small farms which I have been nursing along and operating over a long period of years.

So I hope that I can qualify as one who is as deeply interested, or honestly believes himself to be, in the present and the future welfare of agriculture as any other person.

Mr. Chairman, these three proposals of my good friends, Senator Connally and Senator Bailey—and I believe that there was one introduced on Saturday——

The CHAIRMAN. That was Senator Gillette's amendment.

Mr. HULL. Anyhow, they seem to present two rather broad questions for consideration. One is an economic question.

As to the whole structure of fats and oils in the trade situation, the question as to the extent to which Congress will adopt a policy of taxing against any and all indirect or remote or speculative competition, the question of ascertaining the exact uses of all of these different oils, the extent to which they directly compete with some domestic products, the extent to which only partially or slightly they may compete, the extent to which, as I said, the uses of all of these oils, both domestic and foreign, can be put, presents a highly technical and complicated subject of the entire structure, as I say, of the fat and oil problem, both domestic and foreign. I would not venture to express an opinion on the solution of this combined problem. I do not think any other person can give an accurate opinion as to all of the pertinent points and questions raised without weeks and even months of study, aided by the Tariff Commission or a corps of experts. It is easy to deal with some minor phase or phases without creating particular complications, but when it is undertaken to deal with enough of the entire structure of fats and oils, especially without any general study of the entire problem in its related phases, I think that is a very serious problem that no individual can offhand pass upon without the risk of doing more harm than good.

These regulations, unfortunately I think, conflict with the Reciprocal Trade Agreement Act of last year and its administration.

The CHAIRMAN. When you say "the resolution," you mean the amendments?

Mr. HULL. The proposed amendments; yes, sir. I think they contravene the agreements with Great Britain, with the Netherlands, with Canada, and with Brazil. I have striven very hurriedly and briefly to jot down the nature of the conflict.

Mr. Chairman, that raises the question of the extent to which we can abrogate agreements as contained in these trade agreements, to the extent that we can abrogate them summarily and still maintain some semblance of this trade-agreement policy, and its successful prosecution.

The question of maintaining the trade-agreement program is one that I hope you will indulge me for 2 or 3 minutes, while I refer to the background of the trade-agreement situation. I have done it in more or less respects in the course of formal hearings before your committee. I hesitate to repeat any portion of it to you again, but apparently it will bear repeating, from the extent to which people forget the exact provisions of it and come here and ask for the adoption of a different policy.

Each of you gentlemen, I think, will recall that during the general economic collapse here and everywhere which culminated around 1932 or 1931 and thereabouts, beginning especially in 1929, there was almost a complete break-down of the processes of exchange and distribution. People here and everywhere had been going on the theory during the post-war period that they could each become self-contained, could each produce what it really needed, and could promote normal human progress in that way. The result was that all of the nations fell back more or less on the theory of attempted self-containment. By 1929 that situation had reached such an acute stage that it could not stand up any longer, and it crashed to the ground, and everybody at home and abroad, almost, either went bankrupt or went into very great business distress and industrial distress. Every nation, I think, had developed surpluses in its own line on the theory that it could keep out any trade for other surpluses, and by exchange, still make real progress; in fact, they discovered that every country had its surpluses, and nowhere to sell and nobody to buy them. That was a part of this crash that came on; that was a big contributing factor.

We, like other nations, sometimes in retaliation, sometimes in self-defense, and sometimes by the example of others, in a very happy spirit fell into the policies which were major factors in bringing on this situation. We had in those days, just as we have now, honest, well-meaning groups coming to Congress whenever any little thing threatened to go wrong with their industrial or marketing or price situation. The general theory was that all that was necessary was to clamp on a few more tariff rates. Everybody stood for a virtual embargo if the competition was even indirect or remote or speculative. Many people seriously urged in those days that we should shut out bananas in order to promote the market for our domestic apples, and other new departures in policies such as those.

As an illustration which has some bearing on this subject, we had some splendid people who came in and said, "Let us shut out some more of our imports from Canada. They may be well for the national interest, but they do not suit my individual interests at the time." And groups of people assembled and converged on Washington, and they proceeded—every person interested, practically, was allowed to write his own rates on the idea that we would shut out excessive imports which were supposed to be displacing our labor and our markets or domestic production. We were buying around $500,000,000 from Canada, most of it not competitive in any way, some of it competitive to a more or less extent. We were selling Canada $900,000,000.

In response to our action, Canada raised her tariff, I think three times, and then they felt the injustice in many ways very keenly, so much so that they were responsible for the Ottawa Conference, composed of all of the members of the important states of the British Empire, and they did proceed to work on us, sure enough. They established Empire preferentials, virtually a wall around the British Empire, against us, especially. Our lumber people were selling immense amounts all through the British Empire; our apple people were selling immense amounts in Great Britain, and in other parts of the Empire. Our wheat people—somebody said "Wheat is free over in Great Britain, we do not have to worry about that." Such a thing as a duty against our wheat never occurred to anybody until they saw Great Britain put a 6-cents-a-bushel preference on wheat against us and in favor of Canada and Australia.

That went on through hundreds of commodities we had been selling profitably to the British Empire. They were shut out. I think our wheat exports to Great Britain went from 23,000,000 bushels back 9 years ago to a few million bushels in recent years, or to nothing, in other words.

I mention this one incident in connection with this trade policy that we have now. Some 900 of the ablest economic authorities warned against that sort of a course. I think 35 nations earnestly urged that we not undertake to erect virtually an embargo wall in our last tariff enactment of 1930, but we did, and here came the Ottawa and the Canadian action, then the Argentine, and then dozens and dozens of other countries, not in every instance by any means retaliatory toward us, but either in self-defense or in establishing a policy patterned after ours. There was nothing else they could do.

The result, Mr. Chairman, was that this situation was brought to the attention of Congress not only by myself and others of the Department, but by numerous Congressmen and Senators who were alive to the situation. Then it was that it was agreed that the only possible way to attack this utterly collapsed and chaotic economic structure in the domestic and international situation to the extent which they related to each other, and that was very great, was by such a formula as this present reciprocal-trade policy provides. This policy is not free trade or any similar policy, nor the embargo tariff policy; it seeks to find in how many ways different nations can profitably exchange their surpluses with each other without material injury to any business or industry in either, and then through such readjustments of the excessive restrictions, whether tariff or exchange restrictions, or quotas or customs licenses or subsidies, or other artificial and arbitrary methods, which as a rule reduce the sum total of trade and promote hopeless confusion rather than otherwise, to make a profitable exchange of surpluses possible.

That policy was adopted by Congress. We felt and still feel that we were carrying out in a grave emergency, an emergency method of dealing with this terrific economic situation.

Now, up to this time the nations of this hemisphere have expressly gone on record to the effect that unless we are going to head toward the purely autarchic policy, such as we see abroad in a number of other countries, unless we are going to move definitely in that direction and far enough in that direction to produce very disastrous results to us in the long run, then it is important, I think, for us to heed what these nations say. The trading countries, the surplus-producing countries in all parts of the world have recognized this program as the only alternative for the promotion in a substantial way of business recovery, especially as it relates to all phases of international trade, finance, and commerce.

I think up to this time probably two-thirds to three-quarters of the newspapers of this country are steadily supporting this program, without the slightest reference to partisanship in any way, because this is essentially a nonpartisan program. It is essentially an economic program.

It is in these circumstances that we are still facing a more or less chaotic world situation, economically speaking, at least. Occasionally some person comes in and says, "Why hasn't this program restored business before now? It is not moving fast enough to suit me." Well, as a matter of fact, we all know that the world has been on a military basis during recent years. Nevertheless, the very cornerstone of any sound commercial policy is in the formula of this reciprocal trade program; that is, equality of commercial and industrial rights and opportunities and treatment. There can be no sound or stable structure of an economic nature except on that basis.

It naturally has not been in the power of those of us who are struggling to carry out the wish and will of Congress in this matter to bring about a cessation of these run-away races in armaments and in the policies of some powerful nations espousing force and military aggression which they avow openly almost from week to week. It has not been possible for us to break that down and bring it to a termination, any more than it has for the Congress of this country to do it; but we have the consolation, Mr. Chairman, that we have been making progress; that we are approaching the time when, in our judgment, nations pursuing an opposite course both politically and economically, are becoming more and more interested in this program which offers equality to them as much as it does to the other nations of the world, equal access to raw materials, equal opportunities to trade with profit, and we believe that we are approaching the time when they will find more and more concern about the disastrous effects of the opposite narrow policy or autarchy or its equivalent or its approximation; consequently more and more disposition to get behind this program of business recovery which has no alternative as I have stated.

Now, it is at this stage that we are called upon to introduce violations of this entire policy, and presumably to a very effective extent break it down by adopting a precedent that for whatever assumed advantage some adjustment of tariff rates upward may offer to a segment of an industry, for example, or different industries, that we will terminate this entire program and go back——

The CHAIRMAN (interposing). As I understand it, Mr. Secretary, in the United Kingdom agreement, you froze the tax at 3 cents, because in the law the tax was 3 cents a pound on these various oils?

Mr. HULL. Yes, sir; on palm-kernel oil.

The CHAIRMAN. Now, you say that if we would increase it to 5 cents, that would be in violation of this agreement. I want to find out if that would be the effect.

Mr. HULL. Yes.

Senator KING. May I suggest that the Secretary be permitted, if he has not, to conclude his formal statement before taking up seriatim the points in the various agreements.

Mr. HULL. If I may have one or two other sentences.

The CHAIRMAN. Yes. I didn't want to interrupt you. You made that point, and I thought that would be a very good time to elaborate it.

Mr. HULL. I may say, Mr. Chairman, that both politically and economically, the world or this country are not out of the woods, so to speak, despite the most persistent efforts of this Government and other peaceful nations interested in economic reconstruction and in bringing back the stable conditions of peace and normal relations among nations—we are not yet out of the woods—and I think it would be a grave mistake to forget the acute nature of the situation and undertake to proceed normally just yet.

For example, I think I indicated to you some weeks ago here that after all this time since the depression in 1929, international trade is still 25 percent lower in value and 12 to 15 percent lower in quantity than it was back in 1929. So that is the situation that we keep our attention on, especially as it relates to international commerce, trade, and finance.

For example, we have doubled our exports during the past 5 years; we had a margin between exports and imports last year of around 1,100 million dollars; we have no imports coming in here, scarcely, of a materially competitive nature. We export 3 billion dollars of our production here, including a billion and a half of finished manufactures and a considerable step toward restoring agricultural exports during normal periods, and it would be a mistake for us or for you to assume that the obstructions and the restrictions have been sufficiently removed to make it possible to bring about a stable condition.

We have been selling to Europe nearly half of our exports, but despite the wholly unsettled conditions over there, many of our people here think we should go on with our sales just as usual. As a matter of fact, Mr. Chairman, the non-European nations, the agricultural and raw material producing nations after the depression and during the depression, suffered a cessation of $3,000,000,000 of exports of their products, mainly to Europe. The European nations, not including Great Britain, had a slump of over 3 billions of dollars of their manufactured or industrial exports; in other words, there occurred a slump of trade between industrial Europe and the surplus-producing food and raw material countries, largely in this hemisphere, of $3,000,000,000 both ways.

That has not been normal all the way through. While we have had an increase of nearly double our exports, that has not applied to every industry. It has not applied to cotton. There was exchange to buy $3,000,000,000 worth of other goods, but a slump in cotton exports.

Now, I am, as a friend of the farmer, interested in the grower all the way through. I am interested in the grower especially as it relates to what he gets out of his cotton, and there is a tremendous question presented in connection with this export market situation relating to the major part of the cotton industry, and I will conclude this by saying that today we see a wholly unstable economic situation in Europe. There is a steady deterioration both economically and even politically. Trade, outside of armaments, is steadily becoming less sound and less profitable or desirable, and less certain in its stabilizing situation. That presumably is due to the fact that there is fighting going on over there during all of these recent years; there are almost weekly threats in speeches of rulers in a number of governments, of military aggression at any time. Capital, as I stated to you before, has been flowing out of Europe by the billions of dollars. No businessman out of the asylum is attempting to plan ahead over there except as he is obliged to. The pound is down, the franc is down, other exchanges have dropped down. There is still, as I say, a thoroughly chaotic situation over there.

This program of economic reconstruction, which is the only one that has been offered by any country or by any government, is now generally recognized throughout Europe, as it is universally approved in this hemisphere, and there are, as I said, real indications that the work of economic reconstruction and appeasement can be gradually, it is true, amidst all of these terrific difficulties, carried forward, because there is no other way out. You have the question of halting armaments over there, primarily, and arrangements for their curtailment. You have the question of economic appeasement or reconstruction. You have the question of political appeasement, with which we are not concerned, primarily, in any way.

The question of armaments, I think more or less hinges on some stabilizing of the economic situation with opportunities for it to go forward.

The amendment of Senator Bailey, as I understand it, provides for an increase of from 3 to 5 cents on imports of oils and fats in section 601, paragraph (c), subdivision (8) (A) of the act of 1932, as amended, which covers import taxes on whale oil, fish oil, and so on.

The amendment introduced by Senator Gillette on Saturday would place new import taxes at various rates on edible sesame oil, cottonseed oil, corn oil, soybean oil and their derivatives, and on derivatives of linseed oil, and it would substitute a processing tax of 3 cents per pound for the present import taxes on certain oilseeds and oils derived therefrom, such as sesame seed, sunflower seed, kapok seed, hempseed, and perilla seed; and it would provide new processing taxes of 3 cents per pound on babassu nut oil and three-tenths of 1 cent per pound on oil cake and oil meal processed from copra, palm nuts and kernels, sesame seed, sunflower seed, kapok seed, hempseed, and perilla seed.

Senator Connally's amendment would increase from 3 to 5 cents per pound, the tax imposed by section 602½ of the Revenue Act of 1934, as amended, on the first domestic processing of coconut oil, palm oil, and palm-kernel oil, and derivatives and combinations of these oils.

With reference to palm oil, I come now to some two or three of these binding provisions. I may say, Mr. Chairman, in the utterly confused and complicated trade and general economic situation, there have been practiced in rapid succession, many methods of obstructing and restricting trade by the different countries of the world, and it has become correspondingly important to stabilize the situation when it is believed that a rate is amply high, or that, since the Government has pursued a policy of keeping a thing regularly on the free list, an agreement should be entered into binding the other country not to impose quotas or exchange restrictions or tariffs or any other unfair or disturbing method of trading in that connection.

So that is one of the reasons for the introduction in a few instances of this method of binding governments to abide by the present rate. This is practiced generally in trade agreements.

So with respect to palm oil, that would conflict with this provision in the Netherlands agreement to the effect that no Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the Revenue Act of 1934 shall be imposed in the United States in respect of palm oil the production of the Netherlands or any of its overseas territory.

With respect to palm-kernel oil, Senator Connally's amendment would violate the trade agreement with the United Kingdom in which the United States guarantees that no Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the Revenue Act of 1934 shall be imposed in the United States in respect of palm-kernel oil.

Senator Bailey's proposed amendment would involve violation in certain respects of the trade agreements with Canada and the United Kingdom.

May I say that I have such a cold that I cannot talk very well—but I may say that we secured a number of agricultural concessions from the Netherlands, and the effect has been revealed to a partial extent in the trade figures since then. It was in connection with those kinds of concessions and efforts that this binding agreement was entered into, and it was believed that we were very lucky to make trading arrangements as we did with the Netherlands, especially relating to agricultural products.

I may say, Mr. Chairman, that in the badly torn up and dislocated business and industrial trade situation all over the world, we secured many concessions from countries where they had not the purchasing power to buy, no matter how badly they may be in need, but in due time, if there is a restoration of business generally, and of purchasing power, they would be able to buy in accordance with the concessions that we have secured.

Senator Bailey's proposal touches the agreements with Canada and the United Kingdom. The United States, in the agreement with Canada, granted a reduction from 3 to 1½ cents per pound in the import tax assessed under section 601 (c) (8) (A) of the Revenue Act of 1932 as amended, on shark oil, shark-liver oil, including oil produced from sharks known as dog-fish. I am not familiar with that type. [Laughter.] The duty of 20 percent imposed on these oils by the Tariff Act of 1930 (par. 52) was also reduced to 10 percent.

Also it would touch the British agreement in which we bound the import taxes on wool grease and stearic acid, and maybe one or two medical items—some kinds of drugs.

I think, if you desire me to go into the details of this any further, Mr. Chairman, I have here a brief outline, two or three friends assisted me in assembling yesterday. This relates primarily to conflicts with the trade agreements between these four countries, and I find over here near the end, the best figures that we could make.

Wool grease—the present tariff equivalent as we had it bound was 93 percent. We thought that really was a pretty well rounded rate. The ad valorem equivalent of the proposed rate, the best I can calculate it hurriedly, is 146 percent.

The question is whether those kinds of enactments in this very complicated matter will do any good to a small segment of one or two industries while virtually discrediting the whole reciprocal-trade program. Of course, if you think it ought to be terminated, that is another question; but certainly nobody is offering anything in the way of a basic plan of improving the situation, except this program.

Another part of this wool grease, containing not over 2 percent of free fatty acid and so on, we leave it at the 65 percent ad valorem equivalent, and the proposal here wounld raise it to 97 percent.

Stearic acid is another part of this. We left that at 49 percent and the proposal would raise it to 72 percent.

If I am correct in a hurried calculation, and as you know Mr. Chairman, I had very brief notice of this hearing, the more important oils in question, palm oil and palm-kernel oil, were both free of any duty or tax before 1930. Even the Smoot-Hawley Tariff maintained palm oil and denatured palm-kernel oil on the free list, imposing, however, a duty of 1 percent on edible palm-kernel oil. In the trade agreements, we bound palm oil and denatured palm-kernel oil on the free list, and reduced the duty on edible palm-kernel oil from 1 cent to one-half cent a pound, leaving the 3-cent processing tax on these oils unchanged. The ad valorem equivalent of the 3-cent processing tax based on import values in 1938 is 89 percent for palm oil and 65 percent for inedible palm-kernel oil. Edible palm-kernel oil is now subject to a processing tax of 3 cents and a tariff duty of one-half cent a pound. The combined ad valorem equivalent of these charges based on import values in 1938 is no less than 96 percent. That is the way we left that. If the proposed amendments were enacted, the ad valorem equivalent of the total taxation on imports of these oils on the basis of 1938 values, would reach the fantastic figures of 149 percent for palm oil, 108 percent for inedible palm-kernel oil, and 151 percent for edible palm-kernel oil.

Now, Mr. Chairman, it was along that sort of a level that we engaged in the practice of a few binding agreements in order to get concessions, largely for agricultural sales. I am sorry not to be in a decent enough physical condition to talk more elaborately, but I feel this way, Mr. Chairman, that we only touched a minor phase of this matter in a very minor manner and to a very slight extent, relatively speaking. That was based on the previous policies of the Government, both with respect to taxing and keeping on the free list. We have kept within the same range of economic thought and economic ideas and economic policies. I do believe that I cannot go into this matter of the entire structure of oils and fats, with the thousand and one material ramifications as to relationships, as to uses and values and all those kinds of things, and as to the differences of every two out of every three people on some of those questions. Therefore, with your permission to read this statement, I will get Dr. Sayre, who is here, to read it into the record, and I submit with all consideration to you the question whether we shall, to a large extent, maintain the serious carrying forward of this reciprocal trade policy which today is being more universally accepted in every part of the world as it is the only method for economic reconstruction. We have during recent years, when other nations, several other nations of importance and influence, have been flouting any and every kind of an agreement with other nations, and any and every kind of a treaty with other nations, we have stood out here as an upholder of the doctrine of the sanctity and the integrity of agreements between nations, and naturally it would place us in a very embarrassing situation to send notice that we entered into agreements right and left in an effort to do our part most practically in restoring the general economic situation, especially as it affects us, that we should be understood as entering into these agreements subject to change at any time, because you and I know how groups of well-meaning people will come from every direction thinking that all they need is to get some little advantage for their industry, or some segment of it, or some artificial or arbitrary duties for the time being, and the balance of the country and the balance of the world can go along as best it can.

I submit, Mr. Chairman, that this is a bad time to reintroduce that policy. My plea is that we should get a little further out of the terrifically serious, complicated, not to say dangerous, economic situation which our and other countries are in by some system that is broad and basic. If not the trade program, then let somebody submit something else of the right breadth and efficacy. At any rate, that is my plea.

I apologize again for not being able to talk to you more at length.

Senator VANDENBERG. Mr. Secretary, may I ask you just one question? What is the provision in these treaties for terminating any section of them?

Mr. HULL. The general provision, as you know, relates to 16 months' notice for the termination of an entire agreement after the initial term has expired. Ordinarily and normally, with some profound and far-reaching and deep-seated consideration relating to a given point in an agreement, if that should arise we would seek by negotiation to get the matter further reviewed, and further examined, and further agreements of some kind, but when we do that, then every other country has some complaint, or some little group of its citizens calling for another change. We are doing our level best, Mr. Chairman, to carry out the instructions and the policy of Congress on this matter. Fortunately, we have not had any general criticism of our work or of the soundness of the program. Inevitably there is an objection here and there, but that is wholly natural in the present disturbed and distressed industrial and business situation. Everybody wants relief, but nobody has the right to come in here, in my judgment, on some small matter and ask us to tear up the whole policy and practice of Congress at this time. In other words, I think they ought to weigh this, even if they are right, this small temporary advantage to them; they ought to weigh that against the entire damage to the policy that would be more or less discredited.

The CHAIRMAN. Are there any other questions of the Secretary?

Senator CONNALLY. I would like to ask one question. Mr. Secretary, you say that a great many trade agreements have been of benefit to agriculture, to the export of agricultural commodities, and particularly with the Netherlands, and so on. Is it not true, however, that all agricultural products together, the exports are less than they have been for many years?

Mr. HULL. I can not give you the exact figures, Senator.

Senator CONNALLY. Do you know, in general? I do not want to press the matter.

Mr. HULL. We have so many difficulties to contend with, that I think—well, I will relate just one temporary situation, for example. When the drought came for 2 years through the farm section, they imported quite a lot of foodstuff, and so on, and even wheat, notwithstanding most of the imports were for the farmers themselves who had to have this or let their stock starve. This whole trade program was libeled and slandered from one ocean into the other for being responsible for all of these imports. Well, of course, just as soon as they begin to catch up with their crop production, then the situation is reversed. You see, last year, where instead of considerable imports of corn during the drought, the exports had mounted to 146,000,000 bushels; the export of wheat had gone up by about 50,000 bushels, as I recall offhand.

In other words, we have had no more major objective than finding markets for agricultural products, because they needed them worse than any other industry in the country, and we have, as I say, secured many concessions in cases where lack of purchasing power under abnormal conditions does not permit them to buy.

You take the British agreement; there we procured free lard for all of the corn and hog belt. It had been shut out of Great Britain and shut out of the European markets. If I may illustrate how these things ricochet. We tax whale oil out, largely from the soap people, and immediately they send their whale oil from Scandinavia over to Germany, and Germany quit buying our lard and some of our other oils. In many instances you just displace a market somewhere for something we have got, and that is part of this study that I am talking about that is so much needed when you are going into this matter of the structure of fats and of oils for the first time. The British agreement as you know, I am sure, has a long list of concessions to agriculture. I never worked harder for 2½ years than I did to get that British agreement. I worked for 2 and 4 and 6 months to get one little commodity to be put on the free list which so carelessly along with hundreds of others, was put behind the British Empire preference wall on account of the old practice of tariff taxation which we were pursuing. That takes a little time, Mr. Chairman. I do not pretend to be an economist, but those who do tell me that it would take something like a year for a great comprehensive trade agreement like that to reveal its full effect. But we have heard nothing except favorable comment by all of the agricultural leaders who have studied it. It is true we have some who say, "Well, this agreement and other agreements are bad bargains for this country."

Well, if you go into nearly any or the countries with which we have entered into these trade agreements, you will find where their chief spokesmen for all of the reactionary elements have even more loudly complained that they got the worst of the trade agreement business. I noticed just 2 days ago where the spokesman for the conservative group in Canada, in Parliament, loudly condemned the Canadian agreement with us because we got all the best of the agreement. So you see, that on both sides in every country there is the same thing. That is unavoidable for the reason that you cannot please everybody, and you have got to look forward in the end to a basic program that is broad enough to meet the national interests in its operation. You cannot satisfy each one of us and have a situation just a little different, even temporarily.

Senator VANDENBERG. May I ask one further question? Is this involved in any way in the new Philippine bill?

Mr. HULL. I think it is. The coconut oil matter. I should have said so. I will put that in the record if I may.

The CHAIRMAN. I have a letter from the Secretary of War, also a communication from the President of the Philippines, Mr. Quezon, in opposition to Senator Connally's amendment, General Burnett, Chief of the Bureau of Insular Affairs of the War Department is also here. They are protesting that the amendment is in violation of the Philippine agreement.

Senator VANDENBERG. Do you mean the violation of the present agreement or the proposed agreement?

The CHAIRMAN. The proposed agreement, as I understand.

Is there any other question of the Secretary?

Senator BAILEY. I have a number of questions, but I am rather reluctant to proceed because the Secretary's throat is not in good condition.

Mr. HULL. Suppose I ask Dr. Sayre to read this paper, and then you may ask him questions.

Senator BAILEY. I think the matter is of very great importance, and I should like to have a chance to discuss this matter before the committee when you get well. I can see the difficulty——

Mr. HULL (interrupting). It has many important angles.

Senator BAILEY. I see that it is difficult for you to speak. I would rather continue the matter so far as the Secretary is concerned.

Senator KING. I was going to suggest that perhaps the questions which you had proposed to address to the Secretary might be with propriety addressed to Dr. Sayre and he can answer some of the questions which you wish to discuss, failing which, then as you suggest, the Secretary might reappear before the committee.

Mr. HULL. If I may inject there, Senator, I hope I made clear my view that I do not think there is any person living, in this room or in this country, who can take up this vast mass of questions and contradictions and conflicts, and conflicting decisions that are involved in this structure of oils and fats and tell the Congress just what it ought to do with it, without many months perhaps, certainly weeks or months, of very elaborate investigation. I may be wrong. For that reason I do not pretend to come over here to enlighten anybody. I am not able to myself, that immense range of technical things, and complicated and conflicting things.

Senator BAILEY. I get your point of view, Mr. Secretary, but I do not wish to burden you, in the condition of your voice, Secretary Hull.

Mr. HULL. I am awfully anxious to be of any use that I can. I would not have been here at all if I had not agreed with you that not only one segment of this vast situation is important, but that it raises many other even more important questions.

Senator BAILEY. You are adhering to this program founded upon the theory for which we all have respect, and all of us have a great deal of respect for you.

Mr. HULL. I can reciprocate.

Senator BAILEY. But now, when we get into the details of practice and effects, it is conceivable that there may be exceptions which may be brought out in the discussion. I do not want to trouble you; that is my difficulty.

Mr. HULL. If my associates can be of any aid to you, then I would let Dr. Sayre read this into the record, if the committee will listen, or get it into the record, and then ask any questions, if there are any.

Senator BAILEY. So far as I am concerned, if you just put it into the record I am going to read it.

Senator CONNALLY. I suggest that——

The CHAIRMAN (interrupting). You may place it in the record, because I am sure that the Members will read this record. It is an important question. Because this is the first revenue bill that has come over to the Senate, the usual amendments were offered to it, because the Senators could not offer them otherwise, and I feel that if any other revenue bill was coming over the interested Senators might wait and offer them at that time. This matter was gone into very fully a few years ago, and for about a week, as I recall, the committee heard testimony from every source about oils.

Senator KING. I would like to have it read, because that may cause us to have an opportunity for some discussion that otherwise we might not have.

Senator BAILEY. Mr. Chairman, before we proceed, we have some people here who are interested. You gave me the opportunity to have some witnesses notified, and I notified them. I think this series of hearings will last several days, is that not right?

The CHAIRMAN. I had hoped that they would not take too much time. I can appreciate very well that there are a great many diverse interests at stake, and I hope the gentlemen that are going to appear, and who feel that they should appear to present arguments concerning this matter, will be as brief as possible. Senator Bailey, you had some gentlemen whom you wanted to have appear before the committee, and they have been notified.

Senator BAILEY. Yes, thank you. I had the clerk notify them.

Senator CONNALLY. So did I.

Senator BAILEY. I would like to indulge the hope that the Secretary may return so that we may discuss this with him. In the meantime, I am perfectly willing to go ahead and hear Dr. Sayre.

Mr. HULL. Senator, I want to be perfectly frank. I have been going about business as usual for nearly a month now with this attack of grippe.

Senator BAILEY. We all want you to get well.

Mr. HULL. I may have to run down toward your country for a few days to get rid of it.

Senator BAILEY. If that won't cure you, nothing on earth will.

Mr. HULL. If I don't stop if I go through your State, it won't be through lack of any temptation to stop there.

Senator BAILEY. We will all be glad to have you do that.

The CHAIRMAN. What impresses me in connection with this matter is the statement that there is a clear violation of these agreements involved. That is what I want to hear about more than anything else because my people are very much interested in this amendment, but I cannot, as a Member of the Senate, vote to violate agreements that were made under a law that I helped to pass. That is the thing that I want to hear about.

Senator KING. As far as I am concerned, I want to be sure that if we should pass these amendments which have been suggested, it would not disturb other provisions of our revenue laws, and have ricochets, as the Secretary said, to grant a similar relief to others who may feel that there is some damage to some other section or segment of our economic life.

The CHAIRMAN. Mr. Sayre.

## STATEMENT OF HON. FRANCIS B. SAYRE, ASSISTANT SECRETARY OF STATE

Mr. SAYRE. Mr. Chairman and members of the committee: I will proceed to read, then, the statement which the Secretary, because of the state of his voice, is unable to read.

### MEMORANDUM ON THE AMENDMENTS TO H. R. 8790 PROPOSED BY SENATORS CONNALLY, BAILEY, AND GILLETTE

The amendment intended to be proposed by Senator Connally provides for an increase from 3 to 5 cents per pound in the tax imposed by section 602½ of the Revenue Act of 1934, as amended, on the first domestic processing of coconut oil, palm oil, and palm-kernel oil, and derivatives and combinations of these oils.

Senator Bailey's proposed amendment provides for an increase from 3 to 5 cents per pound in the import tax on the oils and fats provided for in section 601 (c) (8) (A) of the Revenue Act of 1932, as amended. This section provides for import taxes on whale oil (except sperm oil); fish oil (except cod oil, cod-liver oil, and halibut-liver oil); marine animal oil, tallow, inedible animal oils, fats, and greases; and derivatives of all of these fats and oils.

The amendment intended to be proposed by Senator Gillette would place new import taxes at various rates on edible sesame oil, cotton-seed oil, corn oil, and soybean oil, as well as their derivatives, and on derivatives of linseed oil; it would substitute a processing tax of 3 cents per pound for the present import taxes on certain oilseeds and oils derived therefrom (sesame seed, sunflower seed, kapok seed, hempseed, and perilla seed) and it would provide new processing taxes of 3 cents per pound on babassu-nut oil and of three-tenths of 1 cent per pound on oil cake and oil meal processed from copra, palm nuts and kernels, sesame seed, sunflower seed, kapok seed, hempseed, and perilla seed.

### VIOLATIONS OF INTERNATIONAL COMMITMENTS OF THE UNITED STATES

All three amendments would violate international obligations of the United States.

Senator BAILEY. On that point, if you will let me interrupt you?

Mr. SAYRE. Certainly.

Senator BAILEY. The treaties that it would violate would be the agreements that were made. The Secretary just now suggested that the agreement could be modified or revoked at 12 months' notice. Is it your view that our proper course would be to petition the State Department to modify or revoke the agreement in this particular respect, that is on fats and oils, the foreign fats and oils?

Mr. SAYRE. I think my views will become more apparent as I go on, Senator. Let me answer you now this way. I suspect the Secretary made a slip of the tongue when he said 12 months. I suspect that what he meant to say was that it is a 3-year period during which these trade agreements run. Changes in trade agreements can be made only with the agreement of the foreign country. If we secure that agreement, naturally we will have to pay some price for it; we cannot get it for nothing, because they have paid a price for the concessions which they secured from us.

Now, answering your question, therefore, it would depend upon how great a price we would have to pay to the foreign nation to induce them to give up certain concessions which they have received and paid for, so that it is not as though one could get such an modification of the agreement for nothing. You would have to pay for it, naturally.

There are provisions in those trade agreements which we call "escape clauses" which allow modifications in the event of certain conditions coming to pass, let us say the violent fluctuation in exchange rates; let us say that the chief benefits come from some third country instead of the country with which this trade agreement was made—that is a different story. We have certain escape clauses which, under exceptional conditions, will allow modifications before the end of the 3 years; but aside from those exceptional clauses, the agreements with the United Kingdom and with the Netherlands—I believe I am correct in saying—run for 3 years each and could be terminated before their expiration like any other international obligation, only with the agreement and consent of the other party.

Senator BAILEY. Then assume that we are blocked there and that we are also blocked in our power to change the agreement, would you suggest that the remedy in the event we find the agreement is working adversely to American farmers and American fishermen, is that the Congressmen should appropriate to the farmers and fishermen a bonus or subsidy to offset the damage being done them?

Mr. SAYRE. I think in the first place, sir, it is very easily demonstrable that the agreements are working to the advantage and profit of farmers and fishermen. I have something in this memorandum which I am going to read shortly, which I think will prove that.

Senator BAILEY. If you just convince the farmers and the fishermen you won't have any trouble at all.

Mr. SAYRE. That is our job, sir.

Senator CONNALLY. Mr. Secretary, right on that point, may I ask you this question? On June 12, 1934, the original Trade Agreement Act, subsection b of section 350 reads as follows:

> Every foreign-trade agreement concluded pursuant to this act shall be subject to termination upon due notice to the foreign government concerned at the end of not more than 3 years from the date on which the agreement comes into force.

What does that mean?

Mr. SAYRE. That means——

Senator CONNALLY (interposing). It does not say "not less than." It says "not more than three years."

Mr. SAYRE. It means that when the President negotiates a trade agreement with a foreign country, the congressional mandate limits him to the negotiation of a trade agreement which will run for not more than 3 years, provided, however, as the act goes on to say, that if the agreement is not then terminated by common agreement, it will continue in the future until terminated by either side upon giving 6 months' notice.

Senator CONNALLY. I do not agree with you that you have to have the foreign government's agreement, because according to that you never could change it with the foreign government if the foreign government did not want to. The purpose of this act was to allow us to terminate it upon notice.

Mr. SAYRE. At the end of the period of the duration, which is not to exceed 3 years.

Senator CONNALLY. That is right, but it does not say that you can bind us for 3 years. It says, "at the end of not more than three years."

Mr. SAYRE. It says, sir, that the agreements shall be negotiated so that their duration shall not exceed 3 years, provided, however, that at the end of 3 years they may continue in operation until denounced by either party upon giving 6 months' notice. If I might borrow the act for a moment, I will read you the act.

Senator CONNALLY. I will be glad to have you do that, and also on page 2 it states:

> The President may at any time terminate any such proclamation in whole or in part.

That is the proclamation——

Mr. SAYRE (interrupting). Yes, sir; I believe what you were reading was in section 2, paragraph b?

Senator CONNALLY. That is right.

Mr. SAYRE. The language of which says:

> Every foreign-trade agreement concluded pursuant to this Act shall be subject to termination upon due notice to the foreign government concerned at the end of not more than three years from the date on which the agreement comes into force and if not then terminated shall be subject to termination thereafter upon not more than six months' notice.

Senator CONNALLY. Do you contend that when we give that 6 months' notice, the other government has got to agree to it?

Mr. SAYRE. Yes.

Senator CONNALLY. Then there is no use in giving the notice, is there?

Mr. SAYRE. Pardon me. If that 6 months' notice is given after the termination of the 3-year period.

Senator CONNALLY. That is what I have been talking about.

Mr. SAYRE. After the agreement has run for 3 years if either party gives a 6-months' notice, either party alone may terminate that agreement.

Senator CONNALLY. Do you also contend that you have authority under this Trade Agreement Act to regulate the internal taxes of the United States?

Mr. SAYRE. No, sir; we do not so contend.

Senator CONNALLY. This is an internal tax.

Mr. SAYRE. We contend, if I may read you the language of the act——

Senator CONNALLY (interposing). And in that connection, may I ask you one other question? Do you contend that Congress has divested itself of all power to legislate on tariffs?

Mr. SAYRE. No; we do not so contend. We do contend that Congress in view of the state of the world, recognized in 1934 that the only sound tariff policy to follow is one such as was inaugurated by Congress in 1890 and again in 1897, that is to say, the policy of reciprocal tariff bargaining, which is the practicable way by which we can reduce trade barriers in foreign countries against American exports. Pursuant to that policy, I say, Congress, in 1934, did delegate to the President the authority and the power to negotiate trade agreements for the purposes which are set forth in the first section of this act, and under the limitations which the act prescribes.

Now, with respect to your other question, sir, as to whether or not we contend that under trade agreements we undertake to regulate the internal taxation of the United States—did I get your question correctly?

Senator CONNALLY. Yes.

Mr. SAYRE. The answer is: No, we do not. The President undertakes under the language of section 1 "to proclaim such modifications of existing duties and other import restrictions," and so forth "or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements."

That is, we do undertake to provide for the continuance of existing customs or excise treatment of articles covered by foreign trade agreements, and that, of course, is very different from undertaking to regulate the internal taxes of the United States, as you doubtless agree.

Senator CONNALLY. Well, if you assume that by continuance you can only provide for the same form and terms as they exist under present law, it amounts to the same thing.

Mr. SAYRE. If, sir, you are speaking of commodities, such as palm oil, coconut oil, and the like, which we do not produce in this country and which come into this country only in the form, speaking roughly, of imports, then those taxes which are equivalent to import duties, whether you call them excise taxes or what not, those exactions which in substance amount to duties, can be bound, as we say, against increase under the terms of this Trade Agreement Act.

Senator CONNALLY. You have not done any bindings on coconut oil with anybody, have you?

Mr. SAYRE. Of course, the Philippine independence——

Senator CONNALLY (interrupting). I say, you have not got any agreement with any foreign country about coconut oil or copra, have you?

Mr. SAYRE. I think not, but I would like to say——

Senator CONNALLY (interposing). But you hope so.

Mr. SAYRE. I would like to correct my assumption by an examination, sir. I will be glad to put that in the record. I think there are no trade agreements. (The duty-free status of copra was bound in the trade agreement with the United Kingdom.)

Senator CONNALLY. I am glad to find out that there is something that you have not regulated, because that is what I am interested in principally, is the coconut oil.

Mr. SAYRE. Have I answered your question?

Senator CONNALLY. You have answered it.

Mr. SAYRE. Shall I proceed, then, with the reading of the statement?

The CHAIRMAN. Yes; will you proceed?

Mr. SAYRE. All three amendments would violate international obligations of the United States.

1. With reference to palm oil, Senator Connally's amendment would violate the trade agreement with the Netherlands, in which the United States has guaranteed that—

No Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the Revenue Act of 1934 shall be imposed in the

United States in respect of palm oil the production of the Netherlands or any of its overseas territories.

This guaranty is contained in the note to an item in schedule II of the agreement which binds the duty-free status of expressed or extracted palm oil (par. 1732 of the Tariff Act of 1930).

With respect to palm-kernel oil, Senator Connally's amendment would violate the trade agreement with the United Kingdom, in which the United States guarantees that—

> No Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the Revenue Act of 1934 shall be imposed in the United States in respect of palm-kernel oil.

This guaranty is contained in a note to the item in schedule IV which provides for a reduction from 1 to one-half cent a pound in the tariff duty on edible palm-kernel oil (par. 54 of the tariff act) and is repeated in the note to another item in the same schedule which binds the duty-free status of inedible palm-kernel oil (par. 1732).

2. Senator Bailey's proposed amendment would involve violation in certain respects of the trade agreements with Canada and the United Kingdom.

In the trade agreement with Canada, the United States has granted a reduction from 3 to 1½ cents per pound in the import tax assessed under section 601 (c) (8) (A) of the Revenue Act of 1932, as amended, on shark oil, shark-liver oil, including oil produced from sharks known as dogfish. The duty of 20 percent imposed on these oils by the Tariff Act of 1930 (par. 52) was also reduced to 10 percent.

The Bailey amendment would also violate the trade agreement with the United Kingdom, in which the rates on certain of the oils and fats subject to tax under the Revenue Acts of 1934 and 1936 were bound against increase, particularly wool grease and stearic acid. The duties imposed on these products by the Tariff Act of 1930 were modified as follows in the agreement with the United Kingdom:

| Tariff act paragraph | Product | Rate changed | Agreement rate |
|---|---|---|---|
| 1 | Stearic acid, valued at more than 8 cents per pound. | 25 percent ad valorem. | 15 percent ad valorem. |
| 52 | Wool grease: | | |
| | Containing more than 2 percent of free fatty acids. | 1 cent per pound...... | ½ cent per pound. |
| | Containing 2 percent or less of free fatty acids and not suitable for medicinal use. | 2 cents per pound..... | 1 cent per pound. |
| | Suitable for medicinal use, including adeps lanae, hydrous or anhydrous. | 3 cents per pound..... | 2 cents per pound. |

The schedule of concessions by the United States (schedule IV) of the trade agreement with the United Kingdom contains a headnote in which is included the following provision:

> In the case of any article enumerated in this Schedule, which is subject on the day of the signature of this Agreement to any additional or separate ordinary customs duty, whether or not imposed under the statutory provision noted in the column at the left of the respective description of the article, such separate or additional duty shall continue in force, * * * but shall not be increased.

The import taxes provided for in section 601 (c) (8) are separate or additional ordinary customs duties within the meaning of this provision. Similar provisions have been included in other trade agreements concluded by the United States.

3. Senator Gillette's amendment provides[1] for a tax of 3 cents per pound on the first domestic processing of "oils and/or fats derived from the pulp or kernel of the fruits of any variety of the palm tree" and on oil cake or oil meal processed from palm nuts and kernels. Since the babassu nut has been claimed to be the fruit of a species of palm tree, this provision is apparently designed to place a tax on the processing of babassu nuts, the continued free entry of which was guaranteed in the trade agreement with Brazil.

Article VII of the trade agreement with Brazil, signed February 2, 1935, provides in part as follows:

> Articles the growth, produce or manufacture of the United States of America or the United States of Brazil enumerated and described in Schedules I and II, respectively, after importation into the other country, shall be exempt from any national or federal internal taxes, fees, charges or exactions other or higher than those imposed or required to be imposed by laws of the United States of Brazil and the United States of America, respectively, in effect on the day of the signature of this Agreement, subject to constitutional requirements.

Since the free entry of babassu nuts is provided for in schedule II and since no processing tax on babassu nuts was in effect at the time of the signature of the agreement, imposition of a tax on this product would violate the agreement with Brazil.

4. In addition to the above violations of trade agreements the Connally amendment in providing for an increased tax on coconut oil is directly contrary to the purpose of the Philippine Independence Act.

Senator CONNALLY. That is not under the jurisdiction of the State Department, is it? That is under the territorial committee.

Mr. SAYRE. I am not sure what you mean, Senator. As a matter of fact the trade relationships between the Philippines and the United States raised so many difficult questions——

Senator CONNALLY (interposing). That is true, but Congress through its Committee on Territories has a hand in that matter, and I do not regard it as any part of the State Department jurisdiction to tell us how to arrange matters with the Philippines. I do not see that we have asked for the State Department to advise us on the handling of the Philippines because they are not yet a foreign country.

Mr. SAYRE. I would not presume, Senator, to try to give advice to the Senate Finance Committee or to Congress——

Senator CONNALLY (interposing). We need all the advice that we can get from the proper jurisdictions, but I do not think the State Department is in charge of all of the interests of the United States.

Mr. SAYRE. You are absolutely right, Senator, and I am sorry if any other impression has been given. As a matter of fact, General Burnett, representing the War Department and the head of the Bureau of Insular Affairs, is here to testify on that. My only reason for speaking of it, Senator, is, as I started to say, because the Philippine-American trade relationships are so difficult that an interdepartmental committee was formed composed of representatives of the

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[1] It is assumed that the reference to sec. 2471 (a) of the Internal Revenue Code in sec. (c) of the amendment is an error and that the reference is intended to be to sec. 2470 (a). Sec. 2471 of the code relates to the making of tax returns.

War Department, the Departments of Agriculture, Treasury, Commerce, Navy, and State, in order to try to coordinate the viewpoint of the executive branch of the Government, and, as it chances, I happen to be the chairman of that interdepartmental committee, so that Philippine problems are close to my heart.

Might I just read this statement with regard to which General Burnett is here to testify for the War Department, as to the effect of these amendments upon the viewpoints of the Philippines?

Senator CONNALLY. Yes, go ahead.

Mr. SAYRE. 4. In addition to the above violations of trade agreements the Connally amendment, in providing for an increased tax on coconut oil, is directly contrary to the purpose of the Philippine Independence Act. This act provides for the duty-free entry into the United States of 200,000 long tons of Philippine coconut oil annually until the Philippines become independent.

At the time that the processing tax on coconut oil was enacted, the President pointed out in a message to the House of Representatives (73d Cong., 2d sess., H. Doc. 388) that the tax of 3 cents provided for in section 602½ of the Revenue Act of 1934 was inconsistent with the provision of the Philippine Independence Act mentioned above.

Senator CLARK. Congress went right ahead and passed it, didn't it?

Mr. SAYRE. It did.

Senator CLARK. I voted against it, but I remember it was passed by a very small majority.

Mr. SAYRE. You are right, sir.

The present proposal to increase the tax from 3 cents to 5 cents per pound would, of course, be still more inconsistent with the purposes of that act and would impose a still greater economic burden on the Philippine Islands. The proposed tax increase would also be inconsistent with S. 1028, a bill to modify the provisions of the Independence Act of 1934 which is now being considered by the Senate Committee on Territories and Insular Affairs.

## CONCESSIONS OBTAINED FOR AMERICAN AGRICULTURAL AND OTHER PRODUCTS

The fact that the proposed amendments to H. R. 3790 would violate certain international commitments of this country is alone sufficient reason for rejecting them. It may be presumed that the Congress would not wish to make the United States an agreement-breaking nation.

It may, however, be pointed out that the concessions in question are fully justified by the advantages secured in the agreements of which they form a part.

The proposed amendments would violate our obligations to those very countries from which we have obtained, through trade agreements, the greatest benefits for American agriculture, and I return now to the question that you are suggesting, Senator.

The most important of the agreements which would be violated is the agreement which has recently been made with the United Kingdom, which, in 1936, took about one-third of our total agricultural exports. In this agreement, the United Kingdom made commitments covering about 92 percent of our total agricultural exports to that country, which in 1936 were valued at $261,000,000. Of particular interest in connection with the proposed amendments is the complete removal of the United Kingdom import duty on lard. The United Kingdom is by far the largest foreign market for American lard. Of total American exports of lard (including neutral lard) to all countries in 1937, the United Kingdom took 55 percent, or $8,795,000. There has recently, however, been a distinct tendency in the United Kingdom to substitute other oils and fats for lard, due partly to the duty, which has now been removed, and partly to the high price of lard which resulted temporarily from the drought in this country. With the removal of the duty and the revival of American production there is every reason to hope for a revival of our lard exports to the United Kingdom, which amounted to 291,000,000 pounds in 1934.

In addition, the United Kingdom has entirely removed the duty on wheat and several other agricultural products. The duty imposed by the United Kingdom on wheat in 1932 contributed to the displacement of an enormous quantity of American wheat by wheat from the British Dominions which remained duty-free.

Another important agricultural concession granted by the United Kingdom is the increase in the quota on hams, which should permit a considerable increase in the trade above present levels. The United Kingdom has undertaken to permit the importation, duty-free, of 56,000,000 pounds of hams during the first year, and provision is made in the agreement for the possibility, under certain conditions, of future increases.

The United Kingdom has also bound cotton on the free list.

Senator CONNALLY. It has been on the free list all the time, hasn't it?

Mr. SAYRE. Yes. Binding is looking toward the future.

Senator BAILEY. But she is buying less cotton now than at any time in her history.

Mr. SAYRE. Yes; our exports of cotton have not increased——

Senator BAILEY (interrupting). They have decreased?

Mr. SAYRE. They have decreased. But on the other hand——

Senator BAILEY (interrupting). The exports of cotton of this year are the lowest in 40 years.

Mr. SAYRE. Yes; that is true, Senator. On the other hand, our exports of other agricultural goods have increased, distinctly increased.

Senator BAILEY. How can you compare $8,000,000 worth of lard, let us say, with $100,000,000 loss in cotton? I do not think it makes a great deal of progress financially.

Mr. SAYRE. Cotton is a terrific problem, and I think nobody undertakes or claims that through trade agreements the cotton problem can be solved. On the other hand, we certainly can move in the right direction, we certainly can help to build up foreign purchasing power, we certainly can help to tear down foreign-exchange restrictions and other trade barriers which are interfering with the sale of American cotton in other countries.

I agree with you that trade agreements alone constitute no final solution of the cotton problem. But the trade-agreements program does build the kind of economic foundations upon which sound progress must be built.

Senator BAILEY. Exports of cotton are moving in the opposite direction.

Mr. SAYRE. Yes; for other reasons.

Senator BAILEY. I don't know. But you are not helping cotton. Cotton is going to the bad and you are not helping cotton.

Mr. SAYRE. I am equally concerned with you, Senator, in wanting to find a way to help solve this cotton problem, which is an exceedingly difficult one.

Senator BAILEY. Cottonseed is right in the picture, and the exportation of cottonseed also is going down, and the price of cotton is going down, so that trade agreements are not helping cotton as to either.

Mr. SAYRE. If the trade agreements are helping the sale and export of cotton fiber, they are certainly helping to the extent which I suggested——

Senator BAILEY. They are helping to the extent that the exports are going down very rapidly.

Mr. SAYRE. The exports are going down—granted. But remember the conditions of the world which we are seeking to struggle against. Remember the conditions of war in certain great areas of the world.

Senator BAILEY. On that matter, and remembering the conditions with which we are dealing abroad, your argument in remembering those conditions is just as much against your trade agreements as it is for them. I do not think we can say that the trade agreements are failing because of conditions being as they are, without saying that you had better abolish your trade agreements because we see no prospect that the conditions will get better. They appear to be growing worse.

Mr. SAYRE. But, is it not possible, Senator, to believe that the trade agreements are building the foundations upon which sound progress must be laid if we are to have it? That the trade agreements may be helping to stem the tide which is adverse to the cotton growers—I am thinking, for instance, of economic nationalism, of autarchy, and so forth and so on. You, of course, are familiar with the efforts, the strenuous efforts, being made by certain foreign countries, such as Germany and such as Italy and others which I might name, toward autarchy, toward finding substitutes for cotton. Germany, for instance, has reduced her consumption of cotton, I believe, by over 500,000 bales within the last few years. Other countries are seeking the same objectives.

If we can find a method of trade liberalization which has the effect of minimizing that movement toward autarchy or economic self-sufficiency in other parts of the world, we will be building up the possibilities and the chances for increasing American exports of cotton, when other conditions permit it, and at the same time we will be increasing now as we are prepared to show, the exports of other American surplus products, agricultural and otherwise, which will help to build up a domestic market, a domestic purchasing power, so as to increase cotton consumption in the United States. And our domestic cotton markets are something that we have got to keep hammering on, I think all of us agree.

Senator BAILEY. Now, you asked me a question, if all of that was possible.

Mr. SAYRE. I beg your pardon?

Senator BAILEY. If all that was possible, if that theory was possible? It is possible, but it requires a great deal of faith on the part of a man who sees his market going down for his cotton throughout the world. The probabilities are against it. We may have the possibilities, but you are dealing with facts and all of the facts point in the opposite direction.

Mr. SAYRE. Yes; but is it not true, Senator, that as long as we see our markets increasing for other surpluses, both agricultural and industrial, then it looks as though the trade-agreements program was a very sane way of increasing foreign trade. So far as the cotton problem is concerned, which is terrifically complex and which I do not think any man alive can solve overnight—I think all of us have got to be pushing forward along different programs and different fronts to seek a method for solving it. As long, I say, as the trade-agreements program is proving effective with respect to the sale of these other surpluses and as long as it is holding things from getting worse——

Senator BAILEY. But it is not holding anything from getting worse in the case of cotton.

Mr. SAYRE. Not as far as the actual export of cotton shows statistically; but as measured by decreased trade barriers, I think it is quite demonstrable that it has had a very liberalizing influence.

Senator CLARK. Doctor, is it not true that any substantial increase in the trade in manufactured articles or other agricultural articles than cotton will inevitably be reflected in our domestic consumption of cotton, and to some extent offset the value of any exports in cotton.

Mr. SAYRE. Precisely, Senator. I think that that is very important and so often lost sight of. The Senator must have lost sight of it.

Senator BAILEY. I am not losing sight of it. The American consumption, the domestic consumption of cotton rose feebly in 1937, to approximately 8,000,000 bales, and it has dropped back now to 6,500,000, and you are not making any progress there either. I am dealing with the facts as they are.

Mr. SAYRE. Yes, sir; and looking at the facts as they are, the cotton problem is exceedingly difficult, and I think it lies within the jurisdiction of the Department of Agriculture rather than the State Department.

Senator CONNALLY. I did not interrupt you. You brought that up. You brought up cotton by saying you prevented them from putting a tariff on. It never had been done in their history and never ever dreamed of—nobody ever dreamed that they would do it.

Mr. SAYRE. But I think with the world conditions as they are, it is of value that cotton has been bound in a country which is among our leading buyers of cotton, and not only in that country, but also in some of its colonies.

Senator BAILEY. Can you tell me how the United Kingdom and especially England would proceed with its present business and set-up with a tariff on cotton?

Mr. SAYRE. They have India. England can buy its cotton from India.

Senator BAILEY. It does buy cotton from India.

Mr. SAYRE. And we want to avoid having preferences created by the United Kingdom which would displace American cotton in the English market by cotton from India.

Senator BAILEY. Doctor, are you sure you are correct on the facts? England is constantly increasing her consumption of Indian cotton.

Mr. SAYRE. Yes.

Senator BAILEY. And decreasing her consumption of American cotton. She can buy her cotton from India and is buying her cotton from India.

The CHAIRMAN. Will the Senator desist for one moment? I want to ask a question. It is evident that there are so many gentlemen here from various sections about this matter that I should like to inquire if it would be agreeable to the committee that we have a meeting this afternoon and hear as many of these gentlemen as we can over in the District of Columbia Committee room. We may have to vote in the Senate this afternoon on some matters that are coming up in connection with the national-defense bill.

Senator BAILEY. May I ask that those who are here and wish to be heard register themselves with the clerk of the committee and have everything put in order?

The CHAIRMAN. Yes; the clerk will follow that suggestion.

I did not mean for you to close right now, Dr. Sayre, but is it agreeable for you to come this afternoon at 2:30 o'clock when we shall call a hearing in the District of Columbia room? We will meet at 2:30 in the District of Columbia Committee room.

Dr. Sayre, you have not finished?

Mr. SAYRE. No. May I complete my statement this afternoon or do you want to hear other witnesses?

Chairman HARRISON. We will continue with you.

Mr. SAYRE. Then I will be over at 2:30.

(Whereupon, at 12:05, p. m., recess was taken until 2:30 p. m. of the same day in the District of Columbia Committee room at the Capitol.)

## AFTERNOON SESSION

(The hearing was resumed at 2:30 p. m. in the District of Columbia Committee room, pursuant to the taking of the recess.)

The CHAIRMAN. The committee will be in order. Dr. Sayre, will you continue?

Mr. SAYRE. Mr. Chairman and members of the committee, there were two questions which were asked this morning as to which I have secured statistics. One was the question of Senator Connally asking about the decline of agricultural exports, I believe. I have those statistics here, Senator, and I would like to read them into the record.

The fact is that agricultural exports are not declining, but are increasing. They did decline somewhat in the fiscal year 1936–37, which is doubtless what you referred to, sir; but the figures for the fiscal years from 1929 to 1938 follow:

| | |
|---|---|
| 1929-30 | $1,496,000,000 |
| 1930-31 | 1,038,000,000 |
| 1931-32 | 752,000,000 |
| 1932-33 | 590,000,000 |
| 1933-34 | 787,000,000 |
| 1934-35 | 669,000,000 |
| 1935-36 | 766,000,000 |
| 1936-37 | 733,000,000 |
| 1937-38 | 888,000,000 |

For 1936-37 they dropped to $733,000,000, which is doubtless what you adverted to, Senator; but for the fiscal year 1937-38 they increased to $888,000,000.

So that at the present moment they are decidedly on the increase.

As explanatory of farm exports under trade agreements, I should like to put into the record, if it pleases the chairman, a statement issued by the Department of Agriculture in December 1938 entitled "The Agricultural Situation." On pages 9 to 11 is a short statement of farm products under trade agreements.

The CHAIRMAN. Without objection, it will be put in the record.

(The matter referred to is as follows:)

FARM EXPORTS UNDER TRADE AGREEMENTS

In spite of the distorting effects on trade data produced by droughts, fluctuations in industrial activity, and a number of other factors during the past 4 years, available data on foreign trade in agricultural products indicate that trade agreements have substantially benefited American farmers. Agricultural exports to countries with which trade agreements were in effect by 1937 have risen many times more rapidly than those to other countries. The trade agreements have been drawn up in such a way as to prevent imports of commodities competitive with domestic farm products from disturbing American markets. The four agreements concluded during 1938, especially that with the United Kingdom, should greatly increase the extent to which farmers benefit from the trade agreements program.

The following table compares the course of our trade with trade-agreement countries to that of our trade with other countries. Agreements with the 16 countries considered separately in the table were all in effect by August 1937. Most of these agreements went into effect during 1936.

Agreements concluded during the current year are not considered because none of them has appreciably affected data for the period shown.

Exports of United States farm products to the 16 countries rose by $102,000,000 or 55 percent from the fiscal year 1935-36 (when only three of the agreements were in effect throughout the year) to the fiscal year 1937-38. Farm exports to all other countries rose by only $20,000,000 or 8 percent for the same period. In the case of nonfarm products, there was little difference between the increase in exports to trade agreement countries and that in exports to other countries.

Since our largest farm export is cotton, which did not suffer greatly from foreign trade barriers and could not, therefore, be directly benefited by trade agreements to any large degree, figures for farm exports other than cotton are significant. These are presented in the following table, where percentages of increase for exports to trade-agreement countries and non-trade-agreement countries are seen to be 108 percent and 38 percent, respectively.

More than ordinary caution must be exercised in drawing conclusions, from these figures, about the effects of trade agreements. Unusually wide fluctuations have occurred in two other factors affecting the trade. In the first place, two of the greatest droughts in our history held down farm exports and boosted competitive imports from 1935 to 1937, while bountiful harvests in 1937 and 1938 have had the reverse effect on our trade. In the second place, the effect of these ups and downs in production has been magnified by the ups and downs of general economic activity. Our short crops were marketed during years of exceptionally good general demand; so that the shortage of exportable supplies and the need for imports was even greater than would otherwise have been the case.

On the other hand, our bumper harvests were faced with low industrial production, high unemployment, and in inactive market; so that exportable surpluses mounted rapidly and imports fell to negligible proportions. Hence it is important to carry this analysis further than the general changes in trade illustrated by the foregoing tables. Such further analysis, while not conclusive, seems to support the favorable conclusions indicated by the general figures.

Of the $106,000,000 increase in our exports of farm products other than cotton to the 16 trade-agreement countries during the period under consideration, the largest part (a rise of $45,000,000, or 141 percent) was recorded for exports to Canada. Practically all of this increase occurred in items upon which Canadian duties were reduced by the terms of the trade agreement. Furthermore, expansion in the quantity of our exports to Canada of some of the leading commodities on which Canadian duty reductions were granted was proportionately much greater than the expansion of our exports of those same commodities to the rest of the world. This was true not only for some of the drought-affected commodities such as wheat and oats, which expanded by enormous percentages under the influence of 1937 crops, but also of a number of other leading items such as grapefruit and fresh apples.

These facts are especially significant because Canada's economy is closely linked to our own. Her cycle of business activity has been very similar to that in the United States and, to some extent at least, her farm production suffered from the same droughts which we experienced. Consequently, our farm trade with Canada might be expected to be distorted somewhat less by these two factors than has that with other countries.

The second largest part of the $106,000,000 increase occurred in exports of farm products other than cotton to the Netherlands, which rose by $28,000,000 or 224 percent. Here again, the increase took place in items upon which the Netherlands' duties were reduced by the terms of the trade agreement. The third largest increase occurred in exports to Belgium which rose by $19,000,000 or an increase of 208 percent. The fourth largest increase was a rise of $8,000,000 or 53 percent in our exports to Cuba.

Not all trade-agreement countries showed equally favorable results. Our farm exports to 5 of the 16 countries (Colombia, France, Haiti, Honduras, and Nicaragua) made a less favorable record than did those to non-trade-agreement countries as a whole. It is to be noticed, however, that, except for France, these are predominantly agricultural countries where farm products could not, by the very nature of international trade relations, figure prominently in the trade agreements. In the case of France, the poor showing was, of course, due to the failure of French economic activity to recover substantially from the 1932 depression.

Corroboration for the conclusions to which the above figures seem to point is found in the import statistics of the trade-agreement countries themselves. Such statistics are available from 1934 to 1937 for the most important of the 14 countries with which trade agreements were in effect in 1936. In 10 of these 11 countries, the United States proportion of total imports has risen since the conclusion of the trade agreements. The only exception is Brazil, where large sales by Germany had, until the beginning of 1938, increased its share in the Brazilian market and reduced the share of other countries, including the United States. The United States proportion of the total imports of all of the 11 countries rose steadily from 16.5 percent in 1934 to 20.1 percent in 1937.

UNITED STATES FOREIGN TRADE WITH TRADE-AGREEMENT COUNTRIES[1] AND WITH OTHER COUNTRIES

| | Year ended June 30 | | | | |
|---|---|---|---|---|---|
| | 1935-36 | 1936-37 | 1937-38[2] | Increase (+) or decrease (−), 1937-38 over 1935-36 | |
| | Million dollars | Million dollars | Million dollars | Million dollars | Percent |
| U. S. (domestic) exports— | | | | | |
| Of all commodities: | | | | | |
| To the 16 countries | 805 | 1,034 | 1,236 | +431 | +54 |
| To all other countries | 1,570 | 1,757 | 2,123 | +553 | +35 |
| Of farm products: | | | | | |
| To the 16 countries | 186 | 207 | 288 | +102 | +55 |
| To all other countries | 580 | 525 | 600 | +20 | +3 |
| United States imports (for consumption)— | | | | | |
| Of all commodities: | | | | | |
| From the 16 countries | 934 | 1,194 | 970 | +36 | +4 |
| From all other countries | 1,274 | 1,698 | 1,361 | +87 | +7 |
| Of agricultural commodities: | | | | | |
| From the 16 countries | 468 | 600 | 454 | −14 | −3 |
| From all other countries | 674 | 927 | 701 | +27 | +4 |

UNITED STATES DOMESTIC EXPORTS OF FARM PRODUCTS OTHER THAN COTTON AND COTTON LINTERS TO TRADE AGREEMENT COUNTRIES AND OTHER COUNTRIES

| | | | | | |
|---|---|---|---|---|---|
| To the 16 countries | 98 | 110 | 204 | +106 | +108 |
| To all other countries | 269 | 239 | 372 | +103 | +38 |

[1] Belgium, Brazil, Canada, Colombia, Costa Rica, Cuba, El Salvador, Finland, France, including her colonies, dependencies, and protectorates other than Morocco, Guatemala, Honduras, Haiti, Kingdom of the Netherlands, Nicaragua, Sweden and Switzerland.
[2] Preliminary.

Mr. SAYRE. You will see, according to that statement, that the farm exports of all commodities to the 16 countries with which we had trade agreements increased in 1937-38 over 1935-36 by 54 percent, whereas the increase for all commodities to all other countries, that is, to the non-trade-agreement countries, was only 35 percent. The absolute figures are also given here. And similar figures are given with respect to farm products.

The percentages are even more striking with respect to the farm products. In the case of farm products, the exports to the 16 countries with which trade agreements were made, 1937-38 over 1935-36 was 55 percent, and similarly the exports to all of the countries was only 3 percent. The figures are given here, and I will insert this statement in the record.

The CHAIRMAN. Very well.

Senator BAILEY. In that connection, you would be willing to have put into the record also the chart of the Department of Agriculture of February 30, 1935, showing the net imports of vegetable oils, that is, the imports net as compared with exports, and then the net imports of equivalents of oilseeds. That relates very much to soybeans, peanuts, and cottonseed, and shows also the net imports of animal fats, would you not?

Mr. SAYRE. Well, yes. I will be glad to have put in whatever you like.

Senator BAILEY. I will give you the figures here. The net imports of oil equivalent, of oilseed like shown here as of February 20, 1936, by this chart is 1,500,000,000 pounds. Of vegetable oils, it stands at 1,100,000,000 pounds, and the net exports of animal fats appear to be about 100,000. I am making an estimate from the chart.

Mr. SAYRE. If you like, Senator, I should like to have inserted into the record a statement of imports and exports of those fats.

Senator BAILEY. We have it there; it is in that record. I will call your attention to it and get you to put it in now, but I believe the force of your statement then would indicate that we are trying to improve the export of our farm products at the expense of the fats and oils. Do you think that is quite fair to the fishermen and the farmers?

Mr. SAYRE. I can also point to the exports of fats and oils too. That is why I was suggesting that we put into the record a statement of both the exports and the imports of both fats and oils.

Senator BAILEY. I think that I will offer all of this at the proper time and not trouble you now. I will offer this entire report. (The report referred to by Senator Bailey and entitled "The Fats and Oils Situation", prepared by the Bureau of Agricultural Economics, will be found at the end of today's testimony.)

Mr. SAYRE. Does that include exports also, sir?

Senator BAILEY. Yes; on page 10, there are the exports of fats and oils.

Mr. SAYRE. I will take your word for it, of course. I merely wanted to be sure that it covers both exports and imports.

Senator BAILEY. Here are the imports and the exports page by page, and also the prices. I am sorry to inform you that the prices of oil have been going down under these trade agreements.

Mr. SAYRE. I wonder if it is fair to attribute it to the trade agreements.

Senator BAILEY. You are attributing the gain in exports to the trade agreements. You should take both sides of it.

Mr. SAYRE. Let me make one point clear just there, Senator. I did not attribute all increases in exports to trade agreements. I think no one else does. There are too many imponderable factors, such as armament purchases, variations of prices for one reason or another, programs of autarchy, and a thousand and one other factors. Trade agreements are one of the substantial factors which I believe have led to the increase of exports. It is not the only factor, and I want to make clear that neither I nor anyone else that I know of claims that increased exports are due solely to trade agreements.

Senator BAILEY. I think you would agree that the principal agreement is the agreement with the United Kingdom, and that has not been in operation long enough to make a real test.

Mr. SAYRE. No, sir.

Senator BAILEY. How long has it been in operation?

Mr. SAYRE. Only since January 1, sir; but I think it is rather striking that the exports of lard, I am told, for the month of January 1939 are strikingly larger than those for the corresponding month of January 1938.

Senator BAILEY. Yes; but I will call your attention to the fact that notwithstanding that may be true, the prices of lard averaged more than 3 cents a pound lower in 1938 than 1937; 2 cents a pound lower than the average price. I think we are mainly concerned about prices. It does not look like we are making much progress along that line, does it?

Mr. SAYRE. I should like also, Senator, to answer the question which you asked me this morning about cotton; that is, you pointed out the noticeable decrease of American cotton exports within recent years, with which, of course, I agree with you. And the question was whether trade agreements can be blamed for that, and at least you raised the question——

Senator BAILEY (interrupting). I believe I will put it the other way. The question was could trade agreements help the matter.

Mr. SAYRE. Could trade agreements help the matter? Thank you, sir. My answer to that question is this: I think you will thoroughly agree with me that the prosperity of cotton growers is vitally dependent on exports. That is, as all of us know, normally we are dependent on the sale of over half of our cotton crop in foreign markets. I think there is no disagreement on that.

Senator BAILEY. That is agreed.

Mr. SAYRE. Second, that cotton exports depend upon foreign economic conditions; that is, you get a world which is in a bad economic situation, and you are going to have decreased cotton purchases because of the purchasing power going down. In other words, the size of our cotton exports will tend to depend vitally on the general economic condition which prevails in foreign countries.

Third, that the improvement in economic conditions abroad depends on an increase of international trade, which at present is throttled by various kinds of trade barriers, such as tariffs, exchange-control restrictions, and what not.

Fourth, that the trade-agreements program is the only practicable program in this country aimed at correcting that condition.

Senator BAILEY. I will agree with you. When you come to your word "practicable," don't you think it ought to be so practicable that it ought not to hurt the farmers who are producing oils and fats? That would be practicable. But I don't think that you should sacrifice the fishermen.

Mr. SAYRE. I agree 100 percent with you, but I would say that the trade-agreements program is demonstrably proving profitable to the farmers in the form of exports of various surpluses which must be exported. This is of particular importance in connection with these trade agreements which we are discussing, the British and Netherlands agreements. We can show, and I hope to show, in this statement which I hope to complete, by statistics in dollars and cents, just what I mean.

Senator BAILEY. Let us get right down to the point there. Assume that this is true as you state; would you be willing as representing our Government under the power of Congress to sacrifice the interests of the producers of oils and fats, farmers and fishermen, to the development of the foreign trade in other articles? Is that the policy?

Mr. SAYRE. I would not, sir. I see no reason, no justification for saying that this trade-agreement program is sacrificing them. What I mean is that so far as palm oil is concerned, the ad valorem equivalent of the existing processing tax is 89 percent. In the case of palm oil, there is no duty, but the ad valorem equivalent of the processing tax is 89 percent. With respect to edible palm-kernel oil, the ad valorem equivalent of the duty plus the processing tax is 96 percent. With respect to inedible palm-kernel oil, the ad valorem equivalent of the processing tax is 65 percent, if I have computed correctly, sir.

Now, my point is——

Senator BAILEY (interrupting). I would like to get my mind clear. You are dwelling on percentages, and they seem to be very high. Will not our percentages have to go up as the prices of money go down in the foreign countries?

Mr. SAYRE. Of course. I have been giving ad valorem equivalents, you understand, calculated on 1938 prices. As those prices vary, the ad valorem equivalents naturally vary. Of course, that is clear to you. The result of these amendments, if my calculations are correct, and I speak subject to correction, because we have had to make them very hastily, if my calculations are correct, if these three amendments are put into force the ad valorem equivalent with respect to palm oil would be raised from 89 to 149 percent and the ad valorem equivalent with respect to edible palm-kernel oil would be raised from 96 to 151 percent.

Senator BAILEY. Yes; but, now, suppose it were 1,000 percent. Your argument is about these large figures. Well, I will give you a big one; I will give you 1,000 percent. Suppose that is necessary to protect cottonseed oil and fish oil in America. The fact that it was a big percentage would not worry you. Your objective is to get a good price for the American product in our domestic market; isn't that right?

Mr. SAYRE. My objective is, as you say, to protect our agricultural and industrial interests. I agree with you. But I was saying here—with respect to inedible palm-kernel oil the percentage of ad valorem equivalent of 65 percent would be raised under these amendments to 108 percent.

Now, my answer to your question, therefore, is this: I do not see, where the emergency exists by which it is necessary to raise those duties, which are already high, to the extreme heights which I have given if it has to be done at the expense of our lard producers, of our tobacco producers, of our producers of other surpluses, which undoubtedly would be hurt if the trade-agreements program is crippled by violations of these agreements; in other words, I think we have got to face in one direction or the other direction. One direction is trying to export our surpluses. We all know that we are in this country faced with these large surpluses, which must be exported or otherwise they are thrown back onto the home markets and force down prices. The trade-agreements program, as I have been trying to suggest, is the only practicable program I know to increase these foreign markets.

Senator CONNALLY. Doctor, let me ask you right there—I do not want to break in, but I would like to ask you this: The object of your trade agreements is to export those surpluses and get a good price for them?

Mr. SAYRE. Yes.

Senator CONNALLY. Is it not just as necessary to keep the other fellow's surpluses from here that have the effect of depressing the prices of our products, as it is to get ours out into some other country? Isn't it just as important when we have a surplus here to aim to keep the other fellow's surplus from swamping us?

Mr. SAYRE. It is just as important to keep out other surpluses which have the effect of depressing our prices.

Senator CONNALLY. That is what I am talking about.

Mr. SAYRE. But with our trade-agreements program, so carefully have we framed these concessions that we are not allowing foreign imports to come in of those very highly competitive commodities which would produce injury to our domestic producers.

Senator CONNALLY. Why do you let 1,800,000,000 pounds of vegetable oil come in here? That is what the statistics show—1,800,000,000 pounds a year.

Mr. SAYRE. I submit, subject to correction—and I will have to ask the experts about that—but with regard to some of these oils, we are exporting more than we import. We must classify these oils and see which ones are being imported in excess of the exports? I suspect that you would find, if we look into that closely and study the figures, that the ones which are coming in are not coming in in a way to injure our domestic producers; because, with respect to many of these oils, as the Tariff Commission has pointed out, they are not interchangeable and each has its own uses.

For example, coconut oil has a lathering quality when used for soap making that many of these other oils do not possess. They are not interchangeable.

Now, to resume my answer, then, to Senator Bailey's question——

Senator BAILEY (interrupting). You asked me where the emergency existed. I would like to show you where the emergency exists. That is what produced this legislation and that is the very heart of the matter. The emergency exists in just this, that, notwithstanding the present tax of 3 cents, the general tax of 1936, great quantities of these foreign oils, vegetable and animal, continue to come in, and the domestic market is shared as between the Americans and the foreigners, and the price of oil is going down. That is the emergency and that is what produced this legislation. These gentlemen would not be here, and I would not have thought of introducing the legislation, except for the demand from the people. Now, I know something about the condition of the fishermen in North Carolina.

Mr. SAYRE. I am sure of it.

Senator BAILEY. I fish down there every summer. We are reduced to the point where a man down there does not get but 75 cents for 1,000 fat backs, 75 cents for a thousand fish. He cannot make a living at that. I see how they live. You have got over 300 to 400 million pounds of that oil coming in here from Japan and other countries. Those men are saying to me, "Well, Senator Bailey, you represent us. How are we going to make a living catching fish in competition with the Japanese?" I am here to say that we will make a living by preserving the American market for Americans. That is my principle. I think you will agree with that, don't you?

Mr. SAYRE. I won't agree that you can preserve the American market for the Americans if you mean thereby to diminish and hurt your market. I am all for preserving work for Americans, but what I want to do is to increase that domestic market.

Senator BAILEY. You would not starve those fishermen to do that just to increase somebody else's market?

Mr. SAYRE. No; but this is the kind of thing that I have in mind. I cannot tell about the North Carolinian fish of which you speak, but I would like to recall what happened with respect to whale oil. I remember there was a great pressure brought to bear to tax whale oil, and we did so. And what is the effect? I am informed that the effect was this, practically, that prior to the tax, Norway was selling whale oil in the United States, and after the tax, Norway was prevented from selling whale oil into the United States, so Norway turned around and looked for markets and found that the only available market is Germany, so it sells whale oil to Germany for what price it can get. The result of that is that Germany buying Norwegian whale oil buys less American oils and fats; second, the result is that Norway, in order to sell that oil to Germany, under the German barter system, is compelled to buy its goods in Germany, and begins to divert purchases from the United States over to Germany, so that for the sake of putting on that tax on whale oil, we are losing out both coming and going practically; first in the decrease of our exports of oils and fats to Germany, and second in the decrease of exports to Norway of goods which Norway instead was buying in Germany—as I say, I am speaking off the book, Senator, just to give you an example.

Senator BAILEY. I think you are all wrong. I can tell you what they did. The Norwegians got two American ships under our registry and proceeded to kill as many whales as they could and sell the whale oil right here in our market. There was not any loss in whale oil. They are operating right out here now. That is the size of that. Norway did not lose anything; she just sent her men over here, and they go and get the oil. That is the size of that whale-oil business.

Mr. SAYRE. Yes, Senator; I do not undertake to be an expert on the prices of fats and oils. Nothing is further from my thought than that, but I am advised that the prices of fats and oils have receded somewhat from their high levels reached because of the drought and the shortage of many domestic oils and fats.

Now, as to the causes of price fluctuations, and so forth, I suggest that you probably will want to ask some of the experts of the Tariff Commission or what not as to what they may wish to testify as to the causes of price fluctuations. That is outside of my province, and I do not think I ought to undertake it—to testify as to the causes of the price fluctuations with respect to the different kinds of oils.

Perhaps I had better go on and complete the statement that I started to read this morning?

Senator BROWN. Dr. Sayre, it would help me in my understanding of this question if I knew whether or not this 5-cent tax that is proposed, as I understand it, in two of these amendments, is exclusionary; in other words, will it prevent any importations of these various oils?

Mr. SAYRE. It is pretty difficult to prophesy. It will depend on what future prices are. My dislike of the proposal is that it would constitute direct violations of trade agreements and thereby some of the countries with which we have trade agreements, I fear, would decrease their imports of American goods. What the effect of these duties will be on the future movements of oils depends so much on the future prices, a matter on which one hesitates to prophesy.

Senator BROWN. Would the result be if we had a 5-cent tariff now that there would be probably no importations of these foreign oils?

Mr. SAYRE. I can only answer by saying it would mean 149-percent duty on palm oil, 151-percent duty edible palm-kernel oil, and 108-percent duty on inedible palm-kernel oil.

Senator BROWN. Those figures do not mean much to me because I do not understand the situation very well, but in your judgment, would that mean that they would practically exclude these fats and oils from the American market?

Mr. SAYRE. It would certainly very materially decrease their imports, but whether it would exclude them altogether or not depends on a lot of future factors.

Senator BROWN. It would come pretty close to it, would it not?

Mr. SAYRE. I would like to get the testimony of experts on that, because I am not an expert on oil prices. That is the work of the Tariff Commission.

Senator BROWN. I think you are an expert on tariffs.

Mr. SAYRE. No, I am not, sir; and I would like to have that question asked at the Tariff Commission, and if you like I will ask them and insert my answer in the record.

Senator BROWN. I think that would be all right, only it would help me if I knew that as we went along.

Mr. SAYRE. I will be glad to insert that answer in the record, sir. Then, Mr. Chairman, if I may resume reading the statement——

The CHAIRMAN. Senator Davis has a question to ask.

Senator DAVIS. May I ask a question?

Mr. SAYRE. Certainly.

Senator DAVIS. You stated a moment ago that the drought caused some importation into this country of these different oils.

Mr. SAYRE. That is true.

Senator DAVIS. Did not the curtailment of the production and of the farm output help that along?

Mr. SAYRE. Yes. It had disruptions, if I may call them such—it had disrupting effects all along the line. Those droughts reduced the exports of agricultural surpluses abroad because we did not have them to export.

Senator DAVIS. Did not the general farm program curtail production too?

Mr. SAYRE. That was confined only to certain commodities, of course. That would be true only within the limited number of commodities to which that was applicable.

May I then, Mr. Chairman, resume reading this statement?

Senator DAVIS. I know you were discussing lard here as one of the commodities, and one of those curtailment programs included pigs, and we killed millions of those pigs.

Mr. SAYRE. That was back in 1935.

Senator DAVIS. That is right.

Mr. SAYRE. Then came the drought, of course, of 1936, as I remember it.

Senator DAVIS. Then came the reciprocal trade agreements to send those oils, and so forth, into the country.

Mr. SAYRE. The reciprocal trade agreements came in 1934.

Senator DAVIS. I know, but they were all in effect at that time.

Senator BAILEY. I get the impression, then, that providence corroborated the acts of the administration in 1935. Providence stepped in and did the same thing in 1936. Is that the argument?

Mr. SAYRE. Is that a question? [Laughter.]

To resume, then, the reading of this statement:

The binding on cotton is of the greatest importance, since it guarantees a trade which in 1936 was valued at $34,000,000 against the imposition of any preferential duty in favor of the British colonies and dominions, such as was imposed on wheat, or any other measure of preference which would affect cotton in a similar way.

Other important agricultural concessions made by the United Kingdom are the duty reduction on rice and the duty binding on corn. Concessions were also obtained on various pork products and other meat products, fresh apples and pears, various kinds of canned fruits, fruit juices, and vegetables, and tobacco. (Imports of American tobacco in 1936 amounted to $72,000,000.)

Senator BAILEY. You understand about that, don't you? They make a business of that in order to make a profit out of our tobacco, and they have a tax of $2.50 a pound on our tobacco.

Mr. SAYRE. That is true.

Senator BAILEY. They are sticking to that.

Mr. SAYRE. Although we have a provision in the trade agreement from which we hope to secure an improvement in our tobacco situation in 1942, I believe it is.

Senator BAILEY. What is the improvement? I would like to be able to tell our people down in North Carolina.

Mr. SAYRE. I will be glad to write you a letter about that, Senator. It, in effect, is a provision in the British trade agreement which is really a red flag to prevent preferences being given for colonial tobaccos of one kind or another. We could not get a definite binding promise that they would increase imports from the United States immediately. We put it in this other way, which I will be glad to explain to you, Senator. I will be glad to write you a letter about it.

Senator BAILEY. I understand there was no change by England; no concession by England on tobacco.

Mr. SAYRE. There is none now, because the United Kingdom was bound to certain colonial areas by agreements which do not expire until, I think it is 1942.

Senator BAILEY. I would like to get the matter cleared up. I can understand the preferential agreements as between Great Britain and the several members of the commonwealth nations; but Great Britain holds dominion over India. Whatever it does with respect to India does not come within the doctrine or the purview of the most-favored-nation clause.

Mr. SAYRE. That is true.

Senator BAILEY. So we could not by any trade agreement get protection for any of our products as against England's treatment of imports from India; isn't that right?

Mr. SAYRE. No, sir; because we can get and did get in the British trade agreement an assurance that American cotton in British markets would be subject to equality of treatment, that is, that no preference should be established in the British markets for India cotton. That is a very real concession we got.

Senator BAILEY. I think so. That is all right.

Mr. SAYRE. Does that answer your question?

Senator BAILEY. Yes. I understand the question of equality with India so far as imports from England are concerned.

Mr. SAYRE. And that is the objective of all of our trade agreements. We want to protect American exports in the foreign markets, protect them against discriminatory treatment in favor of trade competitors, and we have not made a trade agreement in which we have not done that. So often trade agreements are viewed as simply bargains to reduce duties. Well, they are that, but they are a lot more besides. There is a separate bargain in them to trade equality of treatment on both sides; to prevent discrimination in markets of the one country for the exports of the other. That is of tremendous value for an exporting country, and for the United States with its tremendous export surpluses of tobacco and wheat and rice and lard and so forth and so on; continually in the trade agreements we are striving to get protection in those foreign markets—to get two things, Senator. To get first, lower trade barriers—that means duty concessions and the like—and second, to get equality of treatment—that is, protection against discrimination in favor of our competitors in those foreign markets. That second, I think, is just as important as the first, and once we begin violating the trade agreements, other countries are going to discriminate against our goods in their markets, and at once our exports fall.

Senator BAILEY. Do you really fear that England will put a tax on our cotton?

Mr. SAYRE. The danger is—and I always have to speak in a public meeting in a very restrained way about foreign countries—but the danger is that England would give to Indian cotton or the cotton of other English areas, Imperial areas, a preference over ours.

Senator CONNALLY. It never has, though, has it?

Mr. SAYRE. It never has, but conditions are fast changing in the world. This whole development throughout the world of economic self-sufficiency is something which I think has to be opposed. We see what it means in the case of Germany and in the case of Italy. As I said this morning, Germany is buying, I believe, more than 500,000 bales of cotton less than it did 3 years ago, largely because of substitutes which it is developing, and partly because of reduced consumption on the part of the German people—they are tightening the belt. This drive toward economic self-sufficiency which we see being carried on in certain countries of the world is the worst thing from the viewpoint of American exports or from national exports from any country.

If we are going to combat the increase of that trend toward economic self-sufficiency, the most practical way I know is through liberalizing of trade, reducing trade barriers, securing guarantees against discriminations, securing the promise of equality of treatment in other markets. Really it is a fight to the death throughout the world between these two great commercial policies, the one—economic self-sufficiency; and the other—increased trade in these commodities which are not highly competitive.

Senator BAILEY. Do you think you can possibly resist the tendency in the direction of economic self-sufficiency?

Mr. SAYRE. I think we already have, sir, worked powerfully to reduce it, to prevent its sweeping madly across the world. May I say that because we have the statement of close students of world economic conditions who have given that as their testimony. You get it in the Economic Committee of the League of Nations at Geneva you get it squarely spoken by the International Chamber of Commerce. We have their testimony, and we have the testimony of others. From many different sources I could adduce testimony showing that the American trade-agreements program has had a very real influence in helping to stem the tide of economic nationalism or economic self-sufficiency and, naturally, you see why. One lowers excessive trade barriers. Nobody wants to eliminate tariffs—this is not a question of free trade—but it is a question of reducing those tariffs which are excessive, which are injuring the interests of the country as a whole, and thus stimulating trade. By seeking to stimulate trade, it is not just foreign markets that we are playing for, sir, but it is domestic markets. The United States has huge domestic markets, and they are the things that we want to play for with respect to cotton particularly. If you can get, let us say—shall we say automobile producers to export $100,000,000 more of automobiles abroad, what does it mean? It means that the automobile factories will be increasing their pay rolls, employing more people, and it means also that they will be buying raw materials from all different sections of the country, iron and glass and so forth and so on, from every place from which they buy, and you will have increased pay rolls, and those increased pay rolls are what begins to build up your domestic purchasing power, and it is that domestic purchasing power that we are playing for. And when you ask me——

Senator BAILEY (interrupting). Suppose you turn around and increase the pay rolls of the farmers and the fishermen?

Mr. SAYRE. I want to increase the pay rolls of the farmers and the fishermen, too, and I think we are doing it. Certainly of the farmers. No question about it as these figures show which I want to read.

Senator LODGE. Won't the pay rolls of the automobile factories be increased just as much by selling automobiles in this country?

Mr. SAYRE. Yes; if you can by increasing your employees.

Senator LODGE. Do you think all the automobiles in this country that can be sold are being sold?

Mr. SAYRE. As many as they are able to sell.

Senator LODGE. Do you think as many people as want automobiles in this country are able to buy them?

Mr. SAYRE. It is our object to build up domestic purchasing power. The size of a domestic market varies tremendously; it goes away up some years and down other years, depending upon your factory pay rolls or on your employment and on the amount of trade activity. It is the trade activity that builds up purchasing power and that increases employment and increases pay rolls and increases domestic markets, and it is that domestic market that we are really playing for.

Senator LODGE. Is not the domestic market increased as much by selling to Americans as it is by selling to foreigners?

Mr. SAYRE. If you can sell to them; yes.

Senator LODGE. And wouldn't you rather see an American get an automobile than a foreigner get an automobile, assuming they both want them just as much?

Mr. SAYRE. I would like to see them both have them.

Senator LODGE. You do not put the American ahead of the foreigner?

Mr. SAYRE. As far as the automobile companies are concerned, I suppose it makes no difference to them whether they sell abroad or at home as long as they get that increased income which increases their pay rolls and which increases our purchasing power. So a result of the increase in the purchasing power of the workmen, let us say, in a glass factory selling to an automobile factory, the workmen in the glass factory perhaps can buy that automobile. I want both the foreigners and the Americans to have them.

Senator LODGE. You would rather see the Americans have it than the foreigners?

Mr. SAYRE. I would like to see them all get it.

Senator LODGE. You do not answer my question. But you do not have to. That is all right.

Mr. SAYRE. But from the viewpoint of the automobile factory—I do not see that it makes any difference. I want to increase that purchasing power.

Senator LODGE. From your standpoint as an American official, you think, all things being equal, you would rather see the American citizens get these comforts and these luxuries of life than to see the foreigners get them, assuming there were not enough to go around?

Mr. SAYRE. There are plenty to go around, but the only question is of purchasing power. Can they afford to buy them?

Senator DAVIS. Wouldn't you rather see the American farmer get it than the European or the Asiatic farmer?

Mr. SAYRE. From the viewpoint of comfort, of course, I would like to see Americans first.

Senator DAVIS. I am one of those who believe in the American market for Americans.

Mr. SAYRE. Yes; but I want the American farmer to develop his market, and by a good market, I mean high purchasing power.

Senator DAVIS. Let us decide here whether we will have the European or the Asiatic market take the place of the American market. And I am for the American market and the American farmer.

Mr. SAYRE. I do not think that is the issue here, Senator. If it is of interest to you, sir, I think I know what was in Mr. Lodge's mind. What was in his mind was this: If there is only one automobile to be had, would I prefer the American to ride in this automobile, the American farmer or the European farmer? I would rather have the American farmer ride, but I do not think that that gets you anywhere, because there are plenty of automobiles to go around if we had the purchasing power to buy them.

Senator KING. Is it not a fact that the more we export, whether commercial commodities or manufactured commodities, the better it is for the people of the United States, and if we can export at a profit, then there will be more money for the American manufacturer, the employee of the American manufacturer, the American farmer, and the employee of the American farmer, to buy these automobiles to which the Senator referred?

Mr. SAYRE. Precisely, Senator.

Senator KING. You are anxious, as I am, and as I think every American should be, to find as wide a market as the world will afford for all of the products, agriculture and manufactured, so that we may have trading with nations, obtaining profits and utilizing those profits for the benefit of the American consumer and the American manufacturer, and generally our whole economic service.

Mr. SAYRE. I wish I could put it as well as you have, sir.

Senator VANDENBERG. Let me ask you one question. You constantly referred to excessive tariffs?

Mr. SAYRE. Yes.

Senator VANDENBERG. Does the difference in cost of production at home and abroad have anything to do with what you believe an excessive tariff is?

Mr. SAYRE. I believe the conditions in cost of production at home and abroad are a very important and a very real factor in determining that question. Now, I would like to add the query, "What is the difference—what is this difference in the cost of production?" Take the production of casein, if you like. How can you determine what the cost of production of casein is? The dairyman raises cows, and casein is one of, if I remember correctly, 16 or 17 products which come from cows. It is awfully difficult to determine what his cost of production of casein is. Or again, in the case of agricultural products, what is the cost of production? It depends on the crops, it depends the year used as a basis, and again it depends on the differing conditions with respect to every single producer. I question whether the cost of production is a scientifically accurate conception. I question whether there is a single cost of production with respect to a very great number of commodities, if not the majority of commodities. That is, cost of production varies so tremendously throughout this country and still more so when you compare production in this country with production in foreign countries where you have fluctuating currencies and all the rest of it, that I question whether the cost of production is a sufficiently precise conception to get you very far. Now, so far as it goes, it certainly is a factor to be considered, but I think it should not be considered to the exclusion of other factors which are equally important.

Senator VANDENBERG. Conceding the difficulty in some situation in arriving at the differential, let me ask you how often you have inquired into the difference in the cost of production at home and abroad when you have reduced over a thousand tariff duties?

Mr. SAYRE. We certainly have taken that into account—I should hazard a guess, in every case.

Senator VANDENBERG. Then why is it that I am unable to get from the Tariff Commission any data whatever on the difference in the cost of production with respect to the rates you have reduced?

Mr. SAYRE. Well, of course, as I have been trying to suggest, it is exceedingly difficult to get it, to determine what is the difference in the cost of production; to determine what is the cost of production. Where you have a farm in Iowa——

Senator VANDENBERG (interrupting). Let us concede that it is difficult, but still, difficult though it be, is it not a fact that the Tariff Commission has rarely reported to your tariff-bargaining group on the difference in the cost of production when these rates have been reduced?

Mr. SAYRE. A member of the Tariff Commission has sat in on all of our interdepartmental committees framing trade agreements, that is, the Tariff Commission is right in the picture just as much as the State Department or the Agricultural Department or the Department of Commerce.

Senator VANDENBERG. Yes; but they are in on your theory of the thing, and they are not in on the old cost-of-production theory.

Mr. SAYRE. They are in under the theory laid down by the Trade Agreement Act, sir.

Senator VANDENBERG. Exactly; which has nothing to do with cost of production.

Mr. SAYRE. Which takes the cost of production as one factor, but only one of many other equally important factors. They certainly do consider differing cost of production in reaching their determination. I can assure you of that.

Senator VANDENBERG. You would not say that the cost of production was entirely ignored?

Mr. SAYRE. No; I should say emphatically it is not ignored.

Senator VANDENBERG. Would you think that any figures would be available on the differences in the cost of production in respect of any item which you have reduced?

Mr. SAYRE. I want to get your question, whether any figures are available with respect to the cost of production?

Senator VANDENBERG. Differences in the cost of production in regard to any of the various items you have reduced.

Mr. SAYRE. I wonder if that is not a question for the Tariff Commission to answer.

Senator VANDENBERG. I thought it was, but I could not get any answer, so I thought I would try you.

Mr. SAYRE. Well, I guess it is out of my jurisdiction.

Senator VANDENBERG. Well, I guess the answer is "no," then.

Mr. SAYRE. No; I do not think that is a correct guess, but I think that it is a question which must be asked of the Tariff Commission.

Senator VANDENBERG. I have done that with great futility.

Mr. SAYRE. I will be glad to ask them and find out what I can, sir.

Senator VANDENBERG. Good luck to you.

Senator BAILEY. Doctor, you referred to fluctuating currencies abroad?

Mr. SAYRE. Yes, sir.

Senator BAILEY. When you made your trade agreements, did you undertake to look forward to the reduction in those currencies?

Mr. SAYRE. To the possible fluctuations in currency especially.

Senator BAILEY. Were your agreements changed at all in that respect? Suppose, for example, the pound goes down to $3.50; have you a provision in your treaty for that?

Mr. SAYRE. Yes; we have a provision in the trade agreement to the effect that if the value of the concessions granted in the agreement are seriously and substantially impaired by reason of the fall in exchange, then either country may take steps to modify that agreement. That is a special provision which we insert in all of our trade agreements.

Senator BAILEY. And the pound has dropped and the franc has dropped and the yen has dropped?

Mr. SAYRE. True.

Senator BAILEY. And the lira has dropped. I judge you have almost come to the point now where you can ask for modification; isn't that right?

Mr. SAYRE. Let me say this, Senator. We have no trade agreement with Japan and we have no trade agreement with Italy. So far as the drop of the pound is concerned, when we made the negotiations, we knew the possibility of a drop, and in determining the concessions, determining how far we could safely go, we took into consideration the fact that there might be some drop.

Senator BAILEY. It is $4.62 now, as compared with a normal of $8.77, isn't it?

Mr. SAYRE. Not $8.77.

Senator BAILEY. I know that is the normal, but isn't it the real standard valuation when you go back to that devaluation of the pound? I am not guessing, but I got that from the New York Times yesterday.

Mr. SAYRE. I think that $4.87——

Senator BAILEY (interposing). The devalution of the pound.

Mr. SAYRE. What concerns us is the drop of the pound in relation to the dollar taking place after the signing of the trade agreement.

Senator BAILEY. You will find that is the formal statement in the New York Times yesterday. I will get it for you, if you wish to see it.

Mr. SAYRE. I thought it was $4.87.

Senator BAILEY. That is the old standard, $4.87, but the drop in the valuation of the pound and then the drop in our dollar changed the normal in terms of gold to about $8.70.

Mr. SAYRE. I will be glad to have that information.

Senator VANDENBERG. Dr. Sayre, if there were a drop, a sharp change in the international monetary values, how long would it take to achieve one of those changes in a trade agreement?

Mr. SAYRE. I have a copy of the British trade agreement here and I will just read you the provision. Article 18 of the British trade agreement, signed on November 17, 1938, reads as follows:

> If a wide variation should occur in the rate of exchange between the currencies of the United States of America and the United Kingdom, and if either High Contracting Party should consider the variation so substantial as to prejudice the industries or the commerce of the territories of that High Contracting Party, such High Contracting Party shall be free to propose negotiations for the modification of this Agreement, and if agreement is not reached within thirty days after the receipt of such proposal, the High Contracting Party making the proposal shall be free to terminate the Agreement in its entirety on giving thirty days' notice in writing to that effect.

Senator VANDENBERG. So you have virtually got a 60-day privilege?

Senator JOHNSON. Does England or India enjoy any currency advantage in trading with England? I mean, does Canada or India?

Mr. SAYRE. India, of course, employs the rupee, which is based on the English pound.

Senator JOHNSON. Do they enjoy an advantage over the United States in trading with England?

Mr. SAYRE. You see, as the pound fluctuates, the rupee fluctuates with it. They are tied together. If one goes down, if the pound goes down, the rupee goes down. I think I am correct in this. Does anybody here know? I am speaking again offhand. I speak, subject to correction, but I believe as the pound drops, the rupee drops. I believe there is a legal relationship of so many rupees to the pound. When the pound drops, the rupee drops; they are tied closely together. The dollar, of course, is not a part of that, and you can have a fluctuation there as between the dollar and the pound.

Senator JOHNSON. The answer is then that Canada and India has a currency advantage over the United States in trading with Great Britain——

Mr. SAYRE (interrupting). Not necessarily.

Senator JOHNSON (continuing). That is not equalized by your trade agreements?

Mr. SAYRE. Not necessarily. It depends. If the dollar drops in value to the pound, then we have a certain temporary advantage in exporting and securing exports to the United Kingdom and vice versa. That is, the fluctuations of currencies do affect exports and imports; slightly, particularly if the fluctuation is slight, and, of course, there are fluctuations every day, as you know.

Senator BAILEY. Senator Johnson is right. The rupee bears a constant relationship to the pound in terms of percentage, but our dollar does not bear a constant relationship, and therefore England and India do have a stabilized exchange, and as you yourself would say, a stabilized exchange makes for better trade.

Mr. SAYRE. Thank you; that is correct.

Senator KING. However, neither India nor Canada have any preferential treatment other than such as might result from the depreciation of the pound, from other states with which we have these trade agreements.

Mr. SAYRE. Well, now, I wonder whether you referred, Senator, to the Ottawa agreements?

Senator KING. Yes.

Mr. SAYRE. You will remember that following the passage of the Hawley-Smoot Act in 1930, first Canada and other countries raised the tariff walls against us. Then in 1932 the British Empire countries got together in Ottawa and they made up their minds that they would give preferences to each other in increased degree. There had been some preferences before 1932, but 1932 marks the launching out into this preference program, and increasing preferences very much. As a result of those Ottawa conferences the members of the British Empire within themselves agreed that they would give preferences for certain named goods in the markets of the others under a series of separate agreements; one, for instance, between the United Kingdom and Canada, and other between the United Kingdom and Australia, and another between the United Kingdom and New Zealand, and so forth, in a collection of different agreements which are generally known as the Ottawa agreements. The result of all of that was that certain American exports were displaced in the British markets by Empire goods which took advantage of those Ottawa preferences. Therefore, when we came to negotiate a trade agreement with Great Britain, one of the tremendous difficulties which we faced was how to overcome these preferences granted in the Ottawa agreements. That was a tremendous problem. Naturally Great Britain said, "Well, although you are talking of liberalization of trade now, how do we know that 10 years hence you will be talking liberalization of trade? How is it safe for us to abandon those Ottawa preferences which confessedly exclude American goods out of Empire markets? How is it safe for us to rely on it?"

You see what a tremendous difficulty we were up against, and that is one of the things that made it so very difficult for us to negotiate the British trade agreement. As a result of that British trade agreement there are commodities of particular importance to the United States which are guaranteed freedom from discrimination in British markets.

Senator BAILEY. There [indicating] is your sterling $8.2397 per pound [handing paper to Dr. Sayre].

Mr. SAYRE. I am not a financial expert.

Senator BAILEY. I am not either, but I read the newspaper.

Mr. SAYRE. I believe I am correct, Senator, in saying that the fall of the pound sterling since the signing of the trade agreement with relation to the American dollar has not been excessive.

Senator BAILEY. It went as low as $3.26, and then they got it up to $5, and now it is down to $4.62, and it would all depend, Mr. Secretary, on whether war broke out or not if the pound should go down, unless we use this full $2,000,000,000 that Mr. Morgenthau has. I don't know how low that pound will go in the event of war.

Mr. SAYRE. I know the pound was less than $4.85 when we signed the British trade agreement; I know that.

Now, shall I proceed?

Senator BAILEY. I believe if you get that right, the pound was $3.26 when we devalued.

Mr. SAYRE. Before we devalued?

Senator BAILEY. When we devalued.

Mr. SAYRE. Just before?

Senator BAILEY. Then it went back to about $4.90 upon our devaluation. That was wherein we corrected a very bad situation with respect to the imports into this country. That was the purpose of the devaluation, and the only justification for it, but if the foreign countries further devalue their money in terms of our dollars, they will be enabled to reduce their cost of production, whatever it may be or however it may be determined, and the base will be all the way through in terms of money, and then we would be under the necessity either of devaluing again or of lifting our tariff rates to prevent the whole world gaining an advantage over us. That is a simple proposition that we have to deal with. We can either lift the rate, excise taxes, or tariffs, or we can devalue our money. I would like to avoid devaluation further.

Mr. SAYRE. Yes; that is the reason we put that article into the British trade agreement which I read—possibly you were out of the room when I read it.

Senator KING. May I ask Senator Bailey—do you take into account the difference between the British sovereign, which is gold, the gold sovereign, and the pound?

Senator BAILEY. We deal altogether in the foreign exchange not in terms of the sovereign, but the pound. The sovereign is gold.

Senator KING. Exactly.

Senator BAILEY. That would not be worth a cent to us. We would not be allowed to keep it, so we have to deal in pounds.

Senator KING. But when we speak of pounds we must distinguish that from the sovereign.

Senator BAILEY. The whole subject of foreign exchange is in pounds and in the dollar and not in the sovereign and the dollar.

Senator KING. I understand that.

The CHAIRMAN. All right, Doctor.

Mr. SAYRE. Resuming, then, the reading of this statement:

The proposed amendments would also violate our commitments to Canada and the Netherlands. Of those trade agreements which have been in effect long enough to show statistical results, the agreements with these two countries have shown the greatest benefits to American agriculture. Of the $102,000,000 increase in agricultural exports from the fiscal year 1935–36 to the fiscal year 1937–38, the largest share, $42,000,000, was recorded for exports to Canada and the second largest, $30,000,000, was in exports to the Netherlands.

In the first trade agreement with Canada, effective January 1, 1936, tariff reductions were obtained on a long list of fresh fruits and vegetables, including citrus fruits, apples, peaches, cabbage, carrots, celery, lettuce, tomatoes, and several others; on eggs, butter, and poultry; and on corn, livestock, and pork products. In addition, a general concession (not included among the concessions listed in the schedule of the agreement) granted the intermediate rates, in place of the higher general rates previously in force, on about 125 agricultural commodities. Furthermore, a large measure of relief was secured with respect to the "arbitrary valuations" which were in force prior to the agreement. The increases in Canadian imports from the United States of certain important groups of concession items from 1935 to 1937 is shown below:

| Item | 1935 | 1937 | Increase |
|---|---|---|---|
| Fresh fruits | $5,100,000 | $7,500,000 | $2,400,000 |
| Fresh vegetables | 2,600,000 | 4,400,000 | 1,700,000 |
| Grains and grain preparations | 600,000 | 4,100,000 | 3,500,000 |
| Meats, fresh and prepared | 125,000 | 367,000 | 242,000 |

The new agreement with Canada, effective January 1, 1939, provides for further duty reductions by Canada on many of the items covered in the first agreement, and important concessions on a number of new items including rice, oats, potatoes (on which the duty is entirely removed except for 6 weeks in the summer, during which it is reduced by 50 percent), various kinds of dried fruits, fruit juices, and sirups. In addition, further improvements have been secured with respect to valuations of fruits and vegetables. There is every reason to believe that the further improvements obtained in the new agreement will permit a considerable additional increase in Canadian agricultural imports from the United States.

In addition to the important agricultural concessions obtained from Canada, mention should also be made of the industrial concessions, which have indirectly provided substantial benefits to American agriculture, since they have provided additional employment and purchasing power to our own domestic industrial population. It is entirely possible that these indirect benefits have been even more important than the direct benefits obtained through agricultural concessions.

It is inevitable, whenever such an agreement of mutual interest to both countries is made, covering such a wide range of items, that there should be opposition from particular interests, and that such opposition should find political expression in charges that the country, or the farmers, or the manufacturers, or the workers of the country, have been sold down the river. Everyone is familiar with the charges of this character which have been made in this country. It must not be forgotten that similar charges have also been made on the other side. In Canada, as Secretary Hull said this morning, for example, a leader of the opposition was recently reported to have said that Canada gives too much for too little in the new trade agreement with the United States.

The trade agreement with the Netherlands, effective February 1, 1936, which would also be violated by certain of the proposed taxes, includes commitments by the Netherlands on a number of American agricultural products. Certain of these products are listed below, together with figures showing the increase from 1935 to 1937 in imports of these products from the United States into the Netherlands.

| Item | 1935 | 1937 | Increase |
|---|---|---|---|
| Wheat and wheat flour | $1,600,000 | $9,400,000 | $7,800,000 |
| Cotton | 4,800,000 | 8,500,000 | 3,700,000 |
| Tobacco | 1,900,000 | 2,600,000 | 700,000 |
| Milled rice | 129,000 | 277,000 | 148,000 |
| Soybean cake | 7,000 | 166,000 | 159,000 |

Of particular interest in connection with the proposed amendments are the bindings by the Netherlands against increase of the duties on lard, oleo oil, grease stearin, and oleo stearin. In addition, under the general guaranties contained in the agreement, American corn is assured nondiscriminatory treatment in the Netherlands market. Although corn was not specifically included in the schedule of concessions granted by the Netherlands in the agreement, the value of Netherlands imports of American corn increased from $24,000 in 1935 to 615,000 in 1937, and amounted to approximately $9,840,000 in the first 10 months of 1938.

Mention should be also made of the Brazilian agreement, effective January 1, 1936, which would be violated by Senator Gillette's amendment. This would impose, among other things, taxes on babassu nuts and oil. A violation of this agreement with one of the most important friendly countries of this hemisphere obviously would be most unfortunate.

Concessions were obtained in the agreement with Brazil for such agricultural products as fresh apples and pears, oat flour and dried milk, and our exports of such products to Brazil have increased, in some cases substantially. For example, between 1935 and 1937 our exports to Brazil of pears increased by $200,000. However, the principal significance of this agreement to American agriculture lies in increased domestic purchasing power resulting from greatly increased exports of manufactured products on which Brazil granted concessions in the trade agreement. Our exports of passenger automobiles and truck chassis to Brazil increased from $9,500,000 in 1935 to $14,000,000 in 1937, various automobile and truck parts and accessories increased by $500,000, radio receiving sets, parts and accessories increased by over $900,000, refrigerators by $300,000, typewriters by $300,000, calculating machines by over $500,000, plows, agricultural tractors, and parts by more than $900,000, and linotypes by over $300,000. Our exports of rosin to Brazil increased during this period by $700,000.

Senator VANDENBERG. Are these increases substantially larger than comparable increases with nonagreement countries?

Mr. SAYRE. Yes, sir; we have compared the increases in exports to trade-agreement countries as compared with the increases to non-trade-agreement countries. Your question brings out what is absolutely true. Exports were increasing from 1932 until 1937 with practically all countries. The second thing is that increases were greater by and large to trade-agreement countries, than to non-trade-agreement countries, and let me say significantly greater. We have that from a great many different angles, and if you like I could put all kinds of figures bringing that out, into the record.

Senator VANDENBERG. I wish you would.

Mr. SAYRE. I will be glad to. Again I want to emphasize that none of us claim that the increases are due solely to trade agreements. They are due to a multiplicity of factors.

(The information referred to will be found at the end of Mr. Sayre's testimony.)

Senator BAILEY. Well, Doctor, is not after all the larger part of the problem to increase the imports into the United States?

Mr. SAYRE. No.

Senator BAILEY. We are selling abroad $1,200,000 more than we are buying, that is, last year. What are you doing to increase the imports into this country?

Mr. SAYRE. Of course, that means coffee and tropical products, most of which are noncompetitive with the products in this country. My whole point, Senator, is that what we ought to play for is increased domestic markets. How are we going to do that? By increasing the drive of the machinery of the production and of trade with increased trade. It means to build up a purchasing power on both sides of the ocean. Foreigners can buy more of our goods, we can buy more foreign goods, and by increasing and building up that purchasing power, you so greatly increase those domestic markets that our people can buy more from our domestic people as well as from foreigners.

To use a concrete illustration, for instance, suppose that in that case, which I was putting before, of selling more automobiles abroad, it so results that the American workers can buy 100,000 pairs of shoes which they could not afford had there been no increased purchasing power. If American factories can sell 90,000 more shoes, I do not object to 10,000 more shoes coming in from abroad.

Senator BAILEY. I thought the theory of the administration was that the South was the place where they are going to develop the sale of shoes.

Mr. SAYRE. I would like to have more shoes sold in the South, too.

The CHAIRMAN. Doctor, we have to go in to vote and we will take a recess, and be back presently.

(Whereupon, a short recess was taken, after which the hearing was resumed.)

The CHAIRMAN. The committee will come to order.

Mr. SAYRE. Resuming then the statement where I was reading, concerning the increases on our exports.

These increases, in themselves amounting to about $9,000,000, were but part of a total increase of $24,000,000 in our exports to Brazil between 1935 and 1937. In 1935 our exports to that country were valued at $52,000,000. In 1937 they were valued at more than $76,000,000.

EXTENT OF THIS GOVERNMENT'S CONCESSIONS ON FATS AND OIL

Of the more important oils in question, palm oil and palm-kernel oil were both free of any duty or tax before 1930. Even the Hawley-Smoot tariff maintained palm oil and denatured palm-kernel oil on the free list, imposing, however, a duty of 1 cent on edible palm-kernel oil. In the trade agreements we bound palm oil and denatured palm-kernel oil on the free list, and reduced the duty on edible palm-kernel oil from 1 cent to one-half cent a pound, leaving the 3-cent processing tax on these oils unchanged. The ad valorem equivalent of the 3-cent processing tax based on import values in 1938 is 89 percent for palm oil and 65 percent for inedible palm-kernel oil. Edible palm-kernel oil is now subject to a processing tax of 3 cents and a tariff duty of one-half cent a pound. The combined ad valorem equivalent of these charges based on import values in 1938 is 96 percent. If the proposed amendments were enacted the ad valorem equivalents of the total taxation on imports of these oils, on the basis of 1938 values, would reach the fantastic figures of 148 percent for palm oil, 108 percent for inedible palm-kernel oil, and 151 percent for edible palm-kernel oil.

In view of the foregoing, the binding against increase of the processing tax on these oils in the trade agreements with the United Kingdom and the Netherlands seems clearly justifiable. Since there is no domestic production of palm oil or palm-kernel oil, the tax, insofar as it relates to these oils, applies only to imported products and has precisely the same effect as an import duty. If this tax had not been bound, the ordinary tariff commitments in the agreements with respect to palm and palm-kernel oils would have provided no effective guarantee.

With respect to the oils and fats involved in the Bailey amendment, the concessions have also been extremely moderate, and have left substantial charges in effect. The tariff duties provided for in the agreements, and the import tax provided for by amendments to revenue legislation are together vastly higher than the rates provided in the Hawley-Smoot tariff. The present tariff duty and import tax on each of these oils and fats are listed below. The ad valorem equivalent of the two charges combined, calculated on the basis of 1938 import values, is listed in the fourth column and the ad valorem equivalent which would result if the Bailey amendment were enacted is listed in the fifth column.

| Item | Tariff duty | Import tax | Ad valorem equivalent | Ad valorem equivalent of proposed rates |
|---|---|---|---|---|
| Wool grease and lanolin: | | | | |
| (a) Containing over 2 percent of free fatty acid. | ½ cent per pound. | 3 cents per pound. | 93 percent.... | 146 percent. |
| (b) Containing not more than 2 percent of free fatty acid and not suitable for medicinal use. | 1 cent per pound. | .....do........ | 65 percent.... | 97 percent. |
| (c) Suitable for medicinal use.......... | 2 cents per pound. | .....do........ | 43 percent.... | 60 percent. |
| Stearic acid.................................. | 15 percent ad valorem. | .....do........ | 49 percent.... | 72 percent. |
| Shark oil and shark-liver oil................. | 10 percent ad valorem. | 1½ cents per pound. | Not available. | Not available. |

The CHAIRMAN. Let me ask you a question. If these amendments or any of them should be placed on this bill which we will consider next, probably, in the Senate, providing for reciprocal taxes on the salaries of State officers and Federal officers, and it should go to the President for signature and approval, would you object to telling the committee, if the President should call on the State Department, what would be their reaction and suggestion as to what to do in view of what has been said about the amendments violating three or four of these trade agreements, and whether the bill would be signed or be vetoed?

Mr. SAYRE. I am afraid that that is a large question, Senator. I think all I can do is to venture the opinion of my own personal self. I do not know what Secretary Hull would do.

The CHAIRMAN. Of course, I understand that.

Mr. SAYRE. I have not talked with him. I do not know what the State Department would therefore do. If you want an answer here on the basis only of my own personal reaction——

Senator GUFFEY (interposing). Give us your personal reaction.

The CHAIRMAN. You need not do it unless you want to.

Mr. SAYRE. I would just as lief, but I am afraid it would be misunderstood as being a State Department answer.

The CHAIRMAN. In view of what you have said about violating these treaties, I have got my own opinion. If you do not object to giving us your own personal opinion, I wish you would.

Mr. SAYRE. I do not object a bit. I would advise strongly against signing a bill which would violate the agreement and the honor of the United States. But please understand, that is my own personal opinion.

## RELATIONS OF THESE PROPOSALS TO GENERAL TRADE RECOVERY PROGRAM, AND TO THE INTEREST OF AGRICULTURE, INCLUDING PRODUCERS OF OILS AND FATS

The main assumption behind these tax proposals is that, by further restricting imports of the specified fats and oils into the United States, they would result in valuable benefits to domestic producers of oils and fats. Actually, however, there is ample reason to question whether that domestic producers of oils and fats would, in fact, be benefited. It seems not unlikely that the result of such measures might be just the reverse. That measures such as these are not in the broad interests of agriculture as a whole, or of the Nation generally, appears certain.

The evidence bearing upon the foregoing statement is both of a general and a specific character. The general evidence will be cited first, both because of its overwhelming importance and because it is necessary to have this evidence in mind when considering the relation of these tax proposals to the interests of specific groups of producers of oils and fats in the United States.

### CONFLICT OF PROPOSALS WITH PRESENT TRADE POLICIES

An extremely serious aspect of these proposals, apart from their outright violation of existing international commitments to which this country is now a party, is that they run directly counter to the present trade policy of the United States—a policy which is demonstrably in the interest of the entire Nation, and particularly of agriculture. The fundamental issue of policy which they raise is whether this country shall continue to go forward with its present program of reopening the channels of world trade, to the great benefit of all important branches of our economic life. These proposals operate in just the reverse direction. They would have us raise still further a tariff structure which is already high, at the very time when we are trying, with no small measure of success, to reduce excessive barriers to trade abroad and at home.

The real significance of such proposals as these is much broader than is indicated by their literal content. That they would, if adopted, be followed by similar proposals on the part of other groups is practically certain.

Senator BROWN. I do not see why you say "practically." It is certain.

Mr. SAYRE. I was going to say experienced legislators know better than anyone else that favors, or alleged favors, of this sort can rarely, if ever, be granted to one group as an exclusive privilege. When the privilege of embargo protection is granted to one industry, it cannot well be denied to others whose claims are pressed with equal zeal. Hence, the implications of these proposals from the standpoint of the maintenance and further extension of the liberal trade program to which our Government has since 1934 been committed are genuinely serious.

We ought not commit ourselves to measures of this sort without stopping to reckon with all of the probable consequences. If we do that, we are faced squarely at the outset with the facts of our past experience with the kind of tariff policy of which these proposals are a manifestation.

It was the Hawley-Smoot Act which afforded us this valuable experience. It is now generally recognized that the passage of that act was a severe blow to the economic life of our Nation, and especially to agriculture. It was a major contribution to the disastrous decline of international trade which set in at that time with such unfortunate results for all countries, including our own. On all sides trade barriers—many of them in retaliation against our own—rose to prohibitive levels, with paralyzing effects upon the economic life of the entire world. In the face of this situation American export outlets rapidly shriveled. The result was a prostration of our export industries, both agricultural and nonagricultural, which spread inevitably to other branches of our economic life and contributed greatly to the most severe depression in the history of the country.

Concretely, what does it mean?

Between 1929 and 1932 our foreign trade fell from 9.6 billion to 2.9 billion dollars. Our exports of farm products fell from 1.7 billion dollars to 662 million dollars. National income fell from 81 billion dollars to 40 billion dollars. Cash farm income fell from 10.5 billion to 4.3 billion dollars.

The way in which the embargo tariff policy represented by the Hawley-Smoot Act operated to the great direct injury of the American farmer can be readily illustrated. In that act we increased greatly the tariff duties on many products imported from Canada and other parts of the British Empire. The reply of these countries was prompt and effective. Not only did they greatly increase their tariffs on many products imported from the United States but, in addition, they moved promptly and vigorously in the direction of obtaining for themselves a larger share of the British market—our greatest agricultural market—for their products than they had previously enjoyed. Through the medium of the Ottawa agreements and other measures, they secured greatly increased preferences of their products in the British market, or long term guaranties of valuable preferences already in existence. Many of these products such as wheat and wheat flour, tobacco, lard and other pork products, fruits, and rice were of primary concern to American farmers.

The result of this whole series of tariff measures and countermeasures was that American farmers were burdened in several ways. In the first place, our access to the great British market for our farm surpluses was distinctly impaired by these new or increased preferences in favor of the British Dominions. Due in part to this and in part to other causes, the value of our exports of farm products to the United Kingdom, despite some recovery from the low depression levels, were still in 1936 at a level of $245,000,000, as compared with $445,000,000 in 1929. In the second place, our shipments of farm products to the dominions themselves declined. To Canada, for example, our exports of such products fell from an annual average of $140,000,000 in 1927–31 to $35,000,000 in 1932. Finally, it is important to note that our own market for farm products, here in the United States, suffered from the great decline which took place in our exports of nonagricultural products to the British Empire. Our total exports to Canada fell between 1929 and 1932 from around $900,000,000 to less than $250,000,000.

Senator TOWNSEND. May I ask you a question there?

Mr. SAYRE. Certainly.

Senator TOWNSEND. How do your export figures compare with the national income; that is, the index figures for the years you have given?

Mr. SAYRE. There is a rough correlation between export and import figures and employment figures and pay-roll figures. I had occasion not long ago to examine the relationship between total import figures, indexes of factory pay rolls and indexes of total employment in the United States as carried in the Federal Reserve Bulletin. I found that in every single year since the figures have been kept, imports declined when factory employment and factory pay rolls declined and, with one slight exception, imports increased in every single year in which factory employment and factory pay rolls increased.

Now, there is a rough correlation—I do not mean to suggest for a moment that one is the cause of the other—but I think it is clear that when trade is brisk, when both imports and exports are large, when the wheels of industry are turning, then you get purchasing power built up, increased domestic employment, increased pay rolls, and increased trade both of exports and imports.

Senator TOWNSEND. You have no definite comparison between the national income and the exports and imports, have you?

Mr. SAYRE. I will be glad to put that into the record, sir. It is also a striking correlation. I will be glad to put it in the record.

Senator TOWNSEND. By years. I wish you would.

Mr. SAYRE. I need hardly call to your mind, Senator, what happened following 1929, when, you remember, foreign trade fell into a dramatic decline, which, in succeeding years was slowly built up again; and almost the same thing was happening to our employment figures and to our pay-roll figures.

Senator TOWNSEND. Did not the same thing happen to the national income?

Mr. SAYRE. Yes, sir; the same thing.

Senator TOWNSEND. That is what I want.

Mr. SAYRE. The same thing. I will be very glad, Senator, to insert those figures in the record.

(The figures referred to by Dr. Sayre are shown in the following table:)

*United States employment, pay rolls, foreign trade and national income, 1919–38*

| Year | Index of factory employment [1] | Index of factory pay rolls [1] | General imports [2] | General exports [2] | Total national income [3] |
|---|---|---|---|---|---|
| | | | *Billions of dollars* | *Billions of dollars* | *Billions of dollars* |
| 1919 | 100.7 | 98.0 | 3.9 | 7.9 | n. a. |
| 1920 | 107.1 | 117.2 | 5.3 | 8.2 | n. a. |
| 1921 | 82.0 | 75.6 | 2.5 | 4.5 | n. a. |
| 1922 | 90.7 | 81.2 | 3.1 | 3.8 | n. a. |
| 1923 | 103.8 | 102.9 | 3.8 | 4.2 | n. a. |
| 1924 | 96.4 | 96.0 | 3.6 | 4.6 | n. a. |
| 1925 | 99.8 | 101.1 | 4.2 | 4.9 | n. a. |
| 1926 | 101.7 | 104.2 | 4.4 | 4.8 | n. a. |
| 1927 | 99.5 | 102.4 | 4.2 | 4.9 | n. a. |
| 1928 | 99.7 | 103.5 | 4.1 | 5.1 | n. a. |
| 1929 | 100.0 | 110.4 | 4.4 | 5.2 | 81.1 |
| 1930 | 92.4 | 89.4 | 3.1 | 3.8 | 68.3 |
| 1931 | 78.1 | 67.8 | 2.1 | 2.4 | 53.8 |
| 1932 | 66.3 | 46.7 | 1.3 | 1.6 | 40.0 |
| 1933 | 73.4 | 50.1 | 1.5 | 1.7 | 42.3 |
| 1934 | 85.7 | 64.5 | 1.7 | 2.1 | 50.1 |
| 1935 | 91.3 | 74.1 | 2.0 | 2.3 | 55.2 |
| 1936 | 97.8 | 85.6 | 2.4 | 2.5 | 63.5 |
| 1937 | 105.8 | 102.0 | 3.1 | 3.3 | 69.8 |
| 1938 | 86.8 | 77.5 | 2.0 | 3.1 | n. a. |

[1] Source: Federal Reserve Bulletin.
[2] Source: U. S. Department of Commerce, Commerce and Navigation of the United States.
[3] Source: U. S. Department of Commerce, National Income in the United States, 1929–37.

Estimates of national income have not been published by the Department of Commerce for years earlier than 1929.

To continue, then:

The greater part of this $650,000,000 trade loss was in nonagricultural products owing to the character of our trade with that country. But this very trade loss meant reduced employment in our cities and, hence, reduced purchasing power for farm products, especially products such as meat, dairy products, fruits, and vegetables.

On all counts it is clear, therefore, that American agriculture, dependent as it was, and still is, upon foreign markets for the sale of its great exportable surpluses, suffered severely for the series of developments in our trade relations with the British Empire which, to a large extent, trace directly and inescapably to the enactment of the Hawley-Smoot Act.

The trade program on which we are now engaged seeks to restore a healthy foreign trade, and it has already made marked progress in this direction. It is fundamentally in the interest of the country as a whole but particularly of agriculture that this program continue. Apart from the interests which farmers, like all others, have in the program as consumers, they have a vital stake in it as producers. As producers they have an immediate interest in any program designed to reopen market outlets for farm products at home and abroad; and that is the direction in which trade agreements operate.

New agriculture in this country is still a great surplus-producing industry. As long as this remains true it has a great direct interest in maintaining and expanding export outlets; but it also has an interest in the general prosperity of this country, in the city as well as on the farm, and what that prosperity means for the sale of farm products right here in the home market. Under such conditions, embargo tariffs can have but one result, namely, to injure, rather than help, the great majority of the farmers in this country. Of the truth of that statement our experience under the Hawley-Smoot Act was a painful demonstration.

It is extremely important that these broader implications of the pending tax proposals be fully understood. For when their full implications are understood, attempts at close statistical calculation of the benefits that it is supposed would accrue to certain groups of domestic producers of oils and fats from these proposals assume an entirely different aspect. The question which then presents itself is whether the price advantages to domestic oils and fats producers which are anticipated as a direct result of these added restrictions on imports would, if realized, prove great enough to offset the adverse effects of such measures in retarding sound and stable general recovery based upon healthy trade relations with the rest of the world.

## COMPLEXITY OF THE QUESTION

The whole question of the production and trade in oils and fats and tariff adjustments which will actually serve the interests of American producers and the national interest generally is an extremely complex one.

How, for example, will such legislation affect the interest of the cotton growers? It is apparently assumed that the increased taxes on imports of certain of these oils would, by increasing prices of cottonseed oil, redound to the benefit of the cotton growers. But is this true? In this connection these are two main questions to consider, First, how much, if at all, would these new restrictions on imports increase the price of cottonseed oil? Second, insofar as they did increase the price of cottonseed oil, how far would the benefits to the cotton grower be offset by the unfavorable effects and implications of these proposals from the standpoint of returns received from the sale of cotton fiber? No final attempt need be made here to pass upon either of these questions. Both should receive careful study. Enough information is available, however, to raise genuine doubts.

To save the time of the committee, Mr. Chairman, I suggest that I incorporate in the record if I may, a brief statement raising questions similar to this with respect to the effect of passing these amendments upon livestock producers, upon the dairy industry and upon the hog growers. I think in order to save time, I had better ask to have them incorporated in the record.

The CHAIRMAN. Without objection, they will be incorporated in the record.

Senator BAILEY. Are you going to put something in there about the fishermen, too? The fishing industry is very important.

Mr. SAYRE. Yes, sir; it is.

Senator BAILEY. I want you to put in a chapter as to how this will help the fishermen.

Mr. SAYRE. I will do my best. Does it have to have your approval?

Senator BAILEY. I just want you to put it in.

Mr. SAYRE. I just want to know whether I can put something in which will meet with your approval.

Senator BAILEY. When you show how it helps them, I will be satisfied.

Mr. SAYRE. I want to help the fisherman, too; I really am.

Senator BAILEY. North Carolina, I think, sold 385,000,000 pounds of fat backs last year, and that supports a great lot of people up and down the coast, and I am very much interested in keeping them Democratic. They told me years ago that they voted the State ticket Democratic and nationally they voted Republican, because they always noted that the price of fish was higher when you had a Republican President. [Laughter.]

Mr. SAYRE. I will do my best for the North Carolina fishermen.

Senator BAILEY. They may be wrong about that, but that is what they told me.

Mr. SAYRE. I will do my best.

(The statement referred to by Dr. Sayre is as follows:)

With regard to the effects upon prices of cottonseed, it should be borne in mind that, for edible oils and fats as a whole, the United States in normal years is on a distinctly export basis, chiefly owing to its large surplus production of lard. Moreover, the available surplus of edible oils and fats may be expected to increase markedly during the next year or two in consequence of increased lard production in this country as the effects of the 1936 drought upon hog numbers and lard production continue to recede. On the other hand, imports of oils and fats which might compete to any great degree with edible domestic oils and fats have already been largely excluded from the American market by the taxes already in effect. Further additions to these taxes can have no very significant direct effect upon domestic supplies of edible oils and fats; whereas they will raise new obstacles to the export of lard to which further reference will be made below in connection with lard.

The net of this situation is, therefore, that these proposals might well have the effect of aggravating rather than alleviating the surplus situation in this country as regards edible oils and fats. Under such conditions it is by no means certain that the price of cottonseed oil would be increased significantly, if at all.

Suppose, however, that the price of cottonseed oil were increased. Does it follow that the cotton grower would be better off, when all the effects of these tax proposals are taken into account? This would appear to be a matter of real doubt. Receipts from the sale of cottonseed represent a relatively small part of the returns received by the cotton grower for his cotton crop. During the 10-year period of 1920–29 they averaged 9.1 percent of the grower's total income from the sale of cotton fiber and cottonseed. In recent years the ratio has been somewhat higher, ranging from 12.1 percent in 1934 to 15.6 percent in 1936. In 1938 it was 13.7 percent.

If everything else remained exactly the same, any substantial addition to the price of cottonseed would, of course, be of material benefit to the grower. But everything else does not remain the same when proposals like those under consideration are enacted. As already explained, their effect is to retard and hamper a general trade program which seeks to reopen export outlets for our farm and factory surpluses generally, including outlets for raw cotton; and it would require but a very slight adverse effect upon the price of cotton to wipe out entirely any benefits which the growers might receive through increased prices of cottonseed.

This raises at once, then, the question of whether prices of cotton would be affected. On this point there is enough evidence to indicate pretty clearly that the trade-agreements program does tend—other things being equal—to increase the demand for cotton. The demand is strengthened in several ways. To begin with the properity of the cotton industry in this country is intimately associated with general world prosperity which, in turn, is dependent in a large degree upon a healthy flow of international trade. Studies have been made which indicate that a 10-point rise or fall in the average world index of industrial production normally tends to cause a rise or fall of about 2 cents a pound in the price of American cotton. If the per capita cotton textile consumption of the world as a whole increased to a point where it was equal to the average per capita consumption of the present population of western Europe, some 40 million bales of cotton a year would be required for piece goods alone, instead of the present consumption of 26 million bales to cover all uses of world consumption.

In the second place trade agreements do help to promote cotton exports both by increasing foreign purchasing power for American cotton and other products and by working toward the removal of trade barriers other than tariffs which have heretofore impeded the flow of cotton into certain importing countries. The first of these points is self-evident. As to the second, it needs to be explained that in such countries as Germany and Italy, exchange restrictions and other measures associated with economic nationalism have greatly reduced cotton consumption relative to other fibers. Between the fiscal years 1933–34 and 1937–38 German cotton consumption declined for example, by over 500,000 bales. That is what happened under autarchy. The gradual unblocking of the channels of world trade, and in particular the abadonment of highly restrictive and abnormal trade-control devices such as prevail in these very countries, is genuinely important to the American cotton grower. The trade-agreements program operates in that direction.

Finally, it needs to be noted that the reopening of trade channels means something also from the standpoint of sales of American cotton in the domestic market. Some 6 or 7 million bales of domestic cotton are normally consumed in the United States. Experience has shown that fluctuations in the mill demand for cotton within the United States are highly important to the cotton grower, and that the main factor governing mill demand is the general state of business activity and employment. Cotton consumption in the United States fluctuates up and down with general industrial activity. The relationship between a healthy foreign trade and domestic prosperity is vital in this connection.

In view of the foregoing considerations it would seem entirely fair to ask whether, as a result of the unfavorable effects upon trade as a whole which would result from the proposals under consideration, the cotton grower might not be a net loser rather than a net gainer. Considering that some 85 to 90 percent of his receipts from his cotton crop come from cotton fiber rather than cottonseed, such might very well be the result.

A second domestic group concerned with these proposals is the livestock producers. Their interest arises from the relation of these proposals to tallow. There is a question as to how far these additional taxes would increase the prices of domestic tallow and greases. Certain of the imported oils affected which are used for soap, notably coconut oil and palm-kernel oil, contain ingredients which make them essential for the production of soaps of a high-lathering quality. Others, such as whale oil and palm oil, are more or less directly competitive with tallow. To some extent the incidence of the taxes would surely fall upon the foreign producers; so that for this and possibly additional reasons, the price of tallow might increase much less than the amount of the proposed additional taxes on the related imported oils.

Even if the price of tallow increased by 2 cents a pound (the full amount of the proposed tax increases on the oils here chiefly involved), this would mean, on a 1,000-pound steer (containing about 70 pounds of inedible tallow) an addition of only $1.40 to the price of the animal, and it is unlikely that the producer would get the whole amount. As against this, it would be necessary to bear in mind the adverse effects of legislation such as that here under consideration upon the domestic and foreign market outlets, for meat. The cattleman would be adversely affected by the reduced domestic buying power for beef, and also by the reduced export outlets for hog products as bearing upon the interrelation of beef and pork prices.

A third group which might possibly expect to be benefited by these restrictions is the dairy industry. That dairymen would, however, really benefit seems highly unlikely. Further restriction of imports of oils and fats would have little effect upon production of oleomargarine in this country. It could only lead to further use of domestic ingredients in margarine—a tendency which has already been greatly encouraged in existing oils and fats legislation. So far as competition of oleomargarine with butter is concerned, there would be no material effect. The amount of margarine produced would tend to increase or diminish as butter prices in this country rose or fell, and the increased taxes on imported ingredients for making margarine would have virtually no effect. On the other hand, dairy producers would suffer from the generally unfavorable effects of a restrictive trade program upon the domestic market for dairy products. While the relation of these proposals to the interests of the dairy industry should be further investigated, this is the way the matter appears on the basis of a preliminary analysis.

To one decidedly important domestic group, producing the raw product from which fats are obtained; that is, the hog producers, is it not likely that the results of these proposed measures, if adopted, would be definitely injurious? Here the question turns on their relationship to lard. Lard is on a heavy export basis. Some of the foreign countries which would be adversely affected by these new restrictions are leading export outlets for our lard, among them the United Kingdom, our greatest export outlet.

Certainly, the exclusion of these imported oils and fats would tend to increase the pressure of such foreign surpluses upon our lard export markets and thus to raise an added obstacle to the profitable export of American lard. The price of our lard in export markets is controlling, so far as domestic lard prices are concerned. So far as sales in the domestic market are concerned, any tendency of these taxes to increase the domestic demand for lard might well be much more than offset by the unfavorable general effects upon buying power of consumers in the United States.

Another group which apparently is intended to benefit by increasing the excise taxes on imported fats and oils is the domestic producers of fish oils, such as those in the menhaden industry of Carteret and Brunswick Counties, N. C. A question may be raised whether these groups would in fact benefit as a result of the proposed tax increases.

The most important product of the menhaden fisheries is menhaden scrap and meal, which are used primarily in poultry, cattle, and hog feeds and in fertilizers. In 1936 the value of the United States production of menhaden meal and scrap was about $3,021,000, while that of menhaden oil was $1,240,000. In 1937 North Carolina produced about one-third by value of United States production of menhaden oil. Thus the major product of menhaden fisheries (meal and scrap) would receive no benefit from these proposals. On the contrary, they might suffer a loss if the demand at home and abroad for American fertilizers and farm products were curtailed as a result of this measure.

A question may also be raised as to whether the price for menhaden oil would be appreciably affected. Production of menhaden oil amounts to less than one-half of 1 percent of domestic production of all fats and oils and is used chiefly in the manufacture of soaps and paints. Since the excise tax proposals are primarily on soap oils, a price increase would be dependent upon increased demand for menhaden oil from these industries. It is probable that soap manufacturers would continue to use coconut and palm-kernel oils for their lathering qualities.

EXAMINATION BY EXPERTS NECESSARY

In view of the questions presented by the proposed legislation and the highly technical nature of the subject under consideration, would it not be the part of wisdom to take action in this matter only after competent Government experts have examined the subject fully and have submitted a full report thereon. In this as in other instances in which tariff action is proposed in Congress, it would seem highly desirable to insure that measures would actually benefit those in whose behalf they are proposed without injury to other important interests. It is suggested, therefore, that all proposals of this kind for changes in taxes on imported goods be referred to the Tariff Commission for full study and report before any action is taken.

Mr. SAYRE. Just one last thing in answer to Senator Bailey's question about the pound. Senator Bailey, you remember you showed me the statement in the New York Times——

Senator BAILEY (interrupting). Showing that the pound was $8.23.

Mr. SAYRE. Yes. And may I explain that? I asked several of my friends while you were out of the room, about that. The statement in the paper is to this effect, "Sterling are $8.2397 per pound."

Senator BAILEY. You will notice that goes all through the Empire.

Mr. SAYRE. Yes. I am informed that that is the present value in United States dollars of the gold content of the old British sovereign, that is, the gold sovereign. Of course, we have a devaluation of the dollar. This is the value of the gold content in the old British sovereign not devalued. I think that is the explanation of it.

Senator BAILEY. That may be, but that was the normal; that is what I am getting at. That was the old normal. Wasn't it $4.87 until all of these transactions took place, and then it jumped to $8.23?

Mr. SAYRE. The normal in devalued American dollars? The current exchange rate for the British pound is approximately $4.69.

Senator BAILEY. I think that is the explanation.

Senator RADCLIFFE. What are the provisions in the agreements as to changes as to specific items?

Mr. SAYRE. You mean how do these proposed amendments violate the trade agreements?

Senator RADCLIFFE. No. If you wanted to change a trade agreement how would you do it in regard to any particular article?

Mr. SAYRE. As we were saying this morning, Senator, these are binding international agreements. The duration of these agreements under the Trade Agreement Act is for a period not to exceed 3 years. Both the British and the Netherlands agreements, which we have been discussing were negotiated for a duration of 3 years. Those agreements contained certain escape clauses which can be invoked if certain things happen.

Senator CONNALLY. Would you mind showing me one of those escape clauses?

Mr. SAYRE. I will be glad to. In the British agreement I will point to the article which I read this afternoon, article 18. Shall I read it to you or show it to you?

Senator CONNALLY. Just let me have it.

Mr. SAYRE. Certainly. [Handing paper to Senator Connally.]

Senator RADCLIFFE. What has been your experience in regard to these escape clauses? How often have they been invoked?

Mr. SAYRE. They have not been invoked. We put them in out of an abundance of caution. We put them in so that we would be safeguarded if the unexpected should happen. As I say, those escape clauses are dependent upon certain exceptional things happening. One is a violent variation in the exchange; another escape clause relates to the situation which would arise if the imports of a commodity on which we have given a concession in country A should increase tremendously from country B, so country A would not be getting the benefit. Then we could modify that particular concession.

Apart from those escape clauses dependent on special conditions, the trade agreements have a duration of not to exceed 3 years. The British and the Netherlands are both for the duration of 3 years, with the provision that they will continue in force thereafter until denounced by either party upon giving 6 months' notice to the other.

Senator RADCLIFFE. None of the agreements have so far been modified as to any specific article?

Mr. SAYRE. That is true, sir; I think I am correct in saying that. I know that the escape clauses have never been invoked. The reason, of course, in that we have not wanted to give up the advantages that we have derived from these agreements. We were speaking this afternoon—I am not sure whether you were here—of the American cotton on the British market. We are protected there against discriminations in favor of Indian cotton. We do not want England to notify us a month hence that that is all off. International obligations are binding on both sides, and they are, we believe, of such profit to American exports that we would not terminate them before 3 years if we could.

Senator BAILEY. Doctor, I think you are under some misapprehension about our prospects of selling cotton in Great Britain, and if you will let me, I will just read into the record here a statement from the New York Times of last Sunday, March 5, in view of the visit here of a commission of representatives of the Lancashire interests. Let us see what they say: "The Lancashire textile industry as Great Britain's No. 1 economic problem."

I am glad the South is not the only one.

Mr. SAYRE. Some other countries have No. 1 problems.

Senator BAILEY (reading):

The British Government and the spinners are said to be taking steps to correct the situation in a practical way. It is reported that plans are under way for changing over the Lancashire cotton-spinning mills to process grades other than those from the United States. If this should be adopted it would mean virtual abandonment of the hope of the United States growers of recovering the British market for raw cotton except on disadvantageous terms. Reports in the cotton trade last week were to the effect that one group of Lancashire mills virtually had agreed on the expenditure of £500,000 for new plants. Information in the trade here is that foreign spinners favor the United States cotton at a comparable price or even at a small premium. However, it is said that the desirable qualities are not available today at any price because they are tied up in the Government loan—

And so forth.

And here is the record of consumption, and without going through a lot of figures, I wish to ask for leave to put in here this statement.

Taking 1923 and running through 1936 and 1938, it shows that we have lost more cotton trade in England and the British Empire than in any other country. I will give you the figures for this season. Great Britain's consumption this season to date, which is since August 1, 368,933 bales, as compared with the same period last year, 1,360,215. No other country has dropped—and sometimes we have something to say against Japan, but Japan's consumption—we have no trade agreement with her, and this season to date it is 648,000 as compared with last year in the same period of 369,000. I believe, in view of that, it might pay us to make a little agreement with Japan and see if England has done no better than that, maybe Japan would do much better. I think we can argue it that way.

Mr. SAYRE. I am glad you brought up that matter, Senator, because I think it does need clarification. There are two things we can say; one, a specific answer, and another a more general consideration.

In the first place, part of the decrease in the British purchases of American cotton was due to the fact that the Japanese textile mills were taking more and more American cotton and selling Japanese textiles in different markets of the world thereby displacing British textiles; in other words, whereas before Japan came into the picture, Great Britain was the country which was processing American cotton and selling it in the form of textiles throughout the world markets, after 1929 there was a growing movement which showed Japan taking away much of that trade from Great Britain and Japan therefore was purchasing more and more American cotton until, you remember, Japan became our largest customer in one year.

Senator BAILEY. I think I can get that exactly like it was. The losses in the sales of our cotton to Great Britain was equaled by the gain in the sales of cotton to Japan.

Mr. SAYRE. I would not say it was equaled necessarily, but was certainly offset.

Senator BAILEY. It was about the same.

Mr. SAYRE. Now, in conjunction with the hostilities in China, Japan has been unable to carry on her textile industry operating at the same rate as before the war, and the natural consequence has been a falling off of Japanese purchases of American cotton. Whether or not England will be able to regain anything like her former dominance in that field is still open to question.

Senator BAILEY. My point was that in the trade agreements, I do not think you have any ground for hope that you will increase the purchases of cotton from the South. I do not think the trade agreements will bring that about.

Mr. SAYRE. So far as that specific explanation is concerned, it concerns matters lying outside of the sphere of the American trade agreements. The struggle between British and Japanese textile manufacturers to sell their textiles in the world markets is something over which, naturally, American trade agreements cannot exercise control.

The other part of my answer to you, as to where trade agreements come in, is this: I think the instance which you have pointed out, which is the most interesting one, is an instance of this movement of which I was speaking this morning and later, early this afternoon, toward economic self-sufficiency. Powerful forces are pushing a number of countries toward policies of self-sufficiency. We get something of the echoes of that same movement even here in this country, that movement toward economic self-sufficiency.

The point I make, Senator, is this—that there is no program which is proving more powerful in countering that movement toward economic self-sufficiency than this program of reducing trade barriers and maintaining equality of treatment for exports in foreign markets by means of reciprocal trade agreements. We have the statement of scores of people who ought to know what is happening in the world, through committees of the International Chamber of Commerce, the Economic Committee of the League of Nations and so forth and so on, all of whom seem to agree that the American trade-agreements program is doing more to counter that movement toward economic self-sufficiency than any other single program.

Senator BAILEY. Right on that point, what is the objection to economic self-sufficiency? Just suppose this country is practically self-sufficient, don't we like that? Isn't that a good thing for us?

Mr. SAYRE. I think it is a splendid thing if we, without injuring our producers, could be independent of all foreign countries; I think it would be splendid.

Senator BAILEY. I might remind you that North Carolina, in 1928 when Governor Gardner was Governor and saw this depression coming, he sounded the keynote "Live at home," and we have been living at home, and we have caused this Government to expand less, we have cost this Government less in this depression per capita than any State in the Union. Isn't that "live at home" idea right?

Mr. SAYRE. Senator, I think there is a great deal to be said, theoretically, for the idea of a country being independent of economic conditions in foreign countries, and of trade movements in foreign countries over which it has no control. I think it is ideal theoretically. But practically, what are we up against? Here in this country, as all of us know, we are dependent on foreign markets for the sale of, normally, over half of our cotton. Now, we cut off all foreign imports. Well, cutting off imports virtually means cutting off exports eventually. We cannot have one without the other. If you cut off all foreign imports and foreign exports, what is going to happen to the millions of cotton farmers in the South; what is going to happen to all of the acreage——

Senator BAILEY (interrupting). Two million cotton farmers and ten million people dependent on those farms.

Mr. SAYRE. Quite.

Senator BAILEY. That is the full statement of that.

Mr. SAYRE. Yes; what is going to happen to those 10,000,000 people? What is going to happen to that huge population of the South indirectly dependent on cotton? I am told that over half of the people in the South are either directly or indirectly dependent on cotton. We cut off those foreign markets, and what is going to happen? Put them into other crops? Put them into stock raising?

At once the Middle Western people say "We are trying to sell a surplus of hog products, and a surplus of corn, and surpluses of other things. If you of the South are going to go into stock raising, you are going to tie up the economics of the country into a double knot that never can be unraveled."

Senator CONNALLY. What else can we do? We are starving to death and we want a little tax on our cottonseed oil to compete with some of the other places. You folks say we cannot have it and we have got to raise cattle; we have got to do it.

Mr. SAYRE. That is just my point. If you cut off the cotton market of the South, what is going to happen?

Senator CONNALLY. It is already cut off, a large share of it.

Mr. SAYRE. That is the objection——

Senator BAILEY (interrupting). Aren't you in a little deep water in that argument?

Mr. SAYRE. Isn't that the objection to the theory of the United States being self-sufficient?

Senator RADCLIFFE. Dr. Sayre, wouldn't you say, as a historian, that almost inevitably the nations that have prospered are nations that have engaged in foreign trade?

Mr. SAYRE. I am not a historian, but I think that is true. I think that those nations which have carried on world trade have been the areas which you might call the civilization centers. I am thinking of the ancient Phoenicians, the Romans, the Mediterranean merchants. When we came to settle this country, the Atlantic seaboard and later the Gulf ports and the Pacific seacoast were. I believe that is true that with trade goes civilization. If you cut off trade, you isolate a nation, and you get into a backwash, and go backward instead of forward. That raises all kinds of large issues, but I think it is connected with your question.

Senator BAILEY. You have moved from cotton out into the field of moral philosophy and you can say anything you wish now.

Mr. SAYRE. Now, we cannot, in this practical day and age, be self-sufficient. You cannot make an automobile without drawing on the products of 20 different countries; you cannot make a radio or telephone without drawing on the products of innumerable countries. We would like to build, perhaps, Chinese walls, but in this day and generation it cannot be done, and I think the outstanding example is Germany. If ever there was a country that tried in the hardest way to become economically self-sufficient, it was Germany, and what is Germany doing today?

Senator BAILEY. Her ambition now is to be self-sufficient.

Mr. SAYRE. Is it? Is she not making no end of effort to increase her exports? Is she not finding that because of her inability to export, she is being shackled in a thousand different ways?

Senator BAILEY. Mr. Hitler wishes an export trade. He says so. He has made the statement recently that Germany must export or die.

Mr. SAYRE. Germany must export if she is going to live. If ever there was a nation——

Senator BAILEY (interrupting). At the same time, Mr. Hitler is trying to build up in Germany and even to take in territory—that is presumably—I am not going to get you into this.

Mr. SAYRE. Please leave me out of this.

Senator BAILEY. But I will say that we read in the papers—I can put it that way—that he is even trying to get territory which will enable the German Empire to be more self-sufficient than it is. Now, I need not imagine any country; we read that every day. I am not going to say anything against Mr. Hitler; I am like you. I do not talk about these foreign nations. They can do as they please so far as I am concerned, until they get to bothering us.

Mr. SAYRE. But the point I would like to make is that with all of the effort that Germany has put into it, is she succeeding in being self-sufficient? No. Can she succeed in this world of real fact? No; my answer is "no"; that is not possible in this modern day and age.

Senator BAILEY. I am going to agree with with you that my southern country has been an exporter of raw materials for a hundred years, mainly cotton, so far as North Carolina and South Carolina and Georgia are concerned, and now in tobacco. Sixty percent of our ripe tobacco is exported. I would like to regain our export market in cotton, but I believe you will agree with me as a perfectly frank and straightforward gentleman that you have not said anything this afternoon that would indicate that we were regaining any cotton business at all.

Mr. SAYRE. I agree with you thoroughly, sir. I have made no prophecies. I do see that the only possible way to regain them is, one, to restore the economic well-being of the foreign countries; and, two, to build up the foreign purchasing power; three, to reduce trade barriers of one kind or another, such as exchange control, restrictions, and the like, and I have also said that the only sane way to go at that, the only practical way that I know of is through this trade-agreement program. No other plan has been suggested that I know of. I think that that is going at the thing in the sane and practicable way. If we can get by all of this war danger, if the world can retain peace, I believe the result will be that we will begin building up again economic stability and prosperity, and once we get that, we will sell more American cotton. Whether that will come or not, I do not know.

Senator BAILEY. That is just the point. We are working on a theory here with all of the facts up to date looking the other way.

Mr. SAYRE. No; pardon me, Senator. Not looking the other way, because apart from cotton we are selling great quantities of agricultural surpluses.

Senator BAILEY. I am speaking of all of the facts with regard to the South. The South is not selling hogs abroad and it is not selling fats abroad.

Mr. SAYRE. That is correct.

Senator BAILEY. Our tobacco exports have stayed up all right. I am hoping that they will. They have been rising.

Mr. SAYRE. Yes, sir.

Senator BAILEY. Because the women practice smoking abroad just like the women here are smoking. I think that is the size of that. That is not a trade agreement.

Mr. SAYRE. No.

Senator BAILEY. You began the argument by saying that you were going to show how the policy advocated by yourself was helpful to the farmers. Now I am going to ask you a question——

Mr. SAYRE. May I correct you there? Not advocated by myself, but the administration policy.

Senator BAILEY. And whose representative you are. Have you shown how it is helping or is likely to help cotton or is likely to help the fishermen of America? I will just ask you that.

Mr. SAYRE. I think I have, sir, in what I was just saying about the cotton situation. The reason, I think we can agree, that cotton exports have been falling off has had nothing to do—has not been caused by—trade agreements. The reason, I take it, is partly decreased purchasing power because of depressed economic conditions, partly war conditions in certain areas of the world, and partly this drive which I have spoken of for self-sufficiency in Germany and Italy and in other countries. Now, I think you agree with me thus far, do you not?

Senator BAILEY. I agree that you have a theory upon which you base that.

Mr. SAYRE. Is not what I have just said the fact? I think they are the facts on the cotton situation. I am trying to be just as honest with you as I can.

Senator BAILEY. The facts of the cotton situation are that we have since 1933 tended to lose our foreign market at a greatly accelerated rate, but the full truth about it is that we have been in the process of losing that market since the high prices in 1924. I think the data shows that. But the point is that the policy pursued since 1933 plus world conditions and plus other factors brought about a situation in which our whole export of cotton, which rose to 10,000,000 bales is now down to 4,000,000 bales, and Great Britain, with whom we have the trade agreement, now has led all of the rest in reducing her purchases of American cotton.

Mr. SAYRE. Well, now, Senator, may I say first that the trade agreement with Great Britain did not come into force until January 1 of this year, so that that could not have been a factor?

Senator BAILEY. I could not testify from this brief experience.

Mr. SAYRE. Second, you spoke of the fact of high cotton prices in this country. That may have been a factor. I think that is a matter on which the Secretary of Agriculture should testify and not myself. I agree with you, that probably was a factor and that again is not connected with trade agreements in any way.

The CHAIRMAN. Are there any other question of Dr. Sayre?

(No response.)

The CHAIRMAN. Doctor, is there anything else you wish to say?

Mr. SAYRE. No, sir. I would like permission, if I may, to insert in the record certain information and statistics about trade agreements which Secretary Hull sent down here.

The CHAIRMAN. Without objection, that may be inserted in the record.

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### 1938 RESULTS UNDER THE RECIPROCAL TRADE AGREEMENTS PROGRAM

Albert J. Hutzler, Trade Agreements Unit

During the year 1938, United States exports to both the group of 17 countries with which reciprocal trade agreements had been concluded, and to the group of nonagreement countries, decreased, the rate of decline being slightly smaller to the agreement group than to the nonagreement group. Taking an annual average for the past 2 years, however, exports to agreement countries have shown a much greater rate of increase over the preagreement period 1934–35 than average exports to the nonagreement group.

The value of total imports into the United States during 1938 declined sharply from the relatively high level of the preceding year, with a lesser rate of decline from the agreement group than from the nonagreement country group. During the 2-year period, 1937–38, the increase in imports from the agreement country group over the 2-year preagreement period was less than the average increase in exports to those countries.

### RELATIVE CHANGE IN EXPORTS

While United States exports experienced a moderate decline in 1938 from the level of 1937, the exports from this country have shown smaller declines than those from most other countries. Exports from this country remained at high levels in 1938 because of the continued demand abroad for American aircraft, machinery, and metal manufactures, and because of large surpluses of wheat, corn, fruit, tobacco, and other agricultural commodities, some of which were again available for export from this country. The demand for American machinery and metal manufactures has continued strong, due in a considerable measure to the heavy requirements of the rearmament programs of several European countries which have prevented those normally large exporting countries from supplying both export and domestic demands.

In 1938 there was a net decline of 6.8 percent compared to 1937 in the value of exports to the 17 agreement countries (not including the United Kingdom, with which an agreement became effective only on January 1, 1939), while the decline in exports to all other countries during the same period averaged 8.1 percent. In contrast to the general trend, exports to the Netherlands (including overseas territories), Switzerland, Czechoslovakia, Honduras, Colombia, and Costa Rica, of the agreement group, were greater in 1938 than in 1937.

That exports to the nonagreement group as a whole during the same periods did not show a greater decline was due largely to the continued high level of exports to the United Kingdom and to increases in exports to Norway, the Union of Soviet Socialist Republics, and some other countries. Exports to the United Kingdom accounted, roughly, for one-third of the exports to the nonagreement group. Although United States exports of cotton to the United Kingdom declined in 1938, total exports to that country were well maintained for the year because of increased shipments of petroleum products, wheat, tobacco, and other agricultural products. Exports as a whole to the Union of Soviet Socialist Republics experienced a large gain in 1938 over the previous year, mainly because of the substantial gain in exports of machinery, particularly metal-working machinery.

The comparison of exports during the 2-year agreement period which closed on December 31, 1938, with the 2-year preagreement period of 1934–35, shows a definitely greater average rate of increase in exports from the United States to the group of agreement countries than to the nonagreement countries as a whole. Exports to the agreement group in the 2-year period 1937–38 were greater in value by 61.2 percent than the average for the preagreement period 1934–35, while exports to all other countries increased by an average of only 37.9 percent in value.

During the past few years there have been several powerful forces other than trade agreements which have served to increase and then to maintain American foreign trade above the levels that previously prevailed. However, it seems significant that, in comparison with the two preagreement years 1934–35, during the past 2 years our exports have experienced a much greater rate of increase to trade agreement countries which have reduced or stabilized their tariffs or other trade barriers on distinctive American products than our exports to the nonagreement group.

### RELATIVE CHANGE IN IMPORTS

As previously indicated, imports into the United States during 1938 experienced a marked decline in comparison with 1937. This decline in imports is generally attributed to the recession in business and to the large domestic supply of agricultural products which, in contrast to the previous year, was more than ample for this country's needs. While most categories of imports declined in 1938, the decline was particularly severe in imports of certain raw materials, notably rubber, tin, wool, hides, and skins, and certain farm products, such as grain, fodder, and oil seeds. Beginning in the latter months of 1937, the demand for certain imported raw materials lessened considerably with the decline in industrial activity in this country and, in the case of some products, prices decreased markedly. Also, beginning in the latter months of 1937, the domestic supply of certain agricultural products became substantial enough to eliminate the necessity for large-scale importations of these products. It so happens that imports of the raw materials and agricultural products in question had been obtainable mainly in nonagreement countries. Consequently, the percentage of decline in the value of imports in 1938 was greater for nonagreement countries as a whole than for the agreement group.

TABLE 1.—*United States foreign trade with trade-agreement countries and with all others, 1938 compared with 1937, and 1937–38 compared with 1934–35*

[Values in millions of dollars]

| Item | Comparison of 1938 with 1937 | | | | Comparison of 1937–38 with 1934–35 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1937 value | 1938 value | Change | | 1934 and 1935 average value | 1937 and 1938 average value | Change | |
| | | | Value | Percent | | | Value | Percent |
| *United States exports, including reexports* | | | | | | | | |
| Total, all trade-agreement countries [1] | 1,267.9 | 1,181.8 | −86.1 | −6.8 | 759.8 | 1,224.8 | +465.0 | +61.2 |
| Total, all nonagreement countries | 2,081.2 | 1,912.3 | −168.9 | −8.1 | 1,448.0 | 1,996.8 | +548.8 | +37.9 |
| Total, all countries | 3,349.2 | 3,094.1 | −255.1 | −7.6 | 2,207.8 | 3,221.6 | +1,013.8 | +45.9 |
| *United States general imports* | | | | | | | | |
| Total, all trade-agreement countries [1] | 1,254.7 | 892.5 | −362.2 | −28.9 | 793.9 | 1,073.6 | +279.7 | +35.2 |
| Total, all nonagreement countries | 1,829.0 | 1,068.0 | −761.0 | −41.6 | 1,057.4 | 1,448.5 | +391.1 | +37.0 |
| Total, all countries | 3,083.7 | 1,960.5 | −1,123.2 | −36.4 | 1,851.3 | 2,522.1 | +670.8 | +36.2 |

[1] Including the 17 countries (and colonies) with which agreements were in operation during the greater part of the last 12 months. Only 1 of the agreements was in operation throughout 1935, 6 throughout 1936, 12 by the middle of 1936, 15 by the middle of 1937, and 18 by the end of 1938. The last (with Ecuador) only came into force on Oct. 23, 1938, and is therefore not yet included in the above calculations as an agreement country. The new agreement with Canada, and the agreement with the United Kingdom (including Newfoundland and non-self-governing British colonies) which became effective Jan. 1, 1939, bring the number of agreement countries up to 19.

GENERAL NOTE.—Percentage changes have been calculated upon fuller figures in thousands.
Source: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

In 1938 there was a decline of 28.9 percent over 1937 in imports into the United States from the group of agreement countries, whereas imports during the same period of comparison from the nonagreement countries declined by 41.6 percent. In the broader comparison between the 2-year period 1937–38 and the preagreement period 1934–35 the increase in imports into the United States from agreement countries averaged 35.2 percent, while imports from the nonagreement group increased 37 percent. That imports from nonagreement countries during the 2-year period increased at a greater rate than imports from agreement countries, whereas a contrary tendency would normally have been expected, is due to the heavy imports of raw materials and agricultural products, mainly from nonagreement countries during 1937, to which attention has already been called. In 1938 this abnormal tendency was reversed, and imports from agreement countries showed a smaller rate of decline in imports than from nonagreement countries.

### COMPARATIVE CHANGES IN EXPORTS AND IMPORTS

United States exports during 1938 to the agreement countries as a whole decreased about $86,000,000 from the levels of 1937, while the year's decrease in imports into the United States from the same countries was about $302,000,000.

Taking a broader view, a comparison of the past 2 years with the preagreement years of 1934 and 1935 shows an increase in exports to the agreement countries group averaging about $465,000,000 annually, and an increase in imports from the same countries averaging approximately $280,000,000 annually.

### PROGRESS OF PROGRAM—RECENT AGREEMENTS CONCLUDED—NEGOTIATIONS ANNOUNCED

With the conclusion of the trade agreement between the United States and the United Kingdom in November 1938 the reciprocal trade agreements program assumed greater proportions as a trade-enlarging influence. At the same time a second agreement with Canada was signed, superseding the first agreement concluded at the end of 1935, and an agreement was concluded in the latter part of 1938 with Ecuador. The 19 countries with which reciprocal trade agreements are now in operation, together with their colonies, account for approximately 60 percent of the total foreign trade of the United States.

The trade agreement between the United States and the United Kingdom, which became effective January 1, 1939, covers not only the trade between these two countries, the largest trading countries in the world, but also the trade of the United States with Newfoundland and the non-self-governing British colonies. The importance of this agreement may be judged by the fact that the trade of the United States with the United Kingdom and the other areas covered by the agreement constitutes nearly one-fifth of our trade with the world as a whole. The United Kingdom is generally the largest market for our exports and ranks among the three leading countries as a source of our imports. Our trade with some of the more than 50 British colonies to which the agreement relates is also large.

The second agreement with Canada, which became effective January 1, 1939, considerably enlarged the undertakings by each Government, since the experience of both countries under the first agreement had been considered to have been highly satisfactory. In recent years Canada has closely followed the United Kingdom as the best customer for our exports, taking about one-seventh of the total. Canada is much the largest source of imports into the United States.

The agreement with Ecuador will enable the United States to retain its already favorable trade position in that country as well as provide new opportunities for expansion.

During 1938 announcements were made of the intention to negotiate agreements with Turkey and Venezuela, and a limited supplemental agreement with Cuba.

TABLE 2.—*United States trade with agreement countries, and with countries announced for negotiation*

[Values in millions of dollars]

| Item | Exports, 1938 | | Imports, 1938 | |
|---|---|---|---|---|
| | Value | Percent of total | Value | Percent of total |
| Total United States trade, all countries | 3,094.1 | 100.0 | 1,960.5 | 100.0 |
| Countries with trade agreements concluded [1] | 1,784.7 | 57.7 | 1,181.2 | 60.2 |
| Additional countries announced for negotiations | 65.5 | 2.1 | 39.0 | 2.0 |
| Turkey | 13.2 | | 19.0 | |
| Venezuela | 52.3 | | 20.0 | |
| Total, countries with agreements concluded or announced for negotiations | 1,850.2 | 59.8 | 1,220.2 | 62.2 |

[1] Includes agreement with Ecuador which became effective Oct. 23, 1938. Also, the new agreement with Canada, and the agreement with the United Kingdom (including Newfoundland and non-self-governing British colonies), both of which became effective Jan. 1, 1939.

(Commerce Reports carries a section each week devoted to an up-to-date list of all countries with which trade agreements have been concluded by the United States, together with the official texts of any current announcements as to new countries with which negotiations have been announced, and details as to dates and directions or presentation of views to the committee for reciprocity information.)

TABLE 3.—*United States trade with individual trade-agreement countries, 1934–38*

[Values in millions of dollars]

| Trade-agreement countries (in order of effective dates) | Dates effective | United States exports, including reexports | | | | | | United States general imports | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1934 and 1935 average value | 1937 and 1938 average value | 1937 value | 1938 value | Percentage change: 1937–38 over 1934–35 | Percentage change: 1938 over 1937 | 1934 and 1935 average value | 1937 and 1938 average value | 1937 value | 1938 value | Percentage change: 1937–38 over 1934–35 | Percentage change: 1938 over 1937 |
| Total, all trade-agreement countries | | 759.8 | 1,224.8 | 1,267.9 | 1,181.8 | +61.2 | −6.8 | 793.9 | 1,073.6 | 1,254.7 | 892.5 | +35.2 | −28.9 |
| Cuba | Sept. 3, 1934 | 52.7 | 84.3 | 92.3 | 76.3 | +59.9 | −17.3 | 91.6 | 126.8 | 148.0 | 105.8 | +38.5 | −28.5 |
| Belgium | May 1, 1935 | 54.2 | 86.1 | 95.3 | 76.9 | +59.1 | −19.3 | 33.0 | 58.4 | 75.1 | 41.7 | +77.0 | −44.5 |
| Haiti | June 3, 1935 | 3.3 | 3.9 | 4.1 | 3.6 | +15.6 | −10.8 | 1.2 | 2.9 | 2.9 | 3.0 | +146.0 | +2.5 |
| Sweden | Aug. 5, 1935 | 35.6 | 64.3 | 64.5 | 64.2 | +80.5 | −.3 | 37.6 | 51.9 | 58.7 | 45.1 | +38.0 | −23.1 |
| Brazil | Jan. 1, 1936 | 42.0 | 65.3 | 68.6 | 62.0 | +55.5 | −9.7 | 95.6 | 109.2 | 120.6 | 97.9 | +14.3 | −18.8 |
| Canada | do | 312.8 | 488.5 | 509.3 | 467.7 | +56.2 | −8.2 | 259.1 | 329.3 | 398.3 | 260.3 | +27.1 | −34.7 |
| Netherlands (including overseas territories) [1] | Feb. 1, 1936 | 74.9 | 160.6 | 153.5 | 167.8 | +114.4 | +9.4 | 92.6 | 157.4 | 191.0 | 123.7 | +70.0 | −35.2 |
| Netherlands proper | Feb. 1, 1936 | 50.0 | 95.1 | 93.5 | 96.8 | +90.1 | +3.5 | 34.5 | 42.3 | 53.3 | 31.4 | +22.6 | −41.1 |
| Netherlands Indies | Feb. 1, 1936 | 10.5 | 26.3 | 25.1 | 27.5 | +151.0 | +9.9 | 46.4 | 92.0 | 115.2 | 68.7 | +98.3 | −40.3 |
| Netherlands West Indies | Feb. 1, 1936 | 13.9 | 38.5 | 34.2 | 42.8 | +177.0 | +25.1 | 10.7 | 20.0 | 19.5 | 20.6 | +86.6 | +5.5 |
| Switzerland [2] | Feb. 15, 1936 | 8.0 | 10.1 | 9.6 | 10.6 | +26.0 | +10.0 | 15.7 | 25.0 | 26.9 | 23.0 | +58.6 | −14.4 |
| Honduras | Mar. 2, 1936 | 5.8 | 5.9 | 5.6 | 6.3 | +2.0 | +13.0 | 7.0 | 5.7 | 5.7 | 5.7 | −18.9 | +0.3 |
| Colombia | May 20, 1936 | 21.8 | 40.0 | 39.2 | 40.9 | +83.8 | +4.3 | 48.8 | 50.9 | 52.3 | 49.4 | +4.3 | −5.6 |
| Guatemala | June 15, 1936 | 4.0 | 7.2 | 7.6 | 6.9 | +81.2 | −9.8 | 5.3 | 9.6 | 9.6 | 9.5 | +79.1 | −0.9 |
| France (including colonies) [3] | June 15, 1936 | 127.4 | 164.8 | 181.4 | 148.3 | +29.4 | −18.3 | 67.7 | 82.8 | 94.7 | 70.8 | +22.2 | −25.2 |
| France proper | June 15, 1936 | 116.4 | 149.2 | 164.5 | 133.8 | +28.2 | −18.7 | 59.6 | 64.8 | 75.6 | 54.1 | +8.8 | −28.5 |
| Nicaragua | Oct. 1, 1936 | 2.5 | 3.1 | 3.4 | 2.8 | +24.8 | −15.5 | 2.2 | 2.8 | 3.1 | 2.5 | −25.4 | −20.1 |
| Finland | Nov. 2, 1936 | 6.1 | 12.1 | 12.3 | 12.0 | +100.4 | −2.2 | 10.6 | 17.8 | 17.6 | 18.1 | +68.5 | +2.8 |
| El Salvador | May 31, 1937 | 3.0 | 3.6 | 2.6 | 3.5 | +20.0 | −2.8 | 3.7 | 7.1 | 8.6 | 5.7 | +90.5 | −33.8 |
| Costa Rica | Aug. 2, 1937 | 2.7 | 5.0 | 4.5 | 5.4 | +82.3 | +21.7 | 2.6 | 4.3 | 4.4 | 4.1 | +64.4 | −7.5 |
| Czechoslovakia [4] | Apr. 16, 1938 | 3.0 | 19.9 | 13.2 | 26.5 | +563.4 | +100.2 | 19.5 | 31.7 | 37.2 | 26.2 | +62.6 | −29.6 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total, all nonagreement countries | 1,448.0 | 1,996.8 | 2,081.2 | 1,912.3 | +37.9 | −8.1 | 1,057.4 | 1,448.5 | 1,829.0 | 1,068.0 | +37.0 | −41.6 |
| Total, all countries | 2,207.8 | 3,221.6 | 3,349.2 | 3,094.1 | +45.9 | −7.6 | 1,851.3 | 2,522.1 | 3,083.7 | 1,960.5 | +36.2 | −36.4 |

[1] These figures include Surinam (Dutch Guiana) the trade with which is too small to warrant individual listing.

[2] United States statistics show only a small portion of the actual exports to Switzerland as most of the exports are transshipped through a third country and are shown as exports to the third country. Therefore too much significance should not be attached to the statistics of exports to Switzerland.

[3] These figures include all French colonies. Only France proper is listed separately.

[4] Agreement became effective Apr. 16, 1938. The statistics of exports to Czechoslovakia are not representative of the actual trade as many shipments are declared as destined to third countries from which they are transshipped to Czechoslovakia. This was particularly true prior to 1938 during which year a larger share of exports to Czechoslovakia was consigned direct.

General note.—Percentage changes have been calculated upon fuller figures in thousands.

Source: Latest records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce.

[Reprinted from Commerce Reports of November 26, 1938, issued by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce]

## SUMMARY OF NEW CANADIAN-AMERICAN TRADE AGREEMENT

The United States and Canada signed at Washington on November 17, 1938, a new trade agreement which supersedes and materially extends the scope of the agreement signed on November 15, 1935. This is the first instance under the Trade Agreements Act of 1934 in which the United States has made a second agreement with the same country. Trade between the United States and Canada outranks the trade between any other two countries in the world, and consequently the new agreement, which provides for reciprocal concessions covering commodities that make up the great bulk of that trade in each direction, is particularly important. The duty treatment stipulated will be applied by both countries, effective January 1, 1939, and the entire agreement has an initial term of 3 years from the day following its proclamation by the President, continuing in force indefinitely thereafter until 6 months after notice of termination has been given by either country.

In addition to continuing many concessions made on both sides in the previous agreement, further duty reductions are granted in many cases, and the existing rates have been lowered on a very large number of commodities which were not covered by the previous agreement. A particularly important new advantage secured for United States products is the provision that the Canadian special import tax of 3 percent, at present applicable to all imports from the United States (with a few specified exceptions), will be removed from all items, dutiable or free, listed in the schedule of concessions by Canada, as soon as the necessary legislation is enacted by the Canadian Parliament. This tax is computed on the basis of duty-paid value and averages about 3½ percent on the dutiable value. Not only will the charges payable be reduced to that extent, but there also will result a corresponding reduction in the advantage which has been enjoyed by Canadian and British Empire products, none of which are now subject to this tax.

The aggregate value, as measured by 1937 imports from the United States of articles which will benefit through the concessions made by Canada (including duty reductions, bindings of rates against increase and bindings of continued free entry), was approximately $358,000,000, representing 73 percent of Canada's total imports from this country. The reciprocal concessions, including bindings of existing treatments granted by the United States, apply to commodities which in 1937 Canada exported to our country in an aggregate value of $327,000,000. This total represented 83 percent of all our imports from Canada in that year. This represents the cumulative scope of the 1935 and 1938 agreements.

### GENERAL PROVISIONS

The general provisions of the new agreement are, with comparatively few exceptions, similar to those of the previous agreement. They include a reciprocal guaranty of unconditional most-favored-nation treatment with regard not only to customs duties but also to prohibitions or restrictions on imports or exports, allocation of import quotas, foreign purchases by any Government-controlled monopoly in either country, and either Government's purchase of supplies from abroad. In this connection, the usual exceptions are made concerning special-trade advantages between the United States and Cuba and between Canada and other British countries. In the case of all products upon which concessions have been granted, each country undertakes that it will not impose quantitative restrictions or prohibitions on imports, except as specifically provided for.

Other general provisions assure that, in the case of products subject to ad valorem duties, the principles upon which the dutiable value is determined shall not be altered so as to impair the value of any of the concessions. If the rate of exchange between the currencies of the two countries varies so substantially as to prejudice its industries or commerce, either country may terminate the agreement upon 30 days' notice. Furthermore, where a third country proves to be the principal beneficiary of a concession granted, and imports of the product concerned increase to such an extent as to threaten injury to domestic producers, the country granting the concession may withdraw or restrict it.

### REDUCTION OF EMPIRE PREFERENCES

The Ottawa agreement of 1932 obligated Canada to maintain specified preferences for a large number of United Kingdom products. However, a revised agreement of 1937 released Canada from this obligation with respect to three-quarters of the items covered, thus leaving Canada free to make duty reductions. In addition, the United Kingdom has now relinquished part of the margin of preference to which it was entitled in the case of a few other items. Thus Canada has been enabled to grant the United States duty reductions which otherwise could not have been made. The narrowing of many preference margins as the result of the reduced rates of duty and of the provision for the elimination of the 3-percent import tax on all products contained in the new schedule strengthens the competitive position of United States exporters in the Canadian market.

### BENEFITS TO UNITED STATES PRODUCTS IN THE CANADIAN MARKET

Outstanding among the new advantages obtained for United States agricultural products in Canada are the duty reductions applicable to fresh fruits and vegetables. In the 1935 agreement the basic rate of duty on a wide group of fresh fruits and vegetables was lowered. In both cases further reductions are made by the new agreement, and limitations are also placed on the height of the arbitrary increased valuations ordinarily imposed on most fresh fruits and vegetables by Canada during the competitive season, as well as on the number of weeks each year during which such increases may be applied. The period during which United States oranges may enter Canada free of duty has been extended and new duty reductions are granted on canned fruits, miscellaneous dried fruits, and on certain fruit juices and fruit sirups.

New or increased concessions are also obtained on "corn not otherwise provided for" (i. e., other than that for distillation or for the manufacture of cereals), cleaned rice, barley, oats, and a number of meat products. Potatoes from the United States will enter Canada duty free, except for a 6 weeks' period, when the rate to be applied will be lower than formerly. The duty on eggs is reduced by half, while further reductions are made in the rates on canned shrimps and several other fish items.

Outstanding among industrial products for which concessions are obtained is the machinery group. By the 1935 agreement, the rates both on machinery of a kind made in Canada and on machinery not made in Canada were reduced. In the case of the first group, the present duty is merely continued in the new agreement, but on machinery of a kind not made in Canada, imports of which from the United States represent a trade of, roughly, $10,000,000 annually, the existing duty is cut in half. Other important industrial items for which substantial new reductions are secured are office machines, refrigerators, ball and roller bearings, Diesel engines, aircraft, motorcycles, and various items of electrical equipment, including lighting fixtures and appliances, dynamos, and motors. In the case of iron and steel products, new or improved concessions are made on heavy iron and steel products, notably tin plate, galvanized sheets, terneplate, welded pipes and tubes, manufactures of tin plate, and several kinds of hand tools, while improved customs treatment granted to nonferrous metals covers miscellaneous zinc manufactures, aluminum and manufactures thereof, wares of Britannia metal and nickel silver.

Through the most-favored-nation provision of the former trade agreement with Canada, the duties on many classes of textile products were reduced slightly. The new agreement cuts many of these rates further, notably those on cotton yarns and thread, unbleached cotton cloth, bleached or mercerized cotton cloth, certain major groups of printed and colored cotton goods, wearing apparel, hosiery, and floor coverings. New duty reductions are made on several major classes of leather and leather manufactures, as well as on rubber tires and rubber hose and packing.

Although the Canadian duty on lumber (dressed on one or both sides when the edges thereof are jointed or tongued and grooved, n. o. p.) was reduced in the former agreement, the rate was still practically prohibitive, since rough lumber enters free of duty. The new rate on such dressed lumber is fixed at a favorable level, and additional cuts are made on hardwood flooring, plywood, and furniture, particularly metal furniture. Shingles are made free of duty.

The list of other articles on which Canada grants concessions is too extensive to permit detailed comment, practically every commodity group being included.

Duty reductions apply also to various items of paper and paper manufactures, including printed matter, a large group of chemicals and drugs, clay, glass and other nonmetallic mineral products, asbestos manufactures, paints, soap, building and paving brick, bathroom equipment, scientific and technical instruments, including cameras; and dental instruments are admitted free of duty. Other products on which reductions are made include trunks, valises, and similar articles; cases, portfolios, purses, and similar products; jewelry, moving picture films, and compounded fertilizers.

Advertising and printed matter imported by mail, or otherwise, in individual packages, valued at not more than $1 are admitted free of duty. While no reduction in duty was obtainable on any form of coal, its inclusion in the schedule assures it will share in the removal of the present special import tax of 3 percent.

A major concession is that made on the "catch all" paragraph of the Canadian tariff, imports under which from the United States in 1937 were valued at nearly $4,500,000. The duty on articles classified under this paragraph, which was lowered in the first agreement, undergoes a further reduction.

BENEFITS TO CANADIAN PRODUCTS IN THE UNITED STATES MARKET

In the case of certain important commodities, mostly agricultural, the duty concessions granted Canada by the United States in the 1935 agreement applied only to specified quantities, imports in excess of the limits fixed continuing to be subject to the full rates. This system of tariff quotas has been continued, with some changes, in the new agreement in order to safeguard the interests of domestic producers. The articles to which lower duties are applicable only within quota limits are cattle weighing 700 pounds or more each, calves, cream, milk, certified seed and table potatoes, and fillets of cod, haddock, and related species of fish. In the case of dairy cattle and Douglas fir and western hemlock lumber, the former rates of duty remain unchanged, but the quota limitations provided in the first agreement have been dropped, since actual imports of these commodities under the first agreement have been much below the limits fixed. Benefits secured for American lumber in the United Kingdom and certain British colonies provided additional grounds for more liberal treatment of Canadian lumber. For red-cedar shingles, which are duty free, the right formerly reserved by the United States to prohibit imports in excess of a specified quantity is replaced by a provision reserving the right to impose a duty on imports in excess of a somewhat larger quantity. A similar method of safeguarding domestic producers has been adopted in the case of nepheline syenite, a new article of commerce.

Among the principal commodities on which the United States grants Canada new duty reductions not restricted by quotas are pork products, barley, buckwheat, oats and rye, Cheddar cheese, maple sugar, various fresh and cured fish items, aluminum, nickel, zinc ores and metal, cadmium, ferrosilicon, certain cast-iron products, salt, dead-burned dolomite, certain types of paper (notably uncoated book and printing paper), silver-fox furs, and patent leather. Among concessions provided for in the 1935 agreement which are continued are those applicable to whisky, softwood lumber, poultry, grass and clover seeds, turnips, certain species of fresh-water fish, synthetic resins, cobalt oxide, ferromanganese, and pulpboard. In addition, the present agreement continues to bind to Canada in its own right, free entry of the major articles imported from that country which are not subject to duty. Among these are newsprint paper, wood pulp and pulpwood, unmanufactured wood, certain fishery products and furs, crude asbestos, crude artificial abrasives, and certain fertilizers.

In most cases Canada is overwhelmingly the chief supplier of imports of the commodities on which the United States has reduced its duties, and consequently it will receive the major part of the benefit from the concessions made. An exception is found in the case of whisky, on which a duty reduction was granted in the previous agreement. At that time it was expected that the United Kingdom would share largely with Canada in supplying imports, and the trade agreement just concluded with the United Kingdom now extends the concession on whisky to that country in its own right.

Only about two-fifths of United States imports from Canada are subject to duty. Reductions granted through the new trade agreement cover commodities of which Canada supplied imports valued at $121,000,000 in 1937, this figure representing 77 percent of the value of all dutiable imports from Canada and 31 percent of total imports from that country.

#### CANADIAN-AMERICAN TRADE UNDER THE FIRST AGREEMENT

The most significant measure of the operation of the Canadian-American trade agreement of 1936 is afforded by the marked increase in trade in both directions that has taken place during the 2 full years the agreement has been in effect. The average value of Canadian imports from the United States during 1936 and 1937 was $430,000,000, an increase of $128,000,000, or 42 percent, over the 2 years immediately preceding the agreement; while United States imports from Canada averaged $386,000,000, an increase of $129,000,000, or, roughly, 50 percent, over the average of 1934 and 1935.

[Further details regarding the provisions of this trade agreement, particularly as affecting the treatment of American export products in Canada, can be obtained upon specific inquiry to the Bureau of Foreign and Domestic Commerce at Washington, or the nearest District or Cooperative Office of the Bureau. For fuller explanation of the treatment of imports into the United States under this agreement, inquiries are best addressed to the Department of State or the United States Tariff Commission, Washington, D. C.]

[Reprint from Commerce Reports of November 26, 1938, issued by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce]

#### SUMMARY OF TRADE AGREEMENT BETWEEN UNITED STATES AND UNITED KINGDOM

A reciprocal trade agreement between the United States and the United Kingdom was signed on November 17, 1938. The agreement covers trade not only between the United States and the United Kingdom (Great Britain and Northern Ireland) but also American trade with Newfoundland and the non-self-governing British colonies. (It does not apply to Australia, Canada, New Zealand, the Union of South Africa, Ireland, India, Burma, or Southern Rhodesia.) It is to come into effect on January 1, 1939, for an initial period of 3 years, and may continue in force indefinitely thereafter, subject to termination by either Government on 6 months' notice.

The agreement provides reciprocal tariff advantages, including reductions and bindings of existing duties, and improved quota treatment, on a wide range of products which had an aggregate value of trade between the United States and the British Empire areas concerned of about $675,000,000 in 1936. With certain usual exceptions pertaining to special trade advantages between the United States and Cuba and among British Empire countries, the agreement extends the principle of unconditional most-favored-nation treatment, not only to tariff rates but also to restrictions and prohibitions of imports and exports, the allocation of import quotas, and government purchases.

The tariff advantages in the agreement are safeguarded by undertakings by the United States and the United Kingdom that neither will impose quantitative restrictions or regulations on imports from the other of products on which it has granted concessions, except with respect to quantitative regulation of imports in connection with measures adopted by either Government which operate to regulate or control the production, market supply, quality, or price of like domestic products, or to increase the labor cost of their production.

The agreement provides that any concession granted by either country may be withdrawn or restricted if, contrary to expectations, a third country proves to be the principal beneficiary of the concession, with the result that imports of the product concerned into the country granting the concession increase to such an extent that they threaten serious injury to its domestic producers. In notes exchanged between the two countries in connection with the agreement there are assurances of opportunity to consult on various matters such as the methods of determining dutiable value, the imposition of countervailing or anti-dumping duties, and access to supplies of raw materials. Other important safeguards and assurances are provided in the agreement or given in the exchange of notes.

Twenty agreements, including the second agreement with Canada signed on the same date as the agreement with the United Kingdom, have now been made under the authority of the Trade Agreements Act of 1934. Including the dependencies specifically covered, these agreements relate to tariff areas which together take nearly 60 percent of all American exports and supply about the same proportion of all American imports.

VALUES OF TRADE AFFECTED BY THE AGREEMENT

Out of an aggregate value of imports into the United Kingdom from the United States during 1936 of $463,000,000, the value of imports into the United Kingdom from the United States of all articles on which concessions are obtained in the agreement (including reductions in duty, bindings of existing treatment against unfavorable change, and improvement of import quota) was about $300,000,000. More than $200,000,000 of this total was composed of imports of agricultural products. United Kingdom imports of American commodities on which improved tariff treatment is secured amounted in 1936 to about $50,000,000, of which agricultural products accounted for about $26,000,000. The latter figure particularly understates the importance of concessions of this type because of the abnormally small trade in that year in American farm products on which improved tariff treatment is secured under the agreement.

Specified commodities for which the present United Kingdom tariff treatment is bound against unfavorable change were imported into the United Kingdom from the United States in 1936 to a value of about $250,000,000, of which agricultural products accounted for about $190,000,000. Some of these bindings (covering a 1936 trade of over $180,000,000, of which raw cotton accounted for $84,000,000) provide for continued free entry, and others for the continuance of the present rates of duty. The principal bound product is leaf tobacco, of which imports into the United Kingdom from the United States in 1936 amounted to $72,000,000; the existing margin of preferential tariff treatment on Empire tobacco is bound against increase, with the possibility of a reduction in that margin after the expiration of existing commitments to certain Empire areas in 1942.

Many of the concessions obtained in the United Kingdom market, especially on agricultural and forest products, result in the modification of tariff preferences which the British Dominions and other parts of the British Empire have enjoyed. Some of these preferences were a matter of formal agreement, and their modification required the consent of the governments concerned.

Out of an aggregate value of imports into the United States from the United Kingdom during 1937 of somewhat over $200,000,000, the concessions granted by the United States (including both reductions and bindings) cover commodities of special significance to the United Kingdom, imports of which from that country amounted to $141,500,000 in 1937. Imports from the United Kingdom in 1937 of commodities the duties on which are reduced were valued at $59,000,000; imports on which the duties are bound against increase were valued at $39,000,000 (of which $37,500,000 were imports of jute burlaps from the United Kingdom and British India); imports on which duty-free entry is bound were valued at $42,600,000.

BENEFITS TO UNITED STATES PRODUCTS IN THE UNITED KINGDOM MARKET

The most important of the concessions secured for American farm products in the United Kingdom market are the abolition of the United Kingdom duties on wheat, lard, canned grapefruit, and certain fruit juices; substantial reductions in the duties on rice, apples, pears, and certain canned fruits; an increase in the quantity of American hams permitted to enter under the quota system; and binding of duty-free entry of ham and certain other pork products, corn (other than flat white corn), and cotton.

Although the concessions obtained in the United Kingdom market are predominantly for American agricultural exports, numerous and important benefits have also been secured for industrial products, as well as on forest and fishery products.

The concessions obtained on nonagricultural classifications include substantial reductions in duty on chilled and frozen salmon, softwood lumber, doors, paper and pulp products, office machinery and equipment including typewriters, electrical machinery and appliances, agricultural track-laying tractors, patent leather, women's shoes, toilet preparations, and silk hosiery.

A number of important products were already duty-free or dutiable at the relatively low rate of 10 percent ad valorem; for many of these items the existing customs treatment has been bound against unfavorable change during the life of the agreement. Included in this group of nonagricultural products that are guaranteed continued free entry from the United States are undressed fur skins, sulphur, rosin, and crude borax; while the present 10 percent duty has been bound on glacé, kid leather, certain undressed leathers, paraffin wax, petroleum jelly, carbon black, hardwood lumber, and many other products. On a considerable number of fully manufactured products of importance to the United States, but for which trade conditions are such that duty reductions would not appear to benefit primarily the United States, or where for other reasons reductions could not be obtained, the existing duties have also been bound against increase, the most important being the binding of the present duty on motor cars and chassis for motor cars, complete with engines, of 25 horsepower and upwards (British rating).

(Commerce Reports, Nov. 26, 1938.)

Altogether, the benefits for American nonagricultural products provided for in the agreement cover about two-fifths of total nonagricultural imports into the United Kingdom from the United States, based on British statistics for 1936.

BENEFITS TO UNITED KINGDOM PRODUCTS IN THE UNITED STATES MARKETS

The concessions made by the United States which affect imports from the United Kingdom relate principally to textiles, metals and manufactures thereof, and various British specialties. They cover an import trade from the United Kingdom valued at $141,500,000 in 1937. To avoid injury to American interests, many of the reductions in duty are limited to special types of products which are complementary to, rather than competitive with, those produced in the United States.

Reductions of duty under the cotton schedule cover goods which were imported from the United Kingdom in 1937 to a value of $6,662,000, chiefly yarns of the finer counts and cloth in the higher price ranges. Among jute manufactures, the duty on burlap is bound and reductions are made in the case of linoleum and felt-base floor coverings. A number of reductions were also made on a variety of linen products.

On most manufactures of wool, the United States duties are compound: Consisting of a specific rate intended to compensate for the duties on raw wool, and in addition an ad valorem rate to protect domestic manufacturers. Through the present agreement reductions are made in the ad valorem rates, principally on wool manufactures of high quality, and the duties on certain other wool specialties are bound against increase. With regard to the specific portion of the wool duties, provision is made for a corresponding reduction, if the existing duties on raw wool should be later lowered.

In the group of metals and manufactures, duty reductions are made in the case of various types of electrical machinery and apparatus. Concessions are also granted on other types of machinery, including reciprocating steam engines, steam turbines, internal-combustion engines, sewing machines, and most classes of textile machinery. The rates are bound on a considerable number of cutlery items and on sterling silver and silver-plated ware.

The rate on whisky, which was reduced by the Canadian trade agreement on January 1, 1936, is now bound to the United Kingdom, as is the reduced duty on gin, fixed by the trade agreement with the Netherlands, effective February 1, 1936.

Other commodities to which more favorable treatment is accorded are too numerous to mention specifically. They comprise various kinds of leather and paper, books in English of bona fide foreign authorship, china clay, some of the better qualities of earthenware, stoneware and china, cresols, toilet soap, wood furniture, and such specialties as high-priced fur-felt hats, gloves, and tobacco pipes.

NEWFOUNDLAND

The concessions obtained for United States exports to Newfoundland benefit a large part of our already substantial trade with that area. They are covered by a separate schedule in the agreement, apart from the schedules listing concessions by the United Kingdom and the British Colonial Empire. In some instances the rates of duty are reduced, in others the margins of preference, which with minor exceptions apply only to products of the United Kingdom, are bound or lowered or assurance is given that no preference will be granted, and for some products both the rate of duty and the margin of preference are affected. Since the Newfoundland tariff is primarily for revenue, the improvement of the competitive position of American trade through concessions relating to preference is quite as important as that resulting from duty reductions. Among the products for which advantages have been obtained are wheat flour, salted beef and pork, citrus fruits, tobacco, raisins, automotive products, radio apparatus, and certain textiles. These and the other articles covered by the schedule accounted for $3,979,000 of Newfoundland's total imports of $7,447,000 from the United States in the year ended June 30, 1938. The most important tariff reductions granted by the United States in exchange on Newfoundland exports are those relating to salt fish and frozen blueberries. In addition, Newfoundland benefits from concessions on other commodities made in the agreement with Canada, such as the binding on the free list of wood pulp, newsprint paper, and lobsters.

### BRITISH COLONIAL EMPIRE

The total foreign trade of the colonial territories in which benefits have been obtained was $1,885,000,000 in 1936. Of these territories, areas accounting for about two-thirds of this trade, including the British Carribean colonies which are important markets for American goods, accord preferential tariff rates to British products. In addition to the general guaranty of treatment no less favorable than that accorded to the most-favored non-British country, the agreement provides for specific concessions in a large number of cases, such concessions taking the form of removal or reduction of margins of preference, binding of existing margins or binding of existing parity of treatment. In general, the customs duties assessed by the British colonies are moderate, and the competitive position of American products is dependent on whether preference exists and its extent.

More than 200 different articles are covered and, since many of these are included in the schedules for two or more colonies, the total number of items listed exceeds 1,100. As examples, 35 concessions (including bindings) have been obtained for grains and cereal products other than wheat flour, 7 concessions for wheat flour, and 26 concessions for unmanufactured tobacco. Other important American exports which benefit are fruits, meat products, automotive products, lumber, textiles, paper, machinery, hardware, and electrical goods.

The reciprocal advantages extended by the United States to products imported from the British colonies are included in the same list with the concessions to the United Kingdom and Newfoundland. A large part of these products consist of raw or partly manufactured materials such as rubber, tin, and cacao, most of which now enter the United States free of duty. Consequently, the concessions made consist chiefly of assurances that the present treatment will be continued. The trade covered by these assurances was valued at more than $200,000,000 in 1936. Colonial goods on which duty reductions are granted include edible palm-kernel oil, certain fruits and fruit juices, coconuts, and other tropical products.

While the manner in which the Colonial Governments are to give effect to the obligations assumed with regard to the margins of preference is not prescribed, it is understood that, in most instances, reductions in such margins will be effected by lowering the general rates, which are those applying to imports from the United States. It is expected that any action necessary on the part of the various colonial areas will, in most cases, be taken by the end of the year, so that the treatment provided under the agreement may come into operation on January 1, 1939.

[Further details regarding the provisions of this trade agreement particularly as affecting the treatment of American export products in the countries concerned, can be obtained upon specific inquiry to the Bureau of Foreign and Domestic Commerce at Washington, or the nearest district or cooperative office of the Bureau. For fuller explanation of the treatment of imports into the United States under this agreement, inquiries are best addressed to the Department of State or the United States Tariff Commission, Washington, D. C.]

The CHAIRMAN. General Burnett, I understood that you wanted to make a brief statement?

## STATEMENT OF BRIG. GEN. CHARLES BURNETT, CHIEF, BUREAU OF INSULAR AFFAIRS, WAR DEPARTMENT

The CHAIRMAN. I want to get into the record that you are Chief of the Bureau of Insular Affairs of the War Department.

General BURNETT. Representing the War Department.

Mr. Chairman, and gentlemen of the committee, I am appearing before your committee representing the Secretary of War.

The War Department is strongly opposed to the Connally amendment to H. R. 3790, for the following reasons:

First. It would probably bring 4 million Filipinos to the verge of starvation. Even with the present 3-cent excise tax, the coconut grower is in a desperate economic condition. I shall not elaborate this point further as it will probably be discussed in detail by others who appear before this committee.

Second. It seems most probable that this amendment would force immediate liquidation of American capital invested in this industry and greatly decrease the purchasing power of millions of buyers of American goods.

Third. American shipping lines engaged in the carrying trade to the Philippines would suffer a heavy decrease in revenue.

In this connection, President Roosevelt on May 28, 1934, asked Congress for reconsideration of the 3-cent tax on coconut oil for the following reasons:

> First. It is a withdrawal of an offer made by the Congress of the United States to the people of the Philippine Islands.
>
> Second. Enforcement of this provision at this time will produce a serious condition among many thousands of families in the Philippine Islands.
>
> Third. No effort has been made to work out some form of compromise which would be less unjust to the Philippine people and at the same time attain, even if more slowly, the object of helping the butter- and animal-fat industry in the United States.

This third instance—there has been a committee at work along that particular line, the Joint Preparatory Committee, whose labors are now before the Senate in the form of Senate bill S. 1028.

In this connection, I would like to have the permission of the chairman to read from the report of the United States Tariff Commission on excise taxes on fats and oils and oil-bearing materials dated March 6, 1939.

Senator CONNALLY. That was prepared for this hearing, was it not?

General BURNETT. Yes. This is only insofar as it pertains to the Philippine Islands [reading]:

> The present processing tax on coconut oil made of Philippine copra is not legally bound against increase. However, the imposition of the existing tax on such oil in 1934 was in many quarters regarded as a violation of the provisions of the Philippine Independence Act. Under that act, free trade was to continue between the United States and the Philippines, except as otherwise specifically provided, until July 4, 1946. The processing tax on coconut oil was not legally a tariff duty, but economically it operated as one in its effect on the Philippines. Largely in recognition of Philippine claims, Congress provided in the Revenue Act of 1934 that all processing taxes collected in the United States on coconut oil derived from Philippine materials shall be remitted to the Philippine treasury.
>
> In view of the above consideration, an increase in the existing rate of processing tax on Philippine coconut oil (or copra cake) would introduce additional problems for the United States in dealing with the Philippines. More-

over, any increase would be in conflict with certain provisions of S. 1028 and H. R. 3330, bills now before Congress. These bills propose to implement the recommendations of the Joint Preparatory Committee on Philippine Affairs, a committee composed of both American and Philippine experts. Their recommendations have been endorsed both by the President of the United States and President Quezon of the Philippines as providing a reasonable means of gradually eliminating preferential trade relations between the two countries. Changes in the excise tax status of Philippine coconut oil (or of any other oil or oil material) which would adversely affect either the competitive position of Philippine coconut oil and copra or the receipts which the Philippine treasury would otherwise obtain from United States oil processing taxes, would alter the bases on which the recommendations of the Joint Preparatory Committee on Philippine Affairs (as set forth in S. 1028 and H. R. 3330) were formulated.

Senator CONNALLY. May I ask the General a question?

The CHAIRMAN. Yes.

Senator CONNALLY. You know, however, General, that all the tax money that is collected on this is handed over to the Philippine treasury?

General BURNETT. Yes. I think Congress recognizes that they had done an injustice to the Filipino people——

Senator CONNALLY (interposing). I did not ask you about the injustice. Would not this money go to the Filipinos, too?

General BURNETT. Until 1946.

Senator CONNALLY. Could not the Philippine government, if it wants to, refund it all to the growers and these shipping companies that you are representing here, the same amount of the tax in the form of a bounty if it desired?

General BURNETT. They could not do anything for the grower under the law; no, sir.

Senator CONNALLY. The Philippine government after it gets the money?

General BURNETT. It is prevented from subsidizing in any form the coconut grower.

Senator CONNALLY. It is prevented?

General BURNETT. Yes, sir.

Senator CONNALLY. By its own law?

General BURNETT. No, sir; by ours.

Senator CONNALLY. How much money did the Filipino government get from this tax last year?

General BURNETT. About $1,000,000 a month.

Senator CONNALLY. $1,000,000 a month?

General BURNETT. Yes, sir.

Senator CONNALLY. That helped to maintain its government and maintain its expenses?

General BURNETT. Very much so. It is intended, of course, very largely for the future economic readjustment.

Senator CONNALLY. They can spend it for anything, can't they?

General BURNETT. No, sir.

Senator CONNALLY. What can they spend it for?

General BURNETT. For matters affecting economic readjustment.

Senator CONNALLY. That is what I mean.

General BURNETT. But it is not a part of their—they cannot use it just like they can ordinary government revenue.

Senator CONNALLY. Well, they use it, don't they?

General BURNETT. They will use it.

Senator CONNALLY. They are using it now? They got $12,000,000 last year; what did they do with it?

General BURNETT. They have not spent it all yet. They are going into the plans rather carefully as to how to survive after they lose tariff preferences with us.

Senator CONNALLY. The restriction is what?

The CHAIRMAN. The restriction on it is that they cannot give it to the growers, as I understand it, of coconuts?

General BURNETT. That is true.

The CHAIRMAN. But otherwise it can go into the general treasury of the Filipinos and be spent?

General BURNETT. No, sir; not exactly that. It must be spent for questions affecting economic readjustment. There is an agreement between Mr. Quezon and the State Department along that line.

The CHAIRMAN. The law says:

> All taxes collected under this chapter with respect to coconut oil wholly of Philippine production or produced of materials wholly of Philippine growth or production, shall be held as a separate fund and paid to the treasury of the Philippine Islands, but if at any time the Philippine government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Philippine treasury shall be made under this section.

That is section 2476.

Senator CONNALLY. That is the only restriction, is it not?

Mr. SAYRE. May I say just a word on that, Mr. Chairman?

When President Quezon was here, I think it was 2 years ago, he and I talked over that situation. It seemed that it was unfortunate that there should be no restrictions. He agreed. He gave me his assurance in the form of a letter which became a part of our records that the money should not be expended except in such ways as was stated in that letter. The bulk of the expenditures under that statement was to be for purposes of economic readjustment, and in the new bill, Senate 1028, which is now pending before Congress, there is a definite legal provision to the effect that the money shall be expended only for purposes of economic readjustment.

Senator CONNALLY. That bill has not become a law yet, has it?

Mr. SAYRE. No, sir; that is pending before Congress now.

Senator CONNALLY. We are talking of what the law is. Whatever agreement you and Mr. Quezon had is simply a gentleman's agreement. It does not bind anybody unless the President of the Philippine Commonwealth wants to put it into effect. So far as the law is concerned, the Philippine government can do what it pleases with this money except to pay it out in the form of a subsidy.

Mr. SAYRE. I thought that you would like to know that these other strings have been tied on it.

Senator CONNALLY. But the bill is still before the committee. It is not passed yet.

Senator GUFFEY. How many people are involved in raising this product in the Philippine Islands?

General BURNETT. About 4,000,000 people.

Senator GUFFEY. And the amount is a million dollars a month?

General BURNETT. Yes, sir.

Senator GUFFEY. That is $12,000,000 a year?

General BURNETT. Yes, sir.

Senator GUFFEY. If they give it all back to agriculture, each person will get $3, if my mathematics is correct?

General BURNETT. That is correct.

Senator BAILEY. You have 10,000,000 in the South involved in connection with cotton and in cottonseed, and I don't know how many fishermen there on the coast. If anybody will tell me, I will put it in the record. I think we have got 4,000,000.

General BURNETT. In this connection, also, I would like to read the following cables received in the War Department:

For Secretary WOODRING. I am greatly concerned over the proposal before Congress to increase the tax on coconut oil to 5 cents per pound. The coconut industry is already very heavily burdened and is finding the problem of adjustment extremely difficult even under the present arrangements. May I request your assistance to prevent the approval of the rider? QUEZON.

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BUREAU OF INSULAR AFFAIRS,
*Washington, D. C.*

Respectfully strongly support American Chamber of Commerce and other protests against passage of Connally bill and confirm views as to detriment to American interests and to market for American goods here, please communicate to authorities concerned.

MANILA CHAMBER OF COMMERCE.

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BUREAU OF INSULAR AFFAIRS,
*Washington, D. C.*

On behalf of 20 shipping companies carrying virtually all trade between Philippines and United States, both ways, we strongly support protests against passage of Connally bill. Loss of coconut-oil and copra business will curtail sale of American goods here substantially. Our interests vitally affected by loss of cargo either way. Please transmit to all interested parties.

ASSOCIATED STEAMSHIP LINES.

However, aside from the question of the merits of the proposed amendment, it will be noted that the proposed legislation is in the nature of a unilateral modification of the Independence Act and undoubtedly militates against Philippine interests. The whole question of future economic relations between the United States and the Philippines is now under consideration before the Senate Committee on Territories and Insular Affairs in connection with the bill, S. 1028, which is intended to put into effect the recommendations of the Joint Preparatory Committee on Philippine Affairs. The question of the future treatment of Philippine products entering into the United States has been carefully considered by the Joint Preparatory Committee and its different parts are so intimately interrelated that legislation of whatever kind on a single article might well vitiate the whole carefully worked-out plan represented in S. 1028. It would most certainly do so in the present instance.

The War Department is specially interested in this amendment which, in its opinion, would work a grave injury to the Filipino people. The War Department, through the Bureau of Insular Affairs has administered the affairs of the Philippine Islands for almost 40 years. By the present law, those islands will attain their complete independence on July 4, 1946. Under the most favorable conditions, their future as an independent nation will surely be full of difficulties. We believe that this rich, powerful Nation of ours would be most derelict in its duty if it imposes any unnecessary conditions which would handicap the Filipino people in their struggle for survival. We believe that this amendment constitutes such a handicap.

The CHAIRMAN. In this connection, I would like to place in the record a telegram that the committee has received from Mr. Quezon protesting against this amendment. The Resident Commissioner of the Philippines will be heard. I received a letter from him in which he expressed his opposition and asked to be heard before the hearing is over; that is so, is it not?

The RESIDENT COMMISSIONER (Mr. Elizalde). Yes, sir.

The CHAIRMAN. I would also like to place in the record in this connection, a letter received from the Secretary of State with reference to Senator Connally's amendment, as well as the letter from the Secretary of War. Without objection, they will be inserted in the record.

(The letters and telegram referred to are as follows:)

[Telegram]

MANILA, *March 2, 1939.*

Senator PAT HARRISON: I am greatly concerned over the proposal before Congress to increase the tax on coconut oil to 5 cents per pound. May I request your assistance on behalf of the Filipino people and in fairness to the existing reciprocal relationship between the United States and the Philippines in preventing legislation prejudicial to the interest of several million Filipinos. The coconut industry is already very heavily burdened and is finding the problem of adjustment difficult even under the present arrangements.

QUEZON.

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FEBRUARY 27, 1939.

The Honorable PAT HARRISON,
*Chairman, Committee on Finance, United States Senate.*

MY DEAR SENATOR HARRISON: An amendment to H. R. 8700, intended to be proposed by Senator Connally and which has been referred to the Senate Finance Committee, has come to my attention. This bill provides for an increase from 3 to 5 cents per pound in the tax imposed by section 602½ of the Revenue Act of 1934, as amended, on the first domestic processing of coconut oil, palm oil, palm-kernel oil, and derivatives and combinations of the foregoing.

The proposed amendment would violate international obligations of the United States contained in the trade agreements now in effect with the Netherlands and with the United Kingdom. With respect to palm-kernel oil, this amendment would violate the terms of the trade agreement with the United Kingdom, effective January 1, 1939. In this agreement the United States guarantees that "no Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the Revenue Act of 1934, as amended, shall be imposed in the United States in respect to palm-kernel oil." This guarantee is contained in a note to the item in schedule IV which provides for a duty reduction on palm-kernel oil (par. 54 of the Tariff Act of 1930) and is repeated in a note to another item in the same schedule which provides for the continued duty-free status of expressed or extracted palm-kernel oil, rendered unfit for use as food or for any but mechanical or manufacturing purposes (par. 1732).

With respect to palm oil, the proposed amendment would constitute a violation of the trade agreement with the Netherlands, effective February 1, 1936. In that agreement the United States guarantees that "no Federal internal tax in excess of the rate of 3 cents per pound now provided for in section 602½ of the Revenue Act of 1934 shall be imposed in the United States in respect of palm oil the production of the Netherlands or any of its overseas territories." This guarantee is contained in a note to the item in schedule II, which provides for the continued duty-free status of expressed or extracted palm oil (par. 1732).

While the existence of these obligations alone is sufficient reason for not adopting the amendment in question, it may not be inappropriate to refer to the benefits which have been realized from the agreements of which these concessions are a part.

These commitments were made as a result of the most careful consideration by the competent departments of the Government and hearings at which all interested parties were given an opportunity to present their views. They constitute a part of the concessions in return for which valuable concessions were obtained from the United Kingdom and the Netherlands on behalf of American agriculture and industry.

The benefits secured for American agriculture in the trade agreement with the United Kingdom are of the utmost importance. The United Kingdom is by far the largest foreign market for American farm products. Commitments made by the United Kingdom in the agreement cover about 92 percent of our total agricultural exports to the United Kingdom on the basis of 1936 statistics.

As a result of the trade agreement with the Netherlands, American farmers, manufacturers, and labor have received substantial benefits. The value of American products imported into the Netherlands and the Netherlands East Indies in 1937 showed an increase of $44,000,000 as compared with 1935, the year immediately preceding the conclusion of the trade agreement. More than half of this $44,000,000 increase is accounted for by imports of American products on which concessions were obtained in the agreement.

I have received a communication from the Netherlands Legation, in which exception is taken to the proposed amendment, and which reads as follows:

"As the action proposed by Senator Connally would violate the provision above referred to of the trade agreement and would result in a virtual prohibition of the importation of palm oil from the Netherlands and its overseas territories, I should feel obliged if Your Excellency would grant his good offices so that the enactment of the amendment in question may be averted."

My attention has also been called by Mr. Sayre, Assistant Secretary of State and chairman of the Interdépartmental Committee on Philippine Affairs, to the effect of the proposed amendment of Senator Connally upon our relations with the Philippines.

Less than 2 months prior to the enactment of the Revenue Act of 1934, section 602½ of which imposed a tax of 3 cents per pound on the first domestic processing of certain oils, including coconut oil wholly of Philippine production or produced wholly from materials of Philippine growth or production, the Congress passed the act of March 24, 1934, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes." In this latter act certain provisions of which were designed to terminate the preferred status of Philippine articles in the United States market in a gradual and orderly manner, was included a provision imposing the full duty on all Philippine coconut oil brought into the United States in excess of 200,000 long tons in any year. In other words, the Philippine Independence Act contemplated the duty-free entry into the United States of 200,000 long tons of Philippine coconut oil annually during the period prior to the independence of the islands.

The processing tax contained in the Revenue Act of 1934 was therefore directly contrary to the purposes of the independence act, as the President pointed out in a message to the House of Representatives (73d Cong., 2d sess., Doc. No. 388). The proposed amendment, by increasing the processing tax, would depart still further from the purposes of that act.

Furthermore, the Interdepartmental Committee on Philippine Affairs has recently made public a report on trade relations between the Philippines and the United States with certain recommendations for modifications of the Independence Act of 1934, which have been incorporated in S. 1028, on which the Committee on Territories and Insular Affairs of the Senate is currently holding hearings.

This bill, approved by the Philippine executive and legislative authorities, provides for an annual duty-free quota of 200,000 long tons of Philippine coconut oil, declining gradually by 5 percent of this amount annually from 1940 to 1961. The proposed amendment might endanger the entire Philippine program now being considered by the Senate.

In view of the urgency of having this information reach your committee immediately, in order that it may be given consideration at the time the bill is taken up by the Senate, this letter has been sent to you directly and it has not been possible to ascertain the opinon of the Bureau of the Budget on the proposed amendment.

Sincerely yours,

CORDELL HULL.

FEBRUARY 25, 1939.

Hon. PAT HARRISON,
*Chairman, Committee on Finance,*
*United States Senate.*

DEAR SENATOR HARRISON: There has been brought to my attention an amendment intended to be proposed by Senator Connally to the bill, H. R. 3790, and referred on February 23, 1939, to the Committee on Finance. I have been advised that the bill, H. R. 3790, relating to the taxation of the compensation of public officers and employees, passed the House on February 9, 1939, without any provision relating to the matter included in Senator Connally's proposed amendment.

Aside from the question of the merits of the proposed amendment, it is one which if enacted would affect vital interests of the Philippines. The proposed amendment appears to be wholly irrelevant to the bill H. R. 3790 and touches upon important questions now under consideration before the Senate Committee on Territories and Insular Affairs in connection with the bill, S. 1028, which is intended to put into effect the recommendations of the Joint Preparatory Committee on Philippine Affairs.

Accordingly it is urgently requested that before final action is taken on Senator Connally's proposed amendment by the Senate Committee on Finance full opportunity be given for the presentation of the views of the War Department and of the Government of the Commonwealth of the Philippines.

A similar letter has been addressed to Senator Tydings, chairman, Committee on Territories and Insular Affairs.

Sincerely yours,

HARRY H. WOODRING, *Secretary of War.*

The CHAIRMAN. A memorandum has been prepared by the Tariff Commission regarding excise taxes on fats and oils, and will be placed in the record at this point.

EXCISE TAXES ON FATS AND OILS AND OIL-BEARING MATERIALS, MARCH 6, 1939

During the past 7 years Congress has enacted a number of laws imposing excise taxes, the economic effects of which are practically identical with those which would result from equivalent tariff duties. These excise taxes are of two sorts: (1) Those which are levied on the importation but not on the domestic production of materials, and (2) those which are levied on the processing of materials, none, or practically none of which is produced in Continental United States. The taxes levied on the importation of materials will hereinafter be referred to as "import excise taxes," and those levied on the processing of materials as "processing taxes."[1] These taxes are collected in addition to any tariff duties which may apply.

Processing taxes are at present imposed only on coconut oil, palm oil, and palm-kernel oil and on combinations, mixtures, and manufactures thereof. All of these oils except coconut oil are processed exclusively from foreign materials, and coconut oil is processed from copra which is the produce of either foreign countries or United States insular possessions—notably the Philippines.

STATUS OF EXCISE TAXES UNDER TRADE AGREEMENTS ACT

Some reductions in import excise taxes have been made in recent trade agreements. Processing taxes may not be altered under the Trade Agreements Act, but they may, under authority of that act, be bound against increase in rates. A number of recent trade agreements provide for such bindings.

PRESENT TARIFF AND EXCISE-TAX RATES

The existing import excise taxes and processing taxes on the various animal, fish, and vegetable oils and oil-bearing substances went into effect as provided by the Revenue Acts of 1934, 1936, and 1938. No expiration dates have been fixed for any of these taxes.

Table 1 shows the United States tariff rates and excise taxes applicable to oils and oil-bearing materials on March 1, 1939. It will be noted that most of the materials subject to excise taxes are also subject to tariff duties. A number of

[1] For convenience, the term "imports" when used in reference to processing taxes refers to entries both from foreign countries and from certain United States insular possessions.

them, however, are subject to tariff duties but not to excise taxes; others are subject to excise taxes but not to tariff duties; and some are exempt from both tariff duties and excise taxes. Moreover, the tariff duties and/or excise taxes of a number of oils and oil materials have been bound or reduced by trade agreements now in force. Higher rates of tax on such oils and oil materials could not be imposed except in contravention of United States commitments to foreign governments.

Oils and oil materials whose tariff duty and/or excise-tax status is fixed in trade agreements are palm oil, palm-kernel oil, babassu oil,[1] sperm oil, sod oil, shark oil, shark-liver oil, wool grease, copra, palm nuts, palm-nut kernels, babassu nuts and kernels, castor beans. The tariff and/or excise status of manufactures of a number of the above materials—such as fatty acids, soaps, and paints—is also fixed in various trade agreements. The imposition of new or higher excise taxes on any of the products which have been named in this paragraph would be in violation of trade agreements with one or more of the following countries: The United Kingdom, Canada, France, the Netherlands, and Brazil. The imposition of new excise taxes on products made jointly with other products which are now subject to trade-agreement rates might also be in violation of trade agreements. A processing tax on an oil cake, for example, would differ little economically from one on the oil made jointly with such cake.

The present processing tax on coconut oil made of Philippine copra is not legally bound against increase. However, the imposition of the existing tax on such oil in 1934 was in many quarters regarded as a violation of the provisions of the Philippine Independence Act. Under that act free trade was to continue between the United States and the Philippines, except as otherwise specifically provided, until July 4, 1946. The processing tax on coconut oil was not legally a tariff duty, but economically it operated as one in its effect on the Philippines. Largely in recognition of Philippine claims, Congress provided in the Revenue Act of 1934 that all processing taxes collected in the United States on coconut oil derived from Philippine materials shall be remitted to the Philippine treasury. In recent years these remittances have amounted to over 40 percent of the entire proceeds of United States excise-tax collections on all oils and oil-bearing materials. The remittances to the Philippines have amounted to between one and two million dollars monthly.

In view of the above considerations, an increase in the existing rate of processing tax on Philippine coconut oil (or copra cake) would introduce additional problems for the United States in dealing with the Philippines. Moreover, any increase would be in conflict with certain provisions of S. 1028 and H. R. 3330, bills now before Congress. These bills propose to implement the recommendations of the Joint Preparatory Committee on Philippine Affairs, a committee composed of both American and Philippine experts. Their recommendations have been endorsed both by the President of the United States and President Quezon of the Philippines as providing a reasonable means of gradually eliminating preferential trade relations between the two countries. Changes in the excise-tax status of Philippine coconut oil (or of any other oil or oil material) which would adversely affect either the competitive position of Philippine coconut oil and copra or the receipts which the Philippine treasury would otherwise obtain from United States oil-processing taxes would alter the bases on which the recommendations of the Joint Preparatory Committee on Philippine Affairs (as set forth in S. 1028 and H. R. 3330) were formulated.

## USES OF FATS AND OILS

Fats and oils are used principally in the preparation of (1) food products; (2) soap; (3) paints, varnishes, and linoleums; and (4) a large variety of miscellaneous manufactures. Almost three-fourths of the total domestic consumption of fats and oils (including butter and lard) ordinarily enters into edible uses, about one-fifth into soap, and about one-tenth into paints, varnishes, linoleum, and miscellaneous materials. Only a relatively small part of the total consumption for all uses is derived from "foreign" materials—inclusive of coconut oil made from Philippine copra. Fats and oils of foreign derivation ordinarily account for about 5 percent of those used for edible purposes, for about one-third of those used in soaps, for about three-fourths of those used in paints, varnishes, and linoleums, and about one-fourth of those used in miscellaneous products.

[1] A tax on "oil and/or fats derived from the pulp or kernel of the fruits of any variety of the palm tree" would apply to babassu oil.

*Soap.*—Table 2 shows the oils and fats used in the manufacture of soap in the United States during the years 1931–37. It will be noted that there has been little variation in the total quantity of oils used from year to year. There has been a decline in the proportion of animal greases used and an increase in the proportion of fish oil. The proportions of coconut oil, palm-kernel oil, and babassu oil have also changed somewhat from year to year, but the proportion of the total of these oils has remained almost constant. All three of these foreign oils contain lauric acid, a necessary constituent of free lathering soaps of the varieties most in demand in the United States. To produce them, a substantial fraction of the oil ingredient must be some oil containing lauric acid. The proportion of such oil can be altered within limits, however, and to this extent other oils and fats can replace it. No oil or fat now produced in the United States or likely to be produced in any appreciable quantity contains any lauric acid.

*Margarine.*—Tables 3 and 4 show the domestic consumption of fats and oils in margarine in recent years. The most conspicuous developments have been (1) the increase in the total consumption of fats and oils; (2) the decline in the amount and proportion of animal fats, and the increase in the proportion of vegetable oils; (3) the sharp increase in the proportion of domestic oils (animal and vegetable combined); and (4) the sharp decline in the proportion of imported oils.

In 1931, 16,000,000 pounds of cottonseed oil and 133,000,000 pounds of coconut oil were used in margarine; in 1938, 143,000,000 pounds of cottonseed oil and 90,000,000 pounds of coconut oil were used. Of all of the oils used in margarine, coconut oil supplied 69 percent in 1931 and 29 percent in 1938, and cottonseed oil, 8 percent in 1931 and 46 percent in 1938.

*Compounds and vegetable shortenings.*—Table 5 shows the factory consumption of oils and fats used in compounds and vegetable shortenings during the years 1931–37. The total consumption for this purpose rose very considerably from 1932 through 1937.

During this same interval, the quantities of cottonseed oil and animal fats rose somewhat (irregularly), whereas the quantities of palm oil, soybean oil, peanut oil, and sesame oil rose sharply. The quantity of coconut oil (always relatively small) fluctuated widely from year to year; it amounted to 12½ million pounds in 1937, as compared to 1,162 million pounds for cottonseed oil.

*Other edible products.*—Table 6 shows the United States factory consumption of oils and fats used in the manufacture of edible products other than margarine and shortenings during the years 1931–37. The most conspicuous developments during this interval were: (1) A 100 percent increase in the total quantity of oils and fats used for such purposes (vegetable oils accounted for 96 to 98 percent of the total throughout the period); (2) about 200 percent increases in the quantities of cottonseed oil and corn oil, which two oils accounted for 70 percent of all of the oils used for such purposes in 1937; (3) a small decline in the quantity and a substantial decline in the proportion of coconut oil used; and (4) a sharp decline followed by an approximately equal rise in the quantity of palm-kernel oil used. The consumption of babassu oil began in 1936 and rose sharply in 1937; it amounted to 11,000,000 pounds in the latter year, as compared to a consumption of 227,000,000 pounds for cottonseed oil. The consumption of sesame oil was fairly substantial in 1935 and 1936 but amounted to less than 1 percent of all oils used in 1937.

## UNITED STATES IMPORTS AND EXPORTS OF FATS AND OILS

*Edible oils.*—In recent years prior to 1935, the United States was on a large net export basis in respect of those fats and oils used principally for edible purposes. Since 1935, however, it has been on a net import basis with respect to them—partly because of domestic shortages arising out of droughts and the agricultural restriction program. Lard and oleo oil have been the principal exports of such fats and oils; and coconut, palm, palm-kernel, sesame, sunflower, and olive oils (as nuts, seeds, or oils)—and more recently cottonseed, peanut, and babassu oils—have been the principal imports.

*Soap oils.*—The United States has for long been a very large net importer of those fats and oils used principally in soap. Imports have consisted chiefly of coconut, palm, and palm-kernel oils (either as oils or as oil-bearing materials), inedible olive oil, whale oil, fish oil and inedible tallow. Exports have consisted of comparatively negligible quantities of animal greases, and coconut oil made of imported materials.

*Paint and varnish oils.*—The United States has also been a large net importer of the fats and oils used principally in paints, varnishes, and linoleums. The chief imports have been linseed oil (principally as flaxseed), tung oil, and perilla oil. The negligible exports have consisted of linseed oil and soybean oil.

*Oils for miscellaneous manufactures.*—The United States has likewise been a substantial net importer of fats and oils used principally for special and miscellaneous purposes. The main imports have been castor oil (principally as beans), rapeseed oil, sperm oil, cod-liver oil, and cod oil. The exports have been negligible and have consisted chiefly of oleic acid and neat's-foot oil.

*United States imports.*—Table 7 shows United States imports of oils and oil materials, both by quantity and value, for the years 1933–38. Particular attention is called to the sharp decline in the quantity and value of many of the imports between 1937 and 1938. By the latter year, imports of a number of oils and oil materials which had been substantial in prior years (particularly from 1935 to 1937 because of the drought) had disappeared, or practically so, for example, herring oil, oleo oil, sunflower oil, sunflower seed, sesame oil (inedible), perilla seed, kapok seed oil, kapok seed, and babassu nut oil.[1]

UNITED STATES PRODUCTION OF FATS AND OILS

Table 8 shows United States production of fats and oils from domestic raw materials during the years 1929–38. It will be noted that the total production, including lard and butter, declined moderately and irregularly from 1929 through 1934, fell substantially in 1935, and rose in the following years until by 1938 it almost reached the production level of 1929. The trend of production of fats and oils exclusive of butter and lard followed a somewhat similar course except that the production in 1938 was considerably larger than in 1927.

STOCKS OF FATS AND OILS

Table 9 shows the stocks of primary fats and oils on hand in the United States on December 31 of the years 1929–38. The data are incomplete for some commodities in recent years, so comparisons of the total stocks of fats and oils cannot be made for all of the years in the period.

The total stocks of fats and oils rose by almost 50 percent between 1929 and 1933 but declined substantially in the following 2 years. The stock at the end of 1935 was about 15 percent larger than in 1929.

The stock of cottonseed oil in the years 1929–38 was lowest in 1935 (565,000,000 pounds), and highest in 1933 (997,000,000 pounds); the stock at the end of 1938 (781,000,000 pounds) was almost exactly midway between those levels. The stock of coconut oil varied widely during this period; it was lowest in 1930 and highest in 1938. The stock of coconut oil has never been nearly as large as that of cottonseed oil. The stock of linseed oil fluctuated between relatively narrow limits. Palm oil stocks ranged between wide limits; they were lowest in 1929 and highest in 1938. Inedible tallow stocks also fluctuated widely; they increased by over 200 percent between 1929 and 1934 but by 1938 declined by 40 percent from their high. Stocks of lard (including neutral lard) fluctuated between 41,000,000 pounds and 109,000,000 pounds during the period; they were lowest in 1932 and highest in 1936. The stock in 1938 amounted to 100,000,000 pounds, which was less than the stock in the years 1933, 1934, and 1936, but higher than any in the other years in the period.

*Prices of fats and oils.*—Table 10 shows the prices of representative oils and fats in the United States for the years 1930–38; table 10 (a) shows corresponding data for the period January 1937 through February 1939, bimonthly for the year 1937 and monthly for the period following. The quotations for coconut oil are exclusive of the processing tax of 3 cents per pound.

[1] Babassu nuts continued to enter, however.

*Fats and oils: United States tariff rates and excise taxes in effect on Mar. 1, 1939* [1]

[T. A. indicates that the tariff or excise treatment shown is provided for in trade agreements]

| Oil or fat, or combinations or manufactures thereof, and oil-bearing materials | Duty [2] | Excise tax on imports into the United States or on first domestic processing [3] |
|---|---|---|
| Animal oils and fats: | | *Per pound* |
| Tallow | ½ cent per pound | 3 cents. |
| Inedible animal oils, fats, greases, n. s. p. f. | 20 percent ad valorem. | Do. |
| Fatty acids or salts of above | (4) | Do. |
| Butter | 14 cents per pound | None. |
| Lard | 3 cents per pound | None. |
| Oleo oil and oleo stearin | 1 cent per pound | 3 cents. |
| Wool grease: | | |
| Containing over 2 percent free fatty acids | ½ cent per pound T. A. | 3 cents T. A. |
| Containing 2 percent or less free fatty acids | 1 cent per pound T. A. | Do. |
| For medicinal use | 2 cents per pound T. A. | Do. |
| Edible animal oils, fats, or greases, n. s. p. f. | 20 percent ad valorem. | None. |
| Marine animal and fish oil: | | |
| Sod oil | 3 cents per gallon T. A. | None T. A. |
| Herring and menhaden oils | 5 cents per gallon | 3 cents.[5] |
| Whale (other than sperm) and seal oils | 6 cents per gallon | Do.[5] |
| Shark oil and shark-liver oil, including oil produced from sharks known as dogfish, n. s. p. f. | 10 percent ad valorem T. A. | 1½ cents T. A.[5] |
| Fish and marine animal oils, n. s. p. f. | 20 percent ad valorem. | 3 cents.[5] |
| Fatty acids or salts of above | (4) | Do.[5] |
| Cod-liver and cod oil | Free | None. |
| Sperm oil: | | |
| Crude | 2½ cents per gallon T. A. | None T. A. |
| Refined | 7 cents per gallon T. A. | Do. |
| Vegetable oils and raw materials: | | |
| Nondrying: | | |
| Copra | Free T. A | None. |
| Coconut oil: | | |
| From or produced in the United States of materials from the Philippines or any other possession of the United States. | Free | 3 cents. |
| Other | 2 cents per pound | 5 cents. |
| Palm oil: | | |
| For tinplate or terneplate | Free T. A | None. |
| Other | do | 3 cents T. A. |
| Palm nut and palm-nut kernels | do | None. |
| Palm-kernel oil: | | |
| Rendered unfit for food | Free T. A | 3 cents T. A. |
| Other | ½ cent per pound T. A. | 3 cents T. A. |
| Fatty acids or salts of above oils | (4) | 3 cents. |
| Babassu nuts and kernels | Free T. A | None T. A. |
| Babassu oil | do | None T. A. |
| Castor beans | ¼ cent per pound T. A | None T. A. |
| Castor oil | 3 cents per pound | None. |
| Olive oil: | | |
| Weighing with container less than 40 pounds | 8 cents per pound | None. |
| Rendered unfit for food | Free | None. |
| N. s. p. f. | 6½ cents per pound | None. |
| Peanuts: | | |
| Shelled | 7 cents per pound | None. |
| Not shelled | 4½ cents per pound | None. |
| Peanut oil | 4 cents per pound | None. |
| Tallow, vegetable | Free | None. |
| Teaseed oil | do | None. |

1 Excise taxes imposed by Revenue Acts of 1934, 1936, and 1938, and tariff rates established by Tariff Act of 1930, as amended by Presidential proclamations and trade agreements up to Mar. 1, 1939. Modifications under trade agreements do not apply to Germany.

2 Oils and fats and oil materials produced in Cuba are entitled to a minimum tax preference of 20 percent under art. III of the Cuban agreement of Aug. 24, 1934. Some of the articles may be free of duty under art. I of the agreement but no decision on specific articles has as yet (Mar. 1, 1939) been made.

3 In this case "United States" refers to the 48 States, the Territories of Alaska and Hawaii, and the District of Columbia. With the exceptions of coconut oil, palm oil, and palm-kernel oil, and combinations, mixtures, and salts thereof, all of the products enumerated are subject to revenue taxes on the importation into the United States (as above defined). The taxes apply to the articles named whether or not refined, sulphonated, sulphated, hydrogenated, or otherwise processed.

4 Specific cases subject to Treasury decisions on classifications.

5 Does not apply to products of American fisheries.

*Fats and oils: United States tariff rates and excise taxes in effect on Mar. 1, 1939*—Continued

| Oil or fat, or combinations or manufactures thereof, and oil-bearing materials | Duty | Excise tax on imports into the United States or on first domestic processing |
|---|---|---|
| Vegetable oils and raw materials—Continued. | | |
| Nondrying—Continued. | | *Per pound* |
| Kapok oil | 20 percent ad valorem. | 4½ cents. |
| Kapok fatty acids or salts | (4) | 4½ cents. |
| Kapok seeds | Free | 2 cents. |
| Semidrying:[5] | | |
| Corn oil | 20 percent ad valorem. | None. |
| Cottonseed | ½ cent per pound | Do. |
| Cottonseed oil | 3 cents per pound | Do. |
| Croton oil | Free | Do. |
| Rapeseed oil: | | |
| Rendered unfit for food | do | 4½ cents. |
| Other | 6 cents per gallon | 4½ cents. |
| Sesame oil: | | |
| Rendered unfit for food | Free | 4½ cents. |
| Other | 3 cents per pound | None. |
| Sunflower oil: | | |
| Rendered unfit for food | Free | 4½ cents. |
| Other | 20 percent ad valorem. | 4½ cents. |
| Fatty acids or salts of above | (4) | 4½ cents. |
| Rapeseed | Free | 2 cents. |
| Sesame seed | do | 1.18 cents. |
| Sunflower seed | 2 cents per pound | None. |
| Drying: | | |
| Hempseed oil | 1½ cents per pound | 4½ cents. |
| Linseed oil | 4½ cents per pound | None. |
| Perilla oil | Free | 4½ cents. |
| Fatty acids or salts of above oils | (4) | 4½ cents. |
| Hempseed | Free | 1.24 cents. |
| Flaxseed | 65 cents per bushel of 56 pounds. | None. |
| Perilla seed | Free | 1.38 cents. |
| Oiticica oil | do | Do. |
| Poppy-seed oil | 2 cents per pound | Do. |
| Rubberseed oil | 20 percent ad valorem. | Do. |
| Safflower oil | do | Do. |
| Soybean oil | 3½ cents per pound but not less than 45 percent ad valorem. | Do. |
| Tung oil | Free | Do. |
| Walnut oil | do | Do. |
| Poppy seed | 16 cents per 100 pounds T. A. | Do. |
| Rubberseed | Free | Do. |
| Soybeans | 2 cents per pound | Do. |
| Tung nuts | Free | Do. |
| Seeds and nuts, n. s. p. f. (when oils derived from them are free of duty). | do | Do. |
| Expressed or extracted oils, n. s. p. f. | 20 percent ad valorem | Do. |
| Nut oils, n. s. p. f. | Free | Do. |
| Any combination or mixture containing a substantial quantity of— | | |
| Coconut oil, palm oil, or palm-kernel oil | 25 percent ad valorem [7] | 3 cents. |
| Fatty acids or salts of the foregoing | (4) | Do. |

[4] Specific cases subject to Treasury decisions on classifications.

[5] The divisions between nondrying, semidrying, and drying oils are not clear cut. In general, an oil or fat having an iodine number less than 100 is classed as nondrying; one having an iodine number between 100 and 130 as semidrying; and one with a number above 130, as drying.

[7] Combinations and mixtures of animal, vegetable, or mineral oils, or any of them, are subject to rate applicable to the highest taxed component material if over 25 percent ad valorem.

Source: U. S. Tariff Commission.

TABLE 2.—*Soap: United States factory consumption of oils and fats used in the manufacture, calendar years 1931–37*

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|
| | Quantity in million pounds | | | | | | |
| Animal fats and oils: | | | | | | | |
| Tallow: | | | | | | | |
| Inedible | 523.7 | 540.2 | 508.8 | 662.9 | 663.0 | 660.0 | 613.5 |
| Edible | 1.5 | 2.0 | 2.4 | 1.1 | 1.4 | .2 | .2 |
| Grease | 120.4 | 143.7 | 124.7 | 142.8 | 98.1 | 98.7 | 94.2 |
| Other animal fats and oils | .4 | .6 | .5 | .5 | .4 | .4 | .4 |
| Total | 655.0 | 695.5 | 636.4 | 807.3 | 762.9 | 759.3 | 708.3 |
| Vegetable oils: | | | | | | | |
| Coconut | 340.5 | 353.5 | 322.3 | 341.1 | 229.7 | 307.4 | 252.2 |
| Palm | 172.2 | 168.0 | 188.0 | 151.7 | 87.3 | 78.1 | 141.4 |
| Palm kernel | 28.0 | 3.6 | 6.3 | 16.5 | 37.2 | 20.4 | 111.5 |
| Olive oil foots[1] | 39.0 | 30.9 | 31.0 | 30.4 | 31.5 | 24.0 | 18.0 |
| Babassu | ......... | ......... | ......... | ......... | ......... | 9.0 | 14.3 |
| Soybean | 3.8 | 5.6 | 4.2 | 1.4 | 2.5 | 5.0 | 10.3 |
| Cottonseed | 2.0 | 3.6 | 7.0 | 2.7 | 1.9 | 1.3 | 8.4 |
| Sesame | 8.2 | 1.9 | .8 | .5 | .7 | 1.0 | 2.9 |
| Corn | 4.1 | 2.5 | 3.6 | 6.3 | 2.8 | 2.5 | 2.4 |
| Castor | 2.8 | 2.4 | 2.1 | 1.8 | 1.1 | 1.6 | 2.1 |
| Linseed | 1.5 | 1.0 | 1.0 | 1.0 | 1.2 | 1.5 | 1.4 |
| Rapeseed | ......... | (2) | (2) | 1.0 | 8.0 | 7.8 | 1.0 |
| Olive oil, inedible | 2.1 | 1.9 | 2.0 | 2.0 | 1.7 | 1.6 | .9 |
| Sunflower | ......... | ......... | 7.9 | 7.1 | .1 | .1 | (3) |
| Other vegetable oils[4] | 3.9 | 7.0 | .7 | 2.1 | 5.8 | 6.0 | 11.7 |
| Total | 608.1 | 581.9 | 577.8 | 568.6 | 411.5 | 474.6 | 578.5 |
| Marine animal and fish oil: | | | | | | | |
| Whale[5] | 68.7 | 48.0 | 44.9 | 34.0 | 28.4 | 32.0 | 65.1 |
| Fish | 58.4 | 49.1 | 52.2 | 64.5 | 110.0 | 128.0 | 123.9 |
| Total | 127.1 | 98.0 | 97.1 | 98.5 | 138.4 | 160.0 | 189.0 |
| Grand total | 1,390.2 | 1,375.4 | 1,311.3 | 1,474.4 | 1,312.8 | 1,394.5 | 1,475.8 |
| | Percent of total quantity | | | | | | |
| Animal fats and oils: | | | | | | | |
| Tallow: | | | | | | | |
| Inedible | 37.7 | 40.0 | 38.8 | 45.0 | 50.5 | 47.4 | 41.6 |
| Edible | .1 | .1 | .2 | .1 | .1 | ......... | ......... |
| Grease | 9.3 | 10.5 | 9.5 | 9.7 | 7.5 | 7.1 | 6.4 |
| Other animal fats and oils | ......... | ......... | ......... | ......... | ......... | ......... | ......... |
| Total | 47.1 | 50.6 | 48.5 | 54.8 | 58.1 | 54.5 | 48.0 |
| Vegetable oils: | | | | | | | |
| Coconut | 24.5 | 25.7 | 24.5 | 23.1 | 17.5 | 22.1 | 17.1 |
| Palm | 12.4 | 12.2 | 14.3 | 10.5 | 6.7 | 5.6 | 9.6 |
| Palm kernel | 2.0 | .3 | .5 | 1.1 | 2.8 | 1.0 | 7.5 |
| Olive oil foots | 2.8 | 2.2 | 2.4 | 2.1 | 2.4 | 1.7 | 1.2 |
| Babassu | ......... | ......... | ......... | ......... | ......... | .6 | 1.0 |
| Soybean | .2 | .4 | .3 | .2 | .2 | .4 | .7 |
| Cottonseed | .1 | .3 | .5 | .1 | .1 | .1 | .5 |
| Sesame | .6 | .1 | .1 | .1 | .1 | .1 | .2 |
| Corn | .3 | .2 | .3 | .4 | .2 | .2 | .2 |
| Castor | .2 | .2 | .2 | .1 | .1 | .1 | .1 |
| Linseed | .1 | .1 | .1 | .1 | .1 | .1 | .1 |
| Rapeseed | ......... | (6) | (6) | .1 | .6 | .6 | .1 |
| Olive oil, inedible | .2 | .1 | .2 | .1 | .1 | .1 | .1 |
| Sunflower | ......... | ......... | .6 | .5 | ......... | ......... | (7) |
| Other vegetable oils | .3 | .5 | .1 | .1 | .4 | .4 | .8 |
| Total | 43.7 | 42.3 | 44.1 | 38.6 | 31.3 | 31.0 | 39.2 |

[1] Reported as sulphur oil or olive foots.
[2] Less than 100,000 pounds.
[3] Quantities included in other vegetable oils not enumerated.
[4] Includes peanut (annual average 640,000 pounds, 1931–37); olive oil, edible (annual average 40,000 pounds, 1931–37); tung (1933–34 and 1936); perilla (1935, 1936, and 1937); neat's-foot oil (annual average 33,000 pounds, 1931–37); and miscellaneous vegetable oils unclassified.
[5] Reported as marine animal oil.
[6] Less than one-tenth of 1 percent.
[7] Included in other vegetable oils not enumerated.

Source: U. S. Bureau of the Census, Animal and Vegetable Fats and Oils.

TABLE 2.—*Soap: United States factory consumption of oils and fats used in the manufacture, calendar years 1931–37*—Continued

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|
| | *Percent of total quantity* | | | | | | |
| Marine animal and fish oil: | | | | | | | |
| Whale [6] | 5.0 | 3.6 | 3.4 | 2.3 | 2.2 | 2.3 | 4.4 |
| Fish | 4.2 | 3.5 | 4.0 | 4.3 | 8.4 | 9.2 | 8.4 |
| Total | 9.2 | 7.1 | 7.4 | 6.6 | 10.6 | 11.5 | 12.8 |
| Grand total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

[6] Reported as marine animal oil.

TABLE 3.—*Margarine: Origin and composition of materials used in manufacture in the United States, 1933–38*

| Year | Total fats and oils | | | | |
|---|---|---|---|---|---|
| | Domestic | | | Imported vegetable [2] | Total domestic and imported |
| | Animal | Vegetable [1] | Total | | |
| | *Quantity in 1,000 pounds* | | | | |
| 1933 | 28,010 | 20,980 | 48,990 | 150,640 | 199,630 |
| 1934 | 34,301 | [3] 57,551 | 91,852 | 123,744 | 215,596 |
| 1935 | 26,235 | [4] 105,685 | 131,920 | 176,758 | 308,678 |
| 1936 | 26,009 | 127,745 | 153,754 | 170,894 | 324,648 |
| 1937 | 18,719 | 210,084 | 228,803 | 97,423 | 326,226 |
| 1938 [5] | 19,689 | 186,929 | 206,618 | 105,882 | 312,500 |
| | *Percent of total quantity* | | | | |
| 1933 | 14.0 | 10.5 | 24.5 | 75.5 | 100.0 |
| 1934 | 15.9 | 26.7 | 42.6 | 57.4 | 100.0 |
| 1935 | 8.5 | 34.2 | 42.7 | 57.3 | 100.0 |
| 1936 | 8.0 | 39.4 | 47.4 | 52.6 | 100.0 |
| 1937 | 5.7 | 64.4 | 70.1 | 29.9 | 100.0 |
| 1938 [5] | 6.3 | 59.8 | 66.1 | 33.9 | 100.0 |

[1] Ordinarily domestically produced.
[2] Not domestically produced.
[3] Includes 1,000 pounds vegetable oil (unnamed). Arbitrarily used as domestic.
[4] Includes 40,000 pounds vegetable oil (unnamed). Arbitrarily used as domestic.
[5] Preliminary.

Source: Compiled from data of U. S. Department of Agriculture, Bureau of Agricultural Economics.

TABLE 4.—*Margarine: United States factory consumption of materials used in the manufacture, 1931–38*

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 [1] |
|---|---|---|---|---|---|---|---|---|
| | Quantity in million pounds | | | | | | | |
| Vegetable oils: | | | | | | | | |
| Cottonseed | 16.0 | 16.0 | 18.0 | 54.8 | 99.5 | 108.1 | 173.6 | 142.9 |
| Coconut | 133.1 | 123.2 | 150.1 | 123.7 | 174.3 | 150.5 | 73.8 | 89.5 |
| Soybean | .6 | (2) | (2) | (2) | 1.8 | 14.3 | 31.8 | 39.9 |
| Babassu | ........ | ........ | ........ | ........ | 1.8 | 16.1 | 14.6 | 11.6 |
| Palm kernel | ........ | ........ | ........ | ........ | .4 | 2.4 | 7.9 | 4.7 |
| Peanut | 4.6 | 2.5 | 2.6 | 2.7 | 4.4 | 4.1 | 2.9 | 3.6 |
| Corn | .1 | .1 | .3 | (3) | (3) | 1.2 | 1.8 | .6 |
| Palm | 2.4 | .3 | .6 | .1 | (4) | 1.4 | 1.1 | ........ |
| Other vegetable oils | [5] .3 | ........ | ........ | ........ | [6] .3 | [7] .5 | ........ | ........ |
| Total | 157.1 | 141.1 | 171.6 | 181.3 | 282.5 | 298.6 | 307.5 | 292.8 |
| Animal fats and oils: | | | | | | | | |
| Oleo oil | 18.8 | 12.5 | 15.1 | 21.9 | 18.2 | 18.3 | 12.3 | 13.4 |
| Oleo stearin | 4.9 | 3.7 | 3.1 | 3.5 | 2.6 | 3.6 | 3.4 | 3.3 |
| Lard, neutral | 9.7 | 9.4 | 9.0 | 7.5 | 3.0 | 2.2 | 1.7 | 1.5 |
| Oleo stock | .8 | .5 | .8 | 1.4 | 2.4 | 1.9 | 1.3 | 1.5 |
| Other animal fats and oils | .3 | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| Total | 34.5 | 26.1 | 28.0 | 34.3 | 26.2 | 26.0 | 18.7 | 19.7 |
| Grand total | 191.6 | 167.2 | 199.6 | 215.6 | 308.7 | 324.6 | 326.2 | 312.5 |
| | Percent of total quantity | | | | | | | |
| Vegetable oils: | | | | | | | | |
| Cottonseed | 8.4 | 9.6 | 9.0 | 25.4 | 32.2 | 33.3 | 53.2 | 45.7 |
| Coconut | 69.4 | 73.7 | 75.2 | 57.3 | 56.5 | 46.4 | 22.6 | 28.6 |
| Soybean | .3 | (8) | (8) | (8) | .6 | 4.4 | 9.8 | 12.8 |
| Babassu | ........ | ........ | ........ | ........ | .6 | 5.0 | 4.5 | 3.7 |
| Palm kernel | ........ | ........ | ........ | ........ | .1 | .7 | 2.4 | 1.5 |
| Peanut | 2.4 | 1.5 | 1.3 | 1.3 | 1.4 | 1.3 | .9 | 1.2 |
| Corn | (8) | (8) | .2 | (8) | (8) | .4 | .6 | .2 |
| Palm | 1.3 | .2 | .3 | (8) | (8) | .4 | .3 | ........ |
| Other vegetable oils | .2 | ........ | ........ | ........ | .1 | .1 | ........ | ........ |
| Total | 82.0 | 84.4 | 86.0 | 84.0 | 91.5 | 92.0 | 94.3 | 93.7 |
| Animal fats and oils: | | | | | | | | |
| Oleo oil | 9.8 | 7.5 | 7.6 | 10.2 | 5.9 | 5.6 | 3.8 | 4.3 |
| Oleo stearin | 2.6 | 2.2 | 1.5 | 1.6 | .8 | 1.1 | 1.0 | 1.0 |
| Lard, neutral | 5.0 | 5.6 | 4.5 | 3.5 | 1.0 | .7 | .5 | .5 |
| Oleo stock | .4 | .3 | .4 | .7 | .8 | .6 | .4 | .5 |
| Other animal fats and oils | .2 | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| Total | 18.0 | 15.6 | 14.0 | 16.0 | 8.5 | 8.0 | 5.7 | 6.3 |
| Grand total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

[1] Preliminary.
[2] Soybean: 1932, 3,000 pounds; 1933, 7,000 pounds; and 1934, 24,000 pounds.
[3] Corn: 1934, 4,000 pounds; and 1935, 32,000 pounds.
[4] Palm, 3,000 pounds.
[5] Sesame, 253,000 pounds.
[6] Corn, 32,000 pounds; sesame, 77,000 pounds; palm, 3,000 pounds; sunflower, 100,000 pounds; and unnamed oils, 40,000 pounds.
[7] Ouricuri oil, 442,000 pounds.
[8] Less than one-tenth of 1 percent.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, based on data of the Bureau of Internal Revenue.

TABLE 5.—*Compounds and vegetableshortenings—United States factory consumption of oils and fats used in the manufacture, 1931–37*

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|
| | Quantity in million pounds | | | | | | |
| Vegetable oils: | | | | | | | |
| Cottonseed | 928.5 | 834.4 | 852.8 | 1,058.7 | 991.8 | 918.0 | 1,102.6 |
| Palm | 34.5 | 22.1 | 21.1 | 16.7 | 117.4 | 168.8 | 123.7 |
| Soybean | 10.9 | 4.9 | .5 | 2.7 | 52.4 | 113.0 | 90.8 |
| Peanut | 6.0 | 3.5 | 3.3 | 8.8 | 90.0 | 88.5 | 58.2 |
| Sesame | 33.8 | 7.8 | 7.4 | 4.7 | 35.0 | 33.1 | 29.3 |
| Coconut | 34.1 | 8.3 | 7.1 | 9.0 | 44.0 | 38.4 | 12.5 |
| Rapeseed | ........ | ........ | ........ | .1 | 15.6 | 30.6 | 5.2 |
| Corn | 6.6 | 3.1 | 1.1 | 1.9 | 2.8 | .4 | 1.6 |
| Babassu | ........ | ........ | ........ | ........ | ........ | 5.4 | .1 |
| Other vegetable oils | 18.7 | 1.0 | 2.5 | 2.7 | 24.7 | 16.5 | 2.4 |
| Total | 1,073.1 | 885.1 | 895.8 | 1,105.3 | 1,374.6 | 1,414.5 | 1,486.4 |
| Animal fats and oils: | | | | | | | |
| Tallow, edible | 69.5 | 45.7 | 46.4 | 73.4 | 120.4 | 116.9 | 66.3 |
| Edible animal stearin | 27.2 | 17.4 | 17.1 | 21.5 | 27.0 | 36.3 | 29.7 |
| Lard | 8.9 | 5.6 | 3.2 | 2.6 | 2.3 | 4.5 | .9 |
| Oleo oil | 10.0 | 1.1 | .3 | .8 | .1 | 1.8 | .2 |
| Total | 115.6 | 69.8 | 67.0 | 98.3 | 149.8 | 159.5 | 97.1 |
| Marine animal and fish oils: | | | | | | | |
| Fish | 16.7 | 11.5 | 9.3 | 10.8 | 27.7 | 40.3 | 21.3 |
| Whale | 2.7 | 2.2 | ........ | .3 | .4 | ........ | ........ |
| Total | 19.4 | 13.7 | 9.3 | 11.1 | 28.1 | 40.3 | 21.3 |
| Grand total | 1,208.1 | 968.6 | 972.1 | 1,214.7 | 1,552.5 | 1,614.3 | 1,604.8 |
| | Percent of total quantity | | | | | | |
| Vegetable oils: | | | | | | | |
| Cottonseed | 76.9 | 86.1 | 87.7 | 87.2 | 63.9 | 56.9 | 72.5 |
| Palm | 2.9 | 2.3 | 2.2 | 1.4 | 7.6 | 10.5 | 7.7 |
| Soybean | .9 | .5 | .1 | .2 | 3.4 | 7.1 | 5.7 |
| Peanut | .5 | .4 | .3 | .7 | 5.9 | 5.5 | 3.6 |
| Sesame | 2.8 | .8 | .8 | .4 | 2.3 | 2.0 | 1.8 |
| Coconut | 2.8 | .9 | .7 | .7 | 2.8 | 2.4 | .8 |
| Rapeseed | ........ | ........ | ........ | ........ | 1.0 | 1.9 | .3 |
| Corn | .5 | .3 | .1 | .2 | .2 | ........ | .1 |
| Babassu | ........ | ........ | ........ | ........ | ........ | .3 | ........ |
| Other vegetable oils | 1.5 | .1 | .3 | .2 | 1.5 | 1.0 | .1 |
| Total | 88.8 | 91.4 | 92.2 | 91.0 | 88.6 | 87.6 | 92.6 |
| Animal fats and oils: | | | | | | | |
| Tallow, edible | 5.8 | 4.7 | 4.8 | 6.0 | 7.8 | 7.2 | 4.1 |
| Edible animal stearin | 2.3 | 1.8 | 1.8 | 1.8 | 1.7 | 2.3 | 1.5 |
| Lard | .7 | .6 | .3 | .2 | .1 | .3 | .1 |
| Oleo oil | .8 | .1 | ........ | .1 | ........ | .1 | .1 |
| Total | 9.6 | 7.2 | 6.9 | 8.1 | 9.6 | 9.9 | 6.1 |
| Marine animal and fish oils: | | | | | | | |
| Fish | 1.4 | 1.2 | .9 | .9 | 1.8 | 2.5 | 1.3 |
| Whale | .2 | .2 | ........ | ........ | ........ | ........ | ........ |
| Total | 1.6 | 1.4 | .9 | .9 | 1.8 | 2.5 | 1.3 |
| Grand total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Bureau of the Census, Animal and Vegetable Fats and Oils.

TABLE 6.—*Other edible products: United States factory consumption of oils and fats used in the manufacture of edible products except margarine and shortenings, 1931–37*

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|
| | Quantity in million pounds | | | | | | |
| Vegetable oils: | | | | | | | |
| Cottonseed | 81.4 | 100.1 | 121.5 | 155.3 | 138.6 | 178.3 | 220.6 |
| Corn | 20.3 | 27.3 | 27.9 | 38.6 | 36.1 | 51.0 | 63.9 |
| Coconut | 53.0 | 40.9 | 69.3 | 78.6 | 87.1 | 60.0 | 49.9 |
| Palm kernel | 22.0 | 11.3 | 7.8 | 4.6 | 14.9 | 12.5 | 21.3 |
| Soybean | ...... | .2 | .5 | .5 | 9.4 | 21.6 | 15.5 |
| Babassu | ...... | ...... | ...... | ...... | ...... | 3.0 | 11.3 |
| Sesame | .1 | .1 | 4.8 | 1.4 | 14.6 | 16.7 | 3.4 |
| Olive oil, edible | 1.7 | 1.5 | 1.9 | 2.2 | 2.2 | 4.0 | 3.2 |
| Peanut | 1.4 | 1.2 | 1.3 | .9 | 3.6 | 2.4 | 1.9 |
| Other vegetable oils | 1.3 | .7 | 3.2 | 2.3 | 4.5 | 6.9 | 7.0 |
| Total | 184.8 | 183.3 | 238.2 | 284.4 | 311.0 | 356.4 | 404.0 |
| Animal fats and oils: | | | | | | | |
| Edible animal stearin | .3 | 2.2 | 3.4 | 2.5 | 3.9 | 4.4 | 4.9 |
| Lard | 3.3 | 4.0 | 4.8 | 3.8 | 3.9 | .5 | 2.2 |
| Tallow, edible | .4 | .6 | .7 | 1.7 | 1.2 | 1.4 | 1.6 |
| Oleo oil | 2.0 | ...... | .7 | .1 | ...... | .5 | ...... |
| Total | 6.0 | 6.8 | 9.6 | 8.1 | 9.0 | 6.8 | 8.7 |
| Grand total | 190.8 | 190.1 | 247.8 | 292.5 | 320.0 | 363.2 | 412.7 |
| | Percent of total quantity | | | | | | |
| Vegetable oils: | | | | | | | |
| Cottonseed | 44.2 | 52.7 | 49.0 | 53.0 | 43.3 | 49.1 | 54.9 |
| Corn | 10.6 | 14.4 | 11.3 | 13.2 | 11.3 | 14.0 | 15.5 |
| Coconut | 27.8 | 21.5 | 28.0 | 26.9 | 27.2 | 16.5 | 12.1 |
| Palm kernel | 11.9 | 5.9 | 3.1 | 1.6 | 4.7 | 3.5 | 5.2 |
| Soybean | ...... | .1 | .2 | .2 | 2.9 | 5.9 | 3.8 |
| Babassu | ...... | ...... | ...... | ...... | ...... | .8 | 2.7 |
| Sesame | .1 | ...... | 1.9 | .5 | 4.6 | 4.6 | .8 |
| Olive oil, edible | .9 | .8 | .8 | .8 | .7 | 1.1 | .8 |
| Peanut | .7 | .6 | .5 | .3 | 1.1 | .7 | .5 |
| Other vegetable oils | .7 | .4 | 1.3 | .7 | 1.4 | 1.9 | 1.6 |
| Total | 96.9 | 96.4 | 96.1 | 97.2 | 97.2 | 98.1 | 97.9 |
| Animal fats and oils: | | | | | | | |
| Edible animal stearin | .2 | 1.2 | 1.4 | .9 | 1.2 | 1.2 | 1.2 |
| Lard | 1.7 | 2.1 | 1.9 | 1.3 | 1.2 | .2 | .5 |
| Tallow, edible | .2 | .3 | .3 | .6 | .4 | .4 | .4 |
| Oleo oil | 1.0 | ...... | .3 | ...... | ...... | .1 | ...... |
| Total | 3.1 | 3.6 | 3.9 | 2.8 | 2.8 | 1.9 | 2.1 |
| Grand total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: U. S. Bureau of the Census, Animal and Vegetable Fats and Oils.

TABLE 7.—*Fats, oils, and oil materials; United States imports for consumption, 1933–38*

[Quantities and values in thousands]

| Commodity | 1933 | | 1934 | | 1935 | | 1936 | | 1937 | | 1938 [1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Subject to excise tax either on importation or on processing of oil under Revenue Act of 1936: | *Pounds* | *Dollars* | *Pounds* | *Dollars* | *Pounds* | *Dollars* | *Pounds* | *Dollars* | *Pounds* | *Dollars* | *Pounds* | *Dollars* |
| Whale oil, n. s. p. f. | 43,017 | 2,399 | 15,803 | 865 | 20,793 | 605 | 17,602 | 494 | 43,851 | 1,659 | 13,152 | 562 |
| Herring, including sardine | 5,245 | 42 | 1,708 | 32 | — | — | — | — | (2) | (2) | 2 | (2) |
| Tallow, beef, and mutton | 239 | 7 | 42,813 | 1,625 | 245,851 | 13,104 | 78,694 | 4,123 | 14,035 | 802 | 881 | 31 |
| Inedible animal oils | 918 | 42 | 1,040 | 99 | 352 | 25 | 786 | 29 | 864 | 103 | 73 | 88 |
| Wool grease | 4,395 | 137 | 4,597 | 176 | 5,627 | 272 | 6,570 | 328 | 4,694 | 222 | 1,786 | 101 |
| Oleo stearin | 94 | 3 | 1,719 | 80 | 9,201 | 647 | 5,317 | 354 | 3,745 | 204 | 400 | 15 |
| Oleo oil | 3 | 1 | — | — | 1,626 | 132 | 63 | 4 | 2 | (2) | — | — |
| Stearic acid | 5,403 | 329 | 2,160 | 175 | 5,507 | 409 | 1,817 | 164 | 1,388 | 126 | 788 | 69 |
| Oleic acid | 304 | 18 | 88 | 5 | 1,487 | 74 | 410 | 24 | 110 | 9 | 31 | 2 |
| Rapeseed oil | 11,909 | 459 | 16,626 | 701 | 60,298 | 2,894 | 63,244 | 3,705 | 5,976 | 352 | 2,934 | 16 |
| Rapeseed | 13,627 | 348 | 9,324 | 271 | 29,515 | 624 | 27,836 | 794 | 6,180 | 213 | 9,176 | 264 |
| Sunflower oil: | | | | | | | | | | | | |
| Edible | 14,082 | 428 | 10,046 | 458 | 37,052 | 2,220 | 24,714 | 1,621 | 172 | 10 | 2 | (2) |
| Inedible | 13,751 | 447 | 7,490 | 263 | 207 | 13 | 541 | 33 | 307 | 18 | 74 | 4 |
| Sunflower seed | 121 | 2 | 276 | 6 | 667 | 19 | 514 | 15 | 496 | 12 | 9 | (2) |
| Sesame oil, inedible | 2 | (2) | 1 | (2) | 11 | 1 | 49 | 4 | (2) | (2) | — | — |
| Sesame seed | 42,631 | 818 | 22,327 | 508 | 146,394 | 3,480 | 117,795 | 3,121 | 10,927 | 426 | 6,673 | 263 |
| Perilla oil | 22,776 | 1,086 | 25,164 | 1,613 | 72,328 | 4,384 | 117,903 | 7,033 | 43,591 | 2,127 | 31,821 | 1,665 |
| Perilla seed | 789 | 11 | 2,181 | 48 | 2,783 | 56 | 3,742 | 97 | 200 | 4 | 2 | (2) |
| Hempseed oil | 60 | 4 | 413 | 19 | 340 | 18 | 1 | (2) | — | — | 1 | (2) |
| Hempseed | 4,538 | 59 | 12,981 | 176 | 116,682 | 1,386 | 62,911 | 926 | 477 | 10 | 514 | 10 |
| Kapok seed oil | (2) | (2) | (2) | (2) | (2) | (2) | 15,157 | 920 | — | — | 1 | (2) |
| Kapok seed | (2) | (2) | 14,618 | 137 | 12,565 | 125 | 1,930 | 24 | — | — | — | — |
| Coconut oil: | | | | | | | | | | | | |
| Product of Philippine Islands | 316,078 | 8,556 | 314,802 | 7,372 | 353,396 | 12,576 | 322,050 | 12,226 | 337,325 | 19,886 | 363,919 | 11,400 |
| Other | 25 | 2 | 2 | (2) | 10 | 1 | 15 | 1 | 51 | 4 | 21 | 2 |
| Copra: | | | | | | | | | | | | |
| Product of Philippine Islands | 442,168 | 6,009 | 338,087 | 4,071 | 441,066 | 9,366 | 356,759 | 7,620 | 471,201 | 15,552 | 490,738 | 8,848 |
| Other | 218,704 | 3,229 | 51,147 | 733 | 13,068 | 232 | 6,727 | 169 | 66,548 | 2,192 | 22,279 | 357 |
| Palm oil | 287,483 | 7,001 | 155,531 | 3,905 | 297,579 | 8,574 | 338,789 | 11,631 | 411,112 | 15,835 | 271,325 | 9,125 |
| Palm kernel oil: | | | | | | | | | | | | |
| Edible | 58 | 2 | 953 | 29 | 7,978 | 294 | 7,618 | 332 | 11,537 | 810 | 2,383 | 87 |
| Inedible | 12,898 | 379 | 11,800 | 301 | 50,593 | 1,919 | 12,523 | 591 | 127,819 | 8,396 | 186 | 9 |
| Palm nuts and palm nut kernels | 14,918 | 173 | 8,539 | 110 | 50,073 | 732 | 27,443 | 567 | 87,315 | 2,578 | 31,867 | 542 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Not subject to excise taxes on importation or on processing of oils under Revenue Act of 1936: | | | | | | | | | | | | |
| Butter | 899 | 150 | 1,253 | 210 | 22,675 | 3,577 | 9,874 | 2,016 | 11,111 | 2,509 | 1,624 | 425 |
| Lard | 1 | (2) | (2) | (2) | 37 | 3 | 3 | (2) | 247 | 14 | 2 | (2) |
| Cod oil | 15,864 | 450 | 10,940 | 391 | 20,086 | 810 | 20,998 | 1,006 | 22,156 | 1,189 | 22,934 | 939 |
| Cod-liver oil | 25,744 | 1,711 | 26,027 | 2,191 | 34,553 | 2,975 | 43,422 | 3,547 | 44,370 | 3,867 | 39,215 | 3,326 |
| Sperm oil | 4,699 | 158 | 4,187 | 139 | 2,833 | 96 | 10,526 | 341 | 10,326 | 372 | 9,266 | 363 |
| Castor beans | 109,965 | 1,838 | 92,840 | 1,738 | 77,049 | 1,702 | 164,077 | 3,621 | 146,808 | 3,644 | 114,073 | 2,046 |
| Soybean oil | 2,035 | 64 | 2,829 | 91 | 14,249 | 635 | [4] 7,187 | [4] 353 | [4] 30,752 | [4] 1,810 | [4] 4,258 | [4] 186 |
| Olive oil: | | | | | | | | | | | | |
| Edible | 66,419 | 6,213 | 56,008 | 6,989 | 70,789 | 8,758 | 60,972 | 7,437 | 48,343 | 8,988 | 71,086 | 9,786 |
| Inedible | 56,977 | 2,625 | 45,836 | 2,842 | 53,541 | 3,730 | 29,445 | 2,320 | 26,971 | 2,725 | 27,800 | 1,805 |
| Cottonseed oil: | | | | | | | | | | | | |
| Crude | | | | | 28,597 | 1,372 | 14,544 | 653 | 21,067 | 1,044 | 39 | 1 |
| Refined | --- | --- | 9,157 | 383 | 138,090 | 7,508 | 113,242 | 6,718 | 172,964 | 10,914 | 77,461 | 3,410 |
| Cottonseed | 14 | (2) | --- | --- | 11 | (2) | (2) | (2) | --- | --- | --- | --- |
| Linseed oil | 9,375 | 341 | 2,781 | 105 | 2,232 | 91 | 760 | 31 | 402 | 24 | 123 | 7 |
| Flaxseed | 782,083 | 13,578 | 793,520 | 15,028 | 983,341 | 15,623 | 860,441 | 17,653 | 1,567,792 | 35,207 | 860,360 | 19,872 |
| Tung oil | 118,760 | 4,833 | 110,007 | 6,852 | 120,059 | 13,131 | 134,830 | 17,838 | 174,885 | 20,100 | 107,456 | 11,923 |
| Corn oil | 9,160 | 319 | 10,769 | 450 | 25,746 | 1,571 | 28,672 | 1,871 | 32,926 | 2,327 | 22,242 | 1,290 |
| Peanut | 1,323 | 81 | 2,722 | 136 | 80,723 | 3,367 | 49,006 | 2,642 | 57,999 | 3,601 | 15,553 | 611 |
| Babassu nut oil | (3) | (3) | (3) | (3) | (3) | (3) | 403 | 29 | 330 | 29 | (2) | (2) |
| Babassu nuts and kernels | (3) | (3) | (3) | (3) | (3) | (3) | 59,022 | 1,935 | 56,447 | 2,811 | 50,827 | 1,684 |
| Tea seed oil | (3) | (3) | (3) | (3) | (3) | (3) | 7,904 | 610 | 27,492 | 2,286 | 11,855 | 619 |
| Oiticia oil | (3) | (3) | (3) | (3) | (3) | (3) | 2,892 | 316 | 3,631 | 377 | 5,301 | 433 |

[1] Preliminary.
[2] Less than 500.
[3] Not separately classified prior to Jan. 1, 1936.
[4] Includes imports entered free of duty for manufacture in bond and export:

| | Pounds | Value |
|---|---|---|
| 1936 | 2,970,000 | $139,000 |
| 1937 | 7,493,000 | 426,000 |
| 1938 | 1,402,000 | 55,000 |

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 8.—*Production of fats and crude oils from domestic raw materials, United States, 1929–38*

[Millions of pounds]

| | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Vegetable oils: | | | | | | | | | | |
| Corn | 134 | 121 | 113 | 106 | 120 | 115 | 100 | 127 | 127 | 135 |
| Cottonseed | 1,584 | 1,616 | 1,417 | 1,571 | 1,400 | 1,224 | 1,184 | 1,247 | 1,626 | 1,683 |
| Linseed [2] | 321 | 252 | 364 | 192 | 195 | 111 | 89 | 243 | 84 | 157 |
| Olive oil, edible | 1 | 2 | 2 | 1 | 2 | 1 | 1 | 4 | 2 | 3 |
| Peanut | 16 | 25 | 14 | 13 | 13 | 47 | 45 | 70 | 51 | 77 |
| Soybean | 11 | 14 | 39 | 39 | 27 | 35 | 105 | 225 | 194 | 322 |
| Animal oils and fats: | | | | | | | | | | |
| Butter [3] | 2,159 | 2,116 | 2,197 | 2,260 | 2,312 | 2,210 | 2,161 | 2,152 | 2,132 | [4] 2,207 |
| Lard [5] | 2,598 | 2,344 | 2,385 | 2,463 | [4] 2,569 | [4] 2,103 | [4] 1,312 | [4] 1,673 | [4] 1,434 | [4] 1,730 |
| Tallow: | | | | | | | | | | |
| Edible | 44 | 42 | 70 | 53 | 58 | 78 | 74 | 98 | 78 | [6] |
| Inedible | 535 | 571 | 587 | 608 | 637 | 745 | 442 | 608 | 625 | 702 |
| Grease | 387 | 359 | 364 | 313 | 328 | 343 | 259 | 308 | 301 | 322 |
| Wool grease | 10 | 7 | 9 | 6 | 8 | 5 | 10 | 7 | 8 | [7] |
| Oleo oil | 123 | 116 | 94 | 75 | 89 | 79 | 75 | 98 | 75 | [6] |
| Stearin, animal, edible | 60 | 56 | 47 | 36 | 30 | 34 | 42 | 40 | 44 | [6] |
| Neat's-foot oil | 6 | 5 | 4 | 4 | 5 | 7 | 6 | 6 | 6 | [7] |
| Edible fat | | | | | | | | | | 231 |
| Inedible fats | | | | | | | | | | 9 |
| Marine oil | 116 | 111 | 65 | 92 | 133 | 226 | 240 | 301 | 268 | 243 |
| Total including butter and lard | 8,105 | 7,757 | 7,771 | 7,832 | 7,944 | 7,432 | 6,145 | 7,208 | 7,055 | 7,911 |
| Total excluding butter and lard | 3,348 | 3,297 | 3,189 | 3,109 | 3,063 | 3,050 | 2,672 | 3,383 | 3,489 | 3,881 |

[1] Preliminary.
[2] Oil equivalent of flaxseed produced the preceding year minus seed requirement for the year shown.
[3] Total factory and farm production.
[4] Estimated.
[5] Lard and neutral lard produced under Federal inspection and other production.
[6] Included in figure for edible fat.
[7] Included in figure for inedible fat.

Source: U. S. Department of Agriculture, Bulletin 59, for years 1929-35; years 1936-37 from data Feb. 20, 1939, from U. S. Department of Agriculture. All items have been rounded to million pounds without adjustment to totals.

TABLE 9.—*Stocks of primary fats and oils as of Dec. 31, 1929–38*

[Millions of pounds]

| Fat or oil | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vegetable oils, crude basis: [1] | | | | | | | | | | |
| Cottonseed | 573 | 576 | 655 | 920 | 997 | 640 | 505 | 606 | 685 | 781 |
| Coconut | 104 | 182 | 204 | 136 | 199 | 189 | 153 | 76 | 178 | 216 |
| Linseed | 141 | 113 | 154 | 122 | 158 | 114 | 147 | 117 | 191 | 142 |
| Palm | 53 | 94 | 89 | 80 | 106 | 77 | 70 | 94 | 155 | 164 |
| Tung | 20 | 50 | 33 | 31 | 42 | 31 | 19 | 29 | 49 | 61 |
| Corn | 25 | 17 | 24 | 23 | 36 | 28 | 21 | 28 | 18 | 28 |
| Soybean | 16 | 15 | 19 | 17 | 14 | 19 | 31 | 34 | 62 | 76 |
| Olive, edible | 6 | 8 | 4 | 5 | 7 | 2 | 3 | 4 | 2 | 5 |
| Palm-kernel | 15 | 16 | 10 | 7 | 12 | 4 | 30 | 13 | 42 | 6 |
| Peanut | 5 | 13 | 7 | 4 | 3 | 27 | 30 | 20 | 25 | 28 |
| Castor | 14 | 8 | 12 | 12 | 14 | 12 | 8 | 12 | 19 | 17 |
| Olive, foots | 9 | 28 | 9 | 14 | 11 | 16 | 18 | 7 | 9 | 12 |
| Rape | 6 | 5 | 4 | 2 | 4 | 13 | 12 | 14 | 5 | 3 |
| Olive, inedible | 1 | 2 | 1 | 1 | 3 | 2 | 3 | 2 | 2 | 1 |
| Perilla | | 1 | 2 | 6 | 3 | 4 | 13 | 20 | 24 | 14 |
| Sesame | | 3 | 11 | 3 | 4 | 3 | 11 | 12 | 5 | |
| Sunflower | | | | 3 | 9 | 1 | 1 | | | |
| Vegetable tallow | 2 | | | | | | | | | |
| Total | 1,088 | 1,133 | 1,238 | 1,306 | 1,621 | 1,101 | 1,136 | 1,097 | 1,471 | |
| Marine animal oils [2] | 118 | 198 | 230 | 197 | 159 | 242 | 214 | 217 | 216 | 256 |

[1] Refined oils have been converted to crude basis by dividing by the following factors: Cottonseed oil, corn oil, and palm-kernel oil, 0.93, coconut oil, peanut oil, and soybean oil, 0.94.
[2] Includes fish, fish-liver, and marine mammal oils, for computing changes in stocks. Stocks of marine mammal oils in bonded warehouses have been deducted.

TABLE 9.—*Stocks of primary fats and oils as of Dec. 31, 1929–38*—Continued

[Millions of pounds]

| Fat or oil | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 |
|---|---|---|---|---|---|---|---|---|---|---|
| Animal fats: | | | | | | | | | | |
| Butter | 82 | 63 | 27 | 22 | 111 | 47 | 40 | | | |
| Tallow, inedible | 100 | 141 | 163 | 186 | 256 | 326 | 296 | 244 | 196 | 195 |
| Lard, including neutral | 82 | 51 | 51 | 41 | 133 | 118 | 53 | 147 | 56 | 109 |
| Oleo oil | 8 | 20 | 5 | 6 | 10 | 6 | 5 | 4 | 6 | |
| Stearin, animal edible | 5 | 3 | 5 | 4 | 4 | 3 | 6 | 6 | 5 | 8 |
| Tallow, edible | 3 | 4 | 5 | 4 | 4 | 7 | 12 | 9 | 9 | |
| Neat's-foot oil | 2 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | |
| Total | 282 | 284 | 257 | 264 | 519 | 510 | 413 | | | |
| Greases: | | | | | | | | | | |
| Yellow | 12 | 12 | 12 | 13 | 17 | 15 | 15 | 13 | 20 | 16 |
| Brown | 14 | 13 | 21 | 13 | 17 | 16 | 15 | 14 | 17 | 14 |
| White | 11 | 9 | 10 | 9 | 30 | 12 | 7 | 7 | 10 | 11 |
| Garbage (home) | 16 | 26 | 22 | 13 | 11 | 16 | 15 | 15 | 15 | 9 |
| Bone | 2 | 3 | 4 | 2 | 2 | 1 | 3 | 1 | 2 | 1 |
| Tankage | 4 | 6 | 7 | 5 | 4 | 3 | 2 | 4 | 5 | 3 |
| Recovered | 1 | 4 | 5 | 6 | 2 | 2 | 1 | 2 | 2 | |
| Other | 3 | 2 | 4 | 3 | 3 | 4 | 3 | 3 | 3 | 5 |
| Total | 62 | 74 | 85 | 65 | 88 | 70 | 60 | 59 | 74 | 59 |
| Wool grease | 4 | 3 | 6 | 7 | 9 | 4 | 3 | 2 | 2 | |
| Total grease and wool | *67 | *78 | 91 | 72 | 97 | 74 | *64 | 61 | 76 | |
| Total all groups | 1,155 | 1,693 | 1,825 | 1,929 | 2,396 | 2,017 | 1,826 | | | |
| Other not specified | 20 | 7 | 6 | 2 | 2 | 5 | 11 | 5 | 17 | |
| Crude oil equivalent of raw materials | 459 | 450 | 551 | 518 | 546 | 444 | 494 | | | |
| Other products [1] | 68 | 71 | 78 | 69 | 76 | 77 | 84 | | | |
| Grand total | 2,102 | 2,221 | 2,460 | 2,518 | 3,020 | 2,543 | 2,415 | | | |

[1] Includes lard compounds and other lard substitutes, hydrogenated oils, red oil, inedible stearin, lard oil, and tallow oil.

Source: Compiled from Bureau of the Census, Animal and Vegetable Fats and Oils, except butter and lard which are from cold-storage reports, Bureau of Agricultural Economics. *Items have been rounded to million pounds without adjustment to totals.

TABLE 10.—*Average yearly price per pound of specified vegetable oils and animal fats, 1930–38*

| Year | Cotton-seed oil P. S. Y. | Peanut oil, crude | Soybean oil, crude | Coconut oil, crude[1] | Tallow, edible | Tallow, packers' prime | Lard, prime contract | Butter, creamery, New York extra | Margarine, standard-uncolored |
|---|---|---|---|---|---|---|---|---|---|
| | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* |
| 1930 | 8.1 | 7.2 | 10.1 | 7.3 | 6.8 | 6.2 | 10.9 | 36.4 | 23.3 |
| 1931 | 6.0 | 6.2 | 6.6 | 5.3 | 4.7 | 3.9 | 8.0 | 28.3 | 14.8 |
| 1932 | 3.8 | 3.6 | 4.2 | 4.5 | 3.5 | 3.2 | 5.0 | 21.0 | 11.2 |
| 1933 | 4.5 | 4.1 | 6.5 | 4.2 | 3.7 | 3.4 | 5.7 | 21.7 | 10.2 |
| 1934 | 6.5 | 6.0 | 7.2 | 3.0 | 5.0 | 4.2 | 8.3 | 25.5 | 9.8 |
| 1935 | 10.4 | 9.6 | 9.6 | 4.7 | 8.6 | 7.0 | 14.5 | 20.6 | 15.1 |
| 1936 | 9.8 | 8.8 | 8.9 | 5.3 | 7.9 | 6.6 | 11.5 | 33.0 | 15.3 |
| 1937 | 9.2 | 8.6 | 9.8 | 6.3 | 8.6 | 8.2 | 11.7 | 34.3 | 15.6 |
| 1938 | 7.9 | 7.1 | 6.9 | 3.4 | 6.1 | 5.6 | 8.6 | 27.8 | 14.6 |

[1] Does not include tax on first domestic processing.

Source: U. S. Department of Commerce.

TABLE 10a.—*Wholesale price per pound of specified vegetable oils and animal fats, 1937, 1938, and 1939*

| Year and month | Cottonseed oil, P. S. Y. | Peanut oil, crude | Soybean oil, crude | Coconut [1] oil, crude | Tallow, edible | Tallow, packers prime | Lard, prime contract | Butter, creamery, New York extra | Margarine standard uncolored |
|---|---|---|---|---|---|---|---|---|---|
| 1937: | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* |
| January | 11.4 | 10.6 | 11.5 | 9.6 | 11.1 | 9.4 | 13.9 | 34.2 | 16.5 |
| March | 11.1 | 10.2 | 11.5 | 8.9 | 9.9 | 9.4 | 12.7 | 35.5 | 16.5 |
| May | 10.5 | 9.2 | 11.1 | 6.8 | 8.8 | 8.7 | 12.1 | 32.1 | 16.4 |
| July | 9.2 | 8.2 | 10.1 | 5.4 | 8.8 | 8.7 | 12.6 | 31.8 | 15 |
| September | 7.4 | 7.2 | 8.9 | 4.4 | 7.8 | 7.7 | 11.4 | 34.9 | 15 |
| November | 7.1 | 7 | 7.5 | 4.2 | 6.7 | 6.6 | 9.9 | 38 | 15 |
| 1938: | | | | | | | | | |
| January | 7.4 | 6.7 | 7.0 | 4.1 | 6.4 | 6.4 | 9.1 | 33.5 | 15.0 |
| February | 7.9 | 7.0 | 7.6 | 3.9 | 6.4 | 6.3 | 9.3 | 31.3 | 14.5 |
| March | 8.2 | 7.5 | 7.8 | 3.8 | 6.1 | 6.0 | 9.4 | 30.3 | 14.5 |
| April | 8.2 | 7.2 | 7.3 | 3.4 | 5.3 | 5.3 | 8.8 | 27.6 | 14.5 |
| May | 8.1 | 7.0 | 6.9 | 3.4 | 5.2 | 5.0 | 8.7 | 26.3 | 13.8 |
| June | 8.0 | 6.9 | 6.8 | 3.2 | 5.6 | 5.0 | 8.8 | 25.6 | 13.4 |
| July | 8.6 | 7.7 | 7.1 | 3.4 | 6.0 | 5.5 | 9.5 | 25.9 | 14.5 |
| August | 8.1 | 7.7 | 7.1 | 3.3 | 6.8 | 5.6 | 8.6 | 26.0 | 15.8 |
| September | 7.8 | 7.2 | 6.5 | 3.3 | 6.3 | 5.4 | 8.3 | 26.1 | 15.5 |
| October | 7.6 | 6.9 | 6.4 | 3.3 | 6.2 | 5.4 | 8.0 | 26.1 | 15.3 |
| November | 7.4 | 6.7 | 6.4 | 3.1 | 6.3 | 5.4 | 7.7 | 27.3 | 15.0 |
| December | 7.4 | 6.6 | 6.4 | 3.1 | 6.1 | 5.4 | 7.4 | 28.1 | 14.3 |
| 1939: | | | | | | | | | |
| January | 7.1 | 6.4 | 6.2 | 3.1 | 5.6 | 5.4 | 7.3 | 26.3 | 14.0 |
| February 6 [2] | [3] 6.6 | 6.1 | 6.1 | 3.1 | 6.0 | 5.3 | [4] 7.2 | [5] 26.3 | (6) |
| February 27 [2] | [3] 6.7 | 6.0 | 6.1 | 3.1 | 5.7 | 5.2 | [4] 7.2 | (6) | (6) |

[1] Does not include tax on first domestic processing.
[2] Source: Oil, Paint, and Drug Reporter.
[3] March futures.
[4] City, tubs.
[5] Source: U. S. Department of Commerce (February preliminary).
[6] Not available.

The CHAIRMAN. Is it the sense of the committee that we proceed further?

(Informal discussion.)

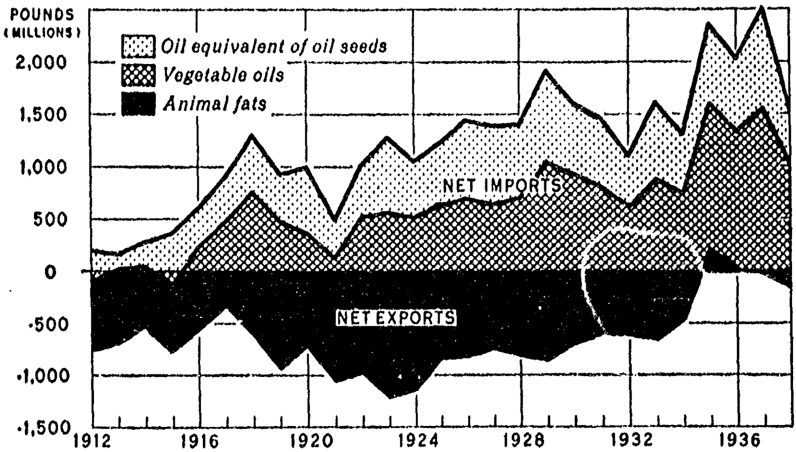
The CHAIRMAN. We will recess until 10 o'clock tomorrow morning, at which time the Secretary of Agriculture will be the first witness. I hope that these people representing these various interests can get together on their witnesses so that we can proceed with as little delay as possible.

(The report of the Bureau of Agricultural Economics, Department of Agriculture, referred to by Senator Bailey during today's proceedings, is as follows:)

### THE FATS AND OILS SITUATION

Prior to the World War, the United States was on an export basis as to fats and oils, principally lard. There were net imports of animal fats in the years 1935 and 1936, for the only time in history. In 1938 exports of lard increased, and imports of cottonseed and marine oils, palm-kernel oil, and flaxseed showed material decreases, making total net imports of all fats and oils more than a billion pounds less than in 1937.

**NET TRADE IN ANIMAL FATS, VEGETABLE OILS, AND OIL EQUIVALENT OF OIL SEEDS, 1912 TO DATE**




U. S. DEPARTMENT OF AGRICULTURE NEG. 32766 BUREAU OF AGRICULTURAL ECONOMICS

TABLE 1.—*Price per pound of specified fats and oils, December 1937–38, January 1938–39*

| Fat or oil | December 1937 | Average 1937 | January 1938 | December 1938 | Average 1938 | January 1939 |
|---|---|---|---|---|---|---|
| Domestic prices: | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* |
| Butter, 92 score, New York | 38.80 | 34.39 | 33.71 | 28.02 | 27.97 | 26.29 |
| Oleomargarine, domestic vegetable, Chicago | 15.50 | 15.77 | 15.50 | 14.75 | 15.48 | 14.50 |
| Lard, prime, steam, Chicago | 8.27 | 11.33 | *8.34 | 6.72 | 8.03 | *6.60 |
| Lard, refined, Chicago | 9.78 | 12.07 | 10.06 | 7.94 | 9.20 | 7.72 |
| Lard compound, Chicago | 10.45 | 12.42 | 10.25 | 9.56 | 10.17 | 9.25 |
| Coconut oil, edible, New York | 6.25 | 8.53 | 6.50 | 4.28 | 5.38 | 4.25 |
| Cottonseed oil, crude, f. o. b. southeastern mills | 5.94 | 8.01 | 6.17 | 6.42 | 6.71 | 6.00 |
| Cottonseed oil, P. S. Y., New York | 7.10 | 9.20 | 7.40 | 7.40 | 7.90 | ...... |
| Soybean oil, refined, New York | 8.30 | 10.90 | 8.56 | 7.90 | 8.44 | 7.70 |
| Peanut oil, domestic refined, New York | *10.00 | *12.14 | *10.00 | 10.12 | 10.20 | 9.88 |
| Rape oil, refined, New York | 12.07 | 12.27 | 12.06 | 10.83 | 11.03 | 10.82 |
| Oleo oil, No. 1, New York | 12.10 | 13.06 | 9.75 | 8.70 | 9.12 | 8.25 |
| Oleostearine, barrels, New York | 8.12 | 9.73 | 7.62 | 6.91 | 7.18 | 6.78 |
| Corn oil, refined, New York | 9.35 | 11.47 | 9.28 | 9.34 | 9.75 | 9.31 |
| Olive oil, edible, New York | *31.33 | *31.88 | 31.33 | 25.07 | 26.02 | 25.07 |
| Teaseed oil, crude, New York | 9.12 | 10.70 | 8.84 | 8.36 | 7.81 | *8.94 |
| Coconut oil, crude, Pacific coast | 3.67 | 5.06 | 3.83 | 2.70 | 3.14 | 2.68 |
| Tallow, inedible, Chicago | 5.08 | 7.51 | 5.31 | 5.14 | 5.03 | 5.12 |
| Grease, house, New York | 4.49 | 7.40 | 5.05 | 5.04 | 4.67 | 4.94 |
| Palm oil, crude, New York | *4.00 | 5.65 | 4.25 | 3.68 | 3.83 | 3.68 |
| Olive oil foots, barrels, New York | 9.75 | 11.10 | 9.34 | 7.15 | 8.05 | 7.18 |
| Palm-kernel oil, denatured, New York | *4.50 | 5.99 | *4.25 | *3.37 | 3.91 | *3.40 |
| Babassu oil, tanks, New York | 6.70 | [1] 8.88 | 6.80 | *6.12 | 6.44 | *6.31 |
| Sardine oil, tanks, Pacific coast | 4.93 | 6.00 | 5.48 | *4.09 | 4.70 | 3.88 |
| Linseed oil, raw, Minneapolis | 10.00 | 10.33 | 10.00 | 8.34 | 8.74 | 8.30 |
| Tung oil, drums, New York | 14.85 | 15.70 | 15.56 | 14.08 | 13.52 | 15.44 |
| Perilla oil, drums, New York | 11.52 | 12.10 | 11.31 | 9.75 | 10.42 | 9.78 |
| Soybean oil, crude, f. o. b., mills | 5.25 | 8.13 | 5.75 | 5.14 | 5.59 | 4.97 |
| Menhaden oil, crude, f. o. b., Baltimore | *4.81 | 5.22 | *5.00 | *4.11 | 4.35 | *4.27 |
| Foreign prices:[2] | | | | | | |
| Cotton oil, crude, naked, Hull | 4.30 | 5.83 | 4.35 | 3.94 | 4.04 | [3] 3.87 |
| Copra, Resecada, P. I. | 1.68 | 2.95 | 1.80 | [3] 1.20 | [3] 1.38 | ...... |
| Palm oil, crude, Hull | 4.84 | 6.00 | 4.88 | 3.54 | 3.96 | [3] 3.61 |
| Whale oil, crude, No. 1, Rotterdam | 3.75 | 4.68 | 3.79 | 2.71 | 3.13 | [3] 2.73 |
| Tallow beef, fair-fine, London | 4.80 | 5.77 | 4.80 | 4.01 | 4.31 | [3] 4.01 |
| Linseed oil, naked, Hull | 6.27 | 6.46 | 6.40 | 4.82 | 5.30 | [3] 4.87 |

[1] Futures.
[2] Converted to United States cents per pound at current monthly rates of exchange.
[3] Preliminary.
* Nominal.

## THE FATS AND OILS SITUATION

(This issue of the Fats and Oils Situation presents preliminary summary tables of statistics of production, imports, exports, and stocks of primary fats and oils for the calendar year 1938, with comparisons of a few earlier years.)

Preliminary estimates indicate that domestic production of fats and oils from domestic and imported materials during 1938 was the largest since 1929. Domestic production from domestic and imported materials totaled more than 8.5 billion pounds. The increase over the 8 billion pounds produced in 1937 was due almost entirely to increased production of domestic materials, inasmuch as there was a reduction in imports of most raw materials for oil manufacture.

The increase in production and stocks during the past 2 years is attributed in large part to the increase in production of the vegetable fats and oils. Domestic production and imports of these products in 1937 were the largest on record; and in the second half of that year the recession in business resulted in decreased consumption. Thus, at the beginning of 1938, stocks of all fats and oils and of raw materials for their production were larger than any on record except in December 1933.

Production continued to increase in 1938. And though fats and oils prices were markedly lower than in 1937 and imports were about 1 billion pounds less, total stocks on December 31 were even larger than at the beginning of 1938. The December 31 stocks were the largest ever reported. (See table 7.)

### PRICES

Prices of all fats and oils averaged slightly lower in January 1939 than in December 1938, and much lower for the year 1938 than for 1937. In January 1939, butter was more than 6 cents a pound lower than a year earlier and more than 1.5 cents per pound lower than in December 1938. Crude cottonseed oil was four-tenths of a cent lower in January 1939 than in December 1938, and averaged 1.3 cents lower for the year 1938 than in 1937. Crude coconut oil averaged 2.8 cents lower for the year. Other oils showed similar reductions in price.

### IMPORTS AND EXPORTS

Imports of fats and oils increased from around 1.3 billion pounds in 1932 to more than 2.7 billion in 1937. This increase was due in part to reduced production in this country and the reduction in accumulated stocks and in part to an improvement in demand resulting in increased consumption and higher prices.

The year 1937 was the third consecutive year that total net imports passed the 2-billion-pound mark, whereas in the depression year of 1932 total net imports were a little more than 500 million pounds and in the boom year of 1929 reached 1,068 million pounds.

Preliminary estimates of imports of fats and oils in the calendar year 1938 indicate that net imports of all vegetable oils plus average oil equivalent of imported oleaginous raw materials totaled about 1,694 million pounds, or about 850 million pounds less than in 1937—the record year. Exports and shipments of lard totaled 234 million pounds and imports of other animal fats were low, therefore net exports of all animal fats totaled about 167 million pounds. This makes a grand total of about 1.5 billion pounds of net imports of all vegetable and animal fats and oils and oil equivalent of raw materials in 1938, compared with about 2.5 billion pounds in 1937. The major part of the decrease was in flaxseed, palm-kernels and oil, palm, cottonseed, and tung oils, and marine animal oils. Decreases were also shown in imports of sesame seed, perilla, rape, and sunflower oils, and tallow. Imports of flaxseed in 1938 were only about half the imports in 1937. Imports of coconut oil and oil equivalent of copra in 1938 were the largest since 1933.

### COTTONSEED OIL

Cottonseed-oil production in the calendar year 1938 was somewhat larger than in the calendar year 1937, because a considerable portion of the cottonseed from the enormous cotton crop of 1937 was crushed during the first half of 1938. Imports of cottonseed oil in 1938 totaled only 83 million pounds compared with over 200 million pounds imported in 1937. But consumption was less, and in spite of the reduced imports and the smaller cotton crop of 1938 stocks of cottonseed oil, in terms of crude oil, plus the approximate oil equivalent of cottonseed on hand were practically the same in December 1938 as in December 1937.

Prices of crude cottonseed oil, f. o. b. Southeast mills averaged 6.71 cents per pound in 1938 compared with 8.01 cents in 1937.

OTHER DOMESTIC VEGETABLE OILS

The production of soybean oil, corn oil, and peanut oil in 1938 was the largest on record. Stocks were larger at the end of the year, and prices throughout 1938 averaged considerably lower.

LARD

Lard production under Federal inspection in the calendar year 1938 is reported at 1,076 million pounds, compared with 787 million pounds in 1937. Estimates of production other than federally inspected will not be available for several weeks, but on the basis of past relationships a total production of somewhere near 1.7 1.7 billion pounds may reasonably be assumed.

Exports of lard, including shipments to noncontiguous territories, in 1938 totaled 234 million pounds, the largest quantity exported since 1934.

Prices of lard averaged more than 3 cents a pound lower in 1938 than in 1937, and 2 cents a pound lower than the average price of compounds and vegetable cooking fats.

MARINE ANIMAL OILS

Production of whale and fish oils under the American flag was somewhat lower in 1938 than in 1937. Imports were considerably lower, but stocks at the end of the year were the largest for that date in recent years.

TABLE 2.—*Production of fats and oils from domestic and imported materials, calendar years 1934–38*

[Millions of pounds]

| Item | Calendar year— | | | | |
|---|---|---|---|---|---|
| | 1934 | 1935 | 1936 | 1937 | 1938 [1] |
| Cottonseed oil | 1,224 | 1,184 | 1,247 | 1,626 | 1,683 |
| Coconut oil | 207 | 253 | 258 | 207 | 287 |
| Soybean oil | 35 | 105 | 225 | 194 | 322 |
| Corn oil | 115 | 100 | 127 | 127 | 135 |
| Peanut oil | 47 | 45 | 70 | 51 | 77 |
| Castor oil | 42 | 47 | 65 | 69 | 52 |
| Sesame oil | 9 | 65 | 51 | 5 | 3 |
| Babassu oil | ........ | [2] 10 | 38 | 33 | 30 |
| Palm-kernel oil [2] | 4 | 23 | 12 | 40 | 14 |
| Other [3] | 7 | 28 | 25 | 2 | 8 |
| Linseed oil | 371 | 502 | 456 | 605 | 441 |
| Butter | 2,253 | 2,184 | 2,152 | 2,132 | (2,207) |
| Lard | 2,072 | 1,207 | 1,673 | (1,434) | (1,730) |
| Tallow, inedible [4] | 745 | 442 | 608 | 625 | 762 |
| Grease | 343 | 259 | 308 | 301 | 322 |
| Marine-animal oil [5] | 226 | 240 | 301 | 208 | 243 |
| Edible fat [6] | 107 | 104 | 249 | 190 | 231 |
| Inedible fat [7] | 12 | 16 | 13 | 13 | 9 |
| Total | 7,998 | 6,901 | 7,880 | 8,051 | (8,641) |
| Total, excluding lard and butter | 3,673 | 3,510 | 4,053 | 4,485 | 4,614 |

[1] Preliminary.
[2] Oil equivalent of imported seed.
[3] Includes rape, olive edible, kapok, hempseed, perilla, and mustard oils when reported. Does not include unnamed miscellaneous items.
[4] Estimates, based on factory consumption, trade, and stocks.
[5] Marine-mammal, fish, and fish-liver oils.
[6] Includes oleo oil, oleostearine, oleo stock, and edible tallow.
[7] Includes wool grease and neat's-foot oil.

Factory production, Bureau of the Census, animal and vegetable fats and oils, except as otherwise noted. Items have been rounded to million pounds without adjustment to totals.
Figures in parentheses are rough preliminary estimates.

**TABLE 3.**—*Imports and exports of primary fats and oils, United States, 1934–38*

[Net exports are indicated by a minus sign]

[Millions of pounds]

| Imports and exports | 1934 | 1935 | 1936 | 1937 | 1938 [1] |
|---|---|---|---|---|---|
| **Imports:** | | | | | |
| Animal | 110 | 364 | 194 | 157 | 90 |
| Vegetable: | | | | | |
| Oil | 789 | 1,432 | 1,305 | 1,585 | 1,033 |
| Oil equivalent of raw material | 572 | 768 | 704 | 998 | 705 |
| Total imports [2] | 1,471 | 2,564 | 2,203 | 2,740 | 1,828 |
| **Exports:** | | | | | |
| Animal | 566 | 155 | 175 | 185 | 257 |
| Vegetable: | | | | | |
| Oil | 45 | 23 | 27 | 24 | 20 |
| Oil equivalent of raw material | ........ | 13 | 16 | 11 | 22 |
| Total exports [2] | 611 | 191 | 218 | 220 | 299 |
| **Net imports or net exports:** | | | | | |
| Animal | −456 | 209 | 19 | −28 | −167 |
| Vegetable: | | | | | |
| Oil | 744 | 1,410 | 1,337 | 1,560 | 1,012 |
| Oil equivalent of raw material | 572 | 755 | 688 | 987 | 682 |
| Total net imports [2] | 860 | 2,374 | 2,044 | 2,519 | 1,527 |

[1] Preliminary.
[2] Totals of unfounded figures.

It should be noted that the above totals are for primary fats and oils reported separately and do not include items reported by the Bureau of Commerce as "other."
For earlier years see table 9 in U. S. Department of Agriculture Statistical Bulletin, No. 59.

**TABLE 4.**—*Imports of fats and oils and oilseeds (oil equivalent) imported for crushing, 1931–38*

| Item | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 [1] | 1937 [1] | 1938 [1] |
|---|---|---|---|---|---|---|---|---|
| **Animal:** | | | | | | | | |
| Marine animal [2] | 144 | 95 | 96 | 59 | 70 | 94 | 123 | 85 |
| Tallow [3] | 1 | 1 | ........ | 43 | 246 | 78 | 15 | 1 |
| Butter | 2 | 1 | 1 | 1 | 23 | 10 | 11 | 2 |
| Wool grease | 5 | 4 | 4 | 5 | 6 | 7 | 5 | 2 |
| Oleostearine [4] | 2 | 1 | ........ | 2 | 11 | 5 | 4 | ........ |
| Total animal | 154 | 101 | 102 | 110 | 364 | 194 | 157 | 90 |
| **Vegetable oils:** | | | | | | | | |
| Palm oil | 258 | 217 | 287 | 156 | 298 | 330 | 411 | 271 |
| Coconut oil | 325 | 249 | 316 | 315 | 353 | 322 | 337 | 364 |
| Copra (oil equivalent) | 289 | 286 | 416 | 252 | 286 | 220 | 339 | 323 |
| Coconut oil and copra | 614 | 535 | 732 | 567 | 639 | 551 | 676 | 687 |
| Cottonseed oil | ........ | ........ | ........ | [5] 9 | [6] 177 | [6] 136 | [6] 207 | 83 |
| Rape oil | 11 | 7 | 12 | [7] (20) | 60 | 63 | 6 | 6 |
| Rapeseed (oil equivalent) | ........ | ........ | ........ | ........ | (7) | (6) | ........ | ........ |
| Rapeseed oil and rapeseed [8] | 11 | 7 | 12 | [7] (20) | (67) | (69) | 6 | ........ |
| Olive oil, edible | 70 | 74 | 72 | 56 | 71 | 61 | 48 | 71 |
| Peanut oil | 15 | 1 | 1 | 3 | 81 | 40 | 53 | 16 |
| Corn oil | ........ | ........ | 9 | 11 | 26 | 20 | 33 | 22 |
| Sesame oil | ........ | ........ | ........ | ........ | ........ | 3 | 39 | 7 |
| Sesame seed (oil equivalent) | 63 | 9 | 10 | 10 | 66 | 53 | 5 | 3 |
| Sesame oil and sesame seed | 63 | 9 | 10 | 10 | 66 | 56 | 44 | 10 |

[1] Preliminary.
[2] Marine mammal, fish, and fish-liver oils.
[3] Edible and inedible not separately reported prior to April 1936.
[4] Includes oleo oil.
[5] Reported as edible.
[6] Crude and refined converted to crude basis.
[7] Estimated imports of rapeseed oil, based on stocks in bonded warehouses.
[8] Imported seed have been mostly used for planting. No crushings of rapeseed have been reported, but it is known that some was crushed in 1935 and 1936. Estimates of 7 million pounds in 1935 and 6 million pounds in 1936 are based on the excess of imports over previous averages.

TABLE 4.—*Imports of fats and oils and oilseeds (oil equivalent) imported for crushing, 1931–38*—Continued

| Item | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 |
|---|---|---|---|---|---|---|---|---|
| Vegetable oils—Continued. | | | | | | | | |
| Babassu nuts (oil equivalent) [9] | ....... | ....... | ....... | ....... | ([10]) | 30 | 35 | 32 |
| Soybean oil | 5 | ....... | 4 | 3 | 14 | [10] 4 | 22 | 3 |
| Teaseed oil | ....... | ....... | ....... | ....... | 7 | 8 | 27 | 12 |
| Sunflower oil | 28 | 12 | 28 | 13 | 37 | 25 | ....... | ....... |
| Palm-kernel oil | 23 | 2 | 13 | 13 | 59 | 20 | 130 | 3 |
| Palm-kernels (oil equivalent) | 16 | 13 | 7 | 4 | 23 | 12 | 40 | 14 |
| Palm-kernel oil and palm kernels | 39 | 15 | 20 | 17 | 81 | 33 | 170 | 17 |
| Caster oil | ....... | 1 | 1 | ....... | ....... | ....... | 1 | ....... |
| Castor beans (oil equivalent) | 43 | 35 | 48 | 39 | 32 | 69 | 62 | 48 |
| Castor oil and castor beans | 43 | 36 | 48 | 39 | 33 | 69 | 62 | 48 |
| Olive oil, inedible | 12 | 12 | 13 | 10 | 20 | 12 | 5 | 5 |
| Olive oil foots | 37 | 46 | 40 | 36 | 34 | 17 | 22 | 22 |
| Linseed oil | ....... | ....... | 11 | 3 | 2 | 1 | ....... | ....... |
| Flaxseed (oil equivalent) | 268 | 146 | 255 | 262 | 325 | 284 | 518 | 284 |
| Linseed oil and flaxseed [11] | 268 | 146 | 267 | 265 | 327 | 285 | 518 | 284 |
| Tung oil | 79 | 76 | 119 | 110 | 120 | 135 | 175 | 107 |
| Perilla oil [12] | 13 | 17 | 23 | 26 | 73 | 119 | 44 | 32 |
| Hempseed (oil equivalent) [9] [13] | ....... | ....... | ....... | (2) | (17) | (14) | ....... | ....... |
| Other vegetable oils and oilseeds [14] | 1 | ....... | 1 | ....... | 3 | 6 | 13 | 7 |
| Total vegetable oils | 878 | 716 | 951 | 789 | 1,432 | 1,350 | 1,585 | 1,033 |
| Total oil equivalent of oilseeds | 679 | 489 | 746 | 572 | 768 | 704 | 998 | 705 |
| Grand total | 1,710 | 1,306 | 1,700 | 1,471 | 2,564 | 2,248 | 2,739 | 1,827 |

[9] Includes less than 500,000 pounds imported oil.
[10] Excludes free for export, beginning 1936.
[11] Totals of unrounded figures.
[12] Includes 1 million pounds oil equivalent of imported perilla seed in 1934, 1935, and 1936.
[13] Reported factory consumption. Prior to 1934 hempseed was used largely for purposes other than crushing. See Statistical Bulletin No. 59.
[14] Includes oiticica, kapok, and cashew nut shell oils, vegetable tallow, and kapok seed and oil equivalents of crushings of mustard seed. Does not include miscellaneous unnamed items. It is believed that imported poppy seed is not crushed in the United States. Imports of cottonseed are negligible.

Leaders (.......) indicate less than 500,000 pounds or not separately reported.
Items have been rounded to "million pounds" without adjustment as to totals.
Oilseeds have been converted into oil equivalents, using the following conversion factors: Copra 63 percent, rapeseed 35 percent, palm kernels 45 percent, flaxseed 33 percent, castor beans 42 percent, sesame seed 45 percent, babassu nuts 63 percent, hempseed 24 percent, kapok seed 18 percent, perilla seed 37 percent, and mustard seed 23 percent.
Imports for consumption beginning 1934. Prior to 1934 general imports or imports for consumption as available. See Statistical Bulletin No. 59.
Compiled from Foreign Commerce and Navigation of the United States, and Monthly Summary of Foreign Commerce.

TABLE 5.—*Exports of fats and oils, 1931–38*

[Millions of pounds]

| Item | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 [1] | 1938 [1] |
|---|---|---|---|---|---|---|---|---|
| Coconut oil [2] | 18 | 24 | 26 | 25 | 12 | 18 | 9 | 7 |
| Soybean oil | 5 | 3 | 2 | 2 | 4 | 4 | 6 | 6 |
| Cottonseed oil [2] | 24 | 57 | 36 | 15 | 4 | 3 | 8 | 5 |
| Other [3] | 3 | 2 | 2 | 2 | 2 | 3 | 2 | 2 |
| Total | 49 | 85 | 66 | 45 | 23 | 27 | 24 | 20 |
| Lard [4] | 601 | 576 | 612 | 458 | 115 | 137 | 163 | 234 |
| Inedible fat [5] | 78 | 59 | 77 | 63 | 19 | 17 | 7 | 5 |
| Edible fat [6] | 65 | 60 | 56 | 38 | 14 | 15 | 11 | 9 |
| Butter [4] | 7 | 6 | 7 | 7 | 6 | 6 | 6 | 8 |
| Total | 750 | 701 | 751 | 566 | 155 | 175 | 186 | 257 |
| Grand total | 799 | 786 | 817 | 611 | 178 | 202 | 210 | 277 |

[1] Preliminary.
[2] Crude plus refined in terms of crude.
[3] Includes corn, castor, and linseed oils.
[4] Exports, including shipments to noncontiguous territory.
[5] Grease, inedible tallow, neat's-foot oil, and marine animal oil.
[6] Oleo oil, oleostearine, oleo stock, and edible tallow.

TABLE 6.—*Exports of soybeans as beans and in terms of oil equivalent, 1931–38*

| Item | Unit | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 [1] | 1938 [1] |
|---|---|---|---|---|---|---|---|---|---|
| Soybeans | Thousands of bushels | 133 | 4,223 | 256 | 19 | 1,570 | 1,920 | 1,271 | 2,645 |
| Oil equivalent | Millions of pounds | 1 | 35 | 2 | (2) | 13 | 16 | 11 | 22 |

[1] Preliminary. [2] Less than 500,000.

TABLE 7.—*Fats and oils and oil equivalent of raw materials: Stocks in United States, Dec. 31, 1931–38*

[Millions of pounds]

| Fat or oil, including oil equivalent of raw material | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 [1] | 1938 [1] |
|---|---|---|---|---|---|---|---|---|
| Cottonseed oil | 1,078 | 1,330 | 1,387 | 989 | 822 | 985 | 1,187 | 1,187 |
| Coconut oil | 236 | 171 | 275 | 208 | 204 | 90 | 240 | 263 |
| Tallow, inedible, and grease | 254 | 258 | 353 | 400 | 360 | 305 | 271 | 256 |
| Marine animal oil | 239 | 197 | 159 | 243 | 214 | 217 | 216 | 256 |
| Lard, including neutral | 51 | 41 | 133 | 118 | 53 | 146 | 54 | 107 |
| Linseed oil | 223 | 180 | 208 | 148 | 226 | 170 | 252 | 186 |
| Other [2] | 352 | 319 | 304 | 391 | 496 | 472 | 618 | 698 |
| Total | 2,433 | 2,496 | 2,909 | 2,496 | 2,375 | 2,385 | 2,838 | 2,953 |

[1] Preliminary.
[2] Includes palm, palm-kernel, tung, perilla, corn, soybean, olive, peanut, castor, rape, sesame, and sunflower oils and raw materials in terms of oil, vegetable tallow, oleo oil, oleostearine, neat's-foot oil, lard compounds, hydrogenated oils, red oil, lard oil, and tallow oil, etc.; excludes butter. In some cases reported stocks include stocks in bonded warehouses not yet reported in imports for consumption.

**TABLE 8.**—*Oleomargarine: Production and materials used in manufacture, United States, November, December, and annual, 1937–38*

[Thousands of pounds]

| Item | 1937 [1] | | | 1938 [1] | | |
|---|---|---|---|---|---|---|
| | November | December | Annual | November | December | Annual |
| Oleo oil | 650 | 741 | 12,278 | 940 | 1,009 | 13,411 |
| Oleostearine | 309 | 280 | 3,375 | 262 | 237 | 3,282 |
| Lard neutral | 160 | 197 | 1,748 | 112 | 105 | 1,464 |
| Oleo stock | 59 | 60 | 1,318 | 109 | 117 | 1,532 |
| Total animal | 1,178 | 1,278 | 18,719 | 1,423 | 1,468 | 19,689 |
| Cottonseed oil | 20,339 | 20,920 | 173,617 | 10,807 | 10,577 | 142,858 |
| Soybean oil | 2,186 | 2,948 | 31,791 | 4,303 | 4,198 | 39,885 |
| Peanut oil | 240 | 228 | 2,880 | 246 | 232 | 3,593 |
| Corn oil | 109 | 213 | 1,796 | 114 | 135 | 566 |
| Vegetable stearine [2] | ........ | ........ | ........ | ........ | ........ | 9 |
| Soybean stearine [2] | ........ | ........ | ........ | 7 | ........ | 18 |
| Total domestic vegetable [3] | 22,874 | 24,309 | 210,084 | 15,477 | 15,142 | 186,929 |
| Coconut oil | 5,611 | 6,594 | 73,806 | 7,023 | 7,204 | 89,520 |
| Palm-kernel oil | 383 | 516 | 7,946 | 18 | 99 | 4,746 |
| Babassu oil | 501 | 665 | 14,607 | 643 | 615 | 11,547 |
| Palm oil | ........ | ........ | 1,063 | ........ | ........ | ........ |
| Sesame oil | ........ | ........ | 1 | ........ | ........ | ........ |
| Rice oil [4] | ........ | ........ | ........ | ........ | ........ | 69 |
| Total foreign vegetable [5] | 6,495 | 7,775 | 97,423 | 7,684 | 7,918 | 105,882 |
| Total fats and oils | 30,547 | 33,362 | 326,226 | 24,584 | 24,528 | 312,500 |
| Milk | 7,037 | 7,208 | 72,846 | 5,838 | 5,830 | 72,169 |
| Salt and other miscellaneous | 1,878 | 1,988 | 19,073 | 1,366 | 1,341 | 18,235 |
| Production of oleomargarine | 37,476 | 40,728 | 397,267 | 30,221 | 30,373 | 385,020 |

[1] Preliminary.
[2] May be either foreign or domestic oil. Arbitrarily used as domestic.
[3] Ordinarily domestically produced.
[4] Bureau of the Census; probably oil imported from Japan.
[5] Not domestically produced.

Compiled and computed from Bureau of Internal Revenue records and Internal Revenue Bulletin.

(Whereupon, at 5:15 p. m., a recess was taken until the following day, Tuesday, March 7, 1939, at 10 a. m.)

# TAXES ON FATS AND OILS

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**TUESDAY, MARCH 7, 1939**

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

The committee met, pursuant to recess, at 10 a. m. in the Finance committee room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

The CHAIRMAN. The committee will be in order.

Mr. Secretary, we have before us in connection with the bill regarding reciprocal taxes on State and Federal salaries some amendments, known as the Bailey amendment, the Connally amendment, and the Gillette amendment, which pertain to increasing the tax on certain oils and with which I presume you are familiar. I wish you would discuss these proposals and make such statements as you desire.

## STATEMENT OF HENRY A. WALLACE, SECRETARY OF AGRICULTURE

Mr. WALLACE. Senator Harrison, and gentlemen of the committee, it would seem to me that the considerations which would weigh with the committee are those considerations which were brought to your attention yesterday by Mr. Hull rather than the technical considerations which are exceedingly complicated.

I can leave with you here, if you desire, a preliminary survey of some of those technical considerations, but I would want to make it very clear in advance that I believe the determining point for your consideration is the broad question of the policy which has to do with the effect of these amendments on the reciprocal-trade policy which is one of the major policies of the administration.

If it is the desire of the committee, I will point out some of the technical effects of these amendments, but I would want to make it clear again that the decision should be made with regard to the broader considerations rather than the highly technical ones.

Senator TOWNSEND. Would you care, Mr. Secretary, to point out some of the things that would happen to your Department if the tax were put on?

Mr. WALLACE. You mean the effect of the tax on the prices and supplies of the various oils?

Senator TOWNSEND. Yes.

Mr. WALLACE. Yes; I will submit a statement here on that.

Senator TOWNSEND. I wish you would.

Mr. WALLACE. The two Connally Senate amendments to H. R. 3790, introduced on February 23 and March 3, 1939, both provide for increasing the excise tax on coconut oil, palm and palm-kernel oils, with the exception of palm oil for use in the manufacture of tin and terneplate, from 3 to 5 cents per pound. The Bailey Senate amendment to H. R. 3790, introduced on February 27, extends the same provisions to whale and fish oils, with certain exceptions, and to tallow and inedible animal fats.

The Gillette Senate amendment to H. R. 3790, introduced March 3, repeals the $4\frac{1}{2}$-cent-per-pound excise tax on imports of the following oils: Sesame oil (inedible), sunflower oil, rapeseed oil, kapok oil, hempseed oil, perilla oil, and fatty acids and salts from the above. It also repeals the following excise taxes on imports of the following oil seeds: Hempseed, 1.24 cents per pound; perilla seed, 1.38 cents per pound; kapok, 2 cents per pound; rapeseed, 2 cents per pound; sesame seed, 1.18 cents per pound. In lieu of these taxes on imports a processing tax of 3 cents per pound is imposed on the following oils: Sesame oil (inedible), sunflower oil, rapeseed oil, kapok oil, hempseed oil, perilla oil, oils and/or fats from the pulp or kernel of fruits of any variety of palm tree. This bill does not change the 3-cent processing tax on coconut oil, palm, and palm-kernel oil. The bill also places an excise tax on imports of 2 cents per pound on sesame oil (edible), cottonseed oil, and certain derivatives of these; of 4 cents per pound on corn oil and certain derivatives; of $1\frac{1}{2}$ cents per pound on soybean oil; and of 5 cents per pound on fatty acids and/or salts of linseed oil and soybean oil.

In effect, the Gillette amendment brings to about 5 cents per pound the total taxes and duties on edible sesame oil, cottonseed oil, corn oil, and soybean oil. These are the principal imported oils not covered by the Connally and Bailey amendments referred to above. Its effects on other oils could be determined only after a more detailed study of the bill and of the relation between taxes on oils and on the oil equivalents of oleaginous raw materials. Nevertheless, it seems that the effects of the three amendments referred to would be to raise the taxes on the principal imported oils from 3 to 5 cents per pound, although on some minor oils taxes would be reduced.

The probable effect of these bills, if enacted, may be considered with respect to prices and consumption in domestic and foreign markets of (1) the imported oils directly affective, (2) domestically produced fats and oils.

With respect to the effects on imported oils, the proposed increase in the taxes would either increase the margin between world prices and United States prices of these oils by the full amount of the increase or stop imports.

Part of this increase in the price spread between domestic and foreign markets would take the form of an increase in the domestic price and part a decrease in the foreign price, with the effect on domestic prices probably being somewhat the greater. The exact incidence on domestic and foreign prices cannot be determined without detailed study.

The increased price of these imported oils in the United States would result in a reduction of consumption, and therefore imports, of such oils in the United States. Since the supply of many of these oils produced in foreign countries is highly inelastic, there would be little or no change in the production of most of them, and larger quantities would remain to be sold on world markets other than the United States.

The higher United States prices for the imported oils affected by these tax increases would increase the demand for substitute oils which could be imported. Because they cannot be substituted completely for the tax-affected oils, the resulting increase in imports of the substitute oils would not be enough to entirely offset the effects of the decreased importations of the taxed oils.

The principal domestically produced fats and oils which would be affected by these developments are lard, cottonseed oil, soybean oil, tallow and grease, and butter.

The general result of the increase in the tax on the imported oils would be to increase the demand in the United States for domestically produced fats and oils, and to decrease the foreign demand for such of these fats and oils as are exported from this country. The effects of these general changes in the situation, however, would be quite different in relation to the several individual domestically produced fats and oils, because of the different circumstances surrounding their production, consumption, and exportation.

The United States is on an export basis for lard. The lower prices of the taxed fats and oils in foreign markets which would result from the increase in the excise taxes on such oils in this country would reduce the export demand for United States lard. At the same time, the higher price for imported oils in the United States would tend to increase the domestic demand for lard. With domestic demand increased and export demand decreased, it is clear that one of the effects of the increased excise taxes would be to reduce our exports of lard below what they would be in the absence of such tax increases. The net effect on lard prices of all of these changes would depend upon the relative influence of the increase in domestic demand as a factor offsetting, more or less, the decrease in export demand. It is difficult to make any exact estimate of this effect, but it seems probable that the price of lard would not be changed much by these developments.

Both cottonseed oil and soybean oil have been imported and exported at various times in recent years, depending upon production conditions in the United States and demand conditions here and abroad.

The CHAIRMAN. Mr. Secretary, have you the exports of soybean oil and cottonseed oil there for the last 10 or 15 years?

Mr. WALLACE. Yes, sir.

The CHAIRMAN. If you can put that in the record, I think it would be very informative.

Mr. WALLACE. Very well.

TABLE 1.—*Net imports or net exports of specified fats and oils, United States, 1927–38*

[Net exports are indicated by a minus sign]

[Million pounds]

| Year | Animal fats | | | Marine animal oils | | Vegetable oils | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Lard [1] | Tallow | | Fish oils | Whale oil | Coconut oil and oil equivalent of copra | Cottonseed oil | Linseed oil and oil equivalent of flaxseed | Palm-kernel oil and oil equivalent of palm kernels | Palm oil | Peanut oil | Soybean oil |
| | | Edible | Inedible | | | | | | | | | |
| 1927 | −717 | (2) | 6 | 39 | 55 | 548 | −69 | 402 | 43 | 156 | 2 | 8 |
| 1928 | −801 | (2) | 11 | 40 | 52 | 573 | −52 | 323 | 54 | 166 | 5 | 5 |
| 1929 | −866 | (2) | 13 | 37 | 59 | 738 | −27 | 456 | 70 | 259 | 3 | 11 |
| 1930 | −674 | (2) | −5 | 30 | 56 | 662 | −29 | 235 | 46 | 287 | 8 | 3 |
| 1931 | −601 | [3] 3 | 1 | 31 | 84 | 577 | −24 | 267 | 39 | 256 | 2 | −1 |
| 1932 | −576 | [3] 3 | 1 | 15 | 44 | 502 | −57 | 146 | 15 | 215 | [4] −1 | −2 |
| 1933 | −612 | [3] 7 | (5) | (5) | 48 | 607 | −36 | 266 | 20 | 283 | 1 | 2 |
| 1934 | −458 | [3] 7 | 43 | −4 | 20 | 541 | −6 | 264 | 17 | 156 | 3 | 1 |
| 1935 | −115 | 1 | 246 | −2 | 23 | 627 | 173 | 326 | 81 | 298 | 81 | 10 |
| 1936 | −137 | 9 | 66 | −1 | 28 | 533 | 133 | 284 | 32 | 330 | 49 | (5) |
| 1937 | −162 | 10 | 3 | −1 | 55 | 667 | 199 | 517 | 179 | 411 | 53 | 17 |
| 1938 [6] | −234 | (5) | 1 | −2 | 22 | 680 | 78 | 283 | 17 | 271 | 16 | −4 |

[1] Includes shipments to noncontiguous Territories of the United States.
[2] Included with inedible tallow.
[3] Probably includes some inedible tallow.
[4] Excess of reexports.
[5] Less than 0.5 million pounds.
[6] Preliminary.

Bureau of Agricultural Economics. Compiled from Foreign Commerce and Navigation of the United States, Bureau of Foreign and Domestic Commerce.

TABLE 2.—*Percentage contribution of specified fats and oils, and quantity of fats and oils used in the manufacture of edible products and soap, and in the drying-oils industries, United States, 1931 and 1937*

| Item | Compounds and vegetable cooking fats [1] | | Oleomargarine [2] | | Other manufactured edible products [1] | | Soap [3] | | Paint, varnish, linoleum, oilcloth, printing ink [4] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1931 | 1937 | 1931 | 1937 | 1931 | 1937 | 1931 | 1937 | 1931 | 1937 |
| Domestic and imported: | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* |
| Cottonseed oil | 76.9 | 72.5 | 8.4 | 53.2 | 44.2 | 54.0 | 9.9 | 11.0 | (5) | (5) |
| Soybean oil | .9 | 5.7 | .3 | 9.8 | ------- | 3.8 | (5) | (5) | 1.5 | 2.0 |
| Peanut oil | .5 | 3.6 | 2.4 | .9 | .8 | .5 | (5) | (5) | (5) | ------- |
| Corn oil | .5 | .1 | (5) | .6 | 10.6 | 15.5 | (5) | (5) | (5) | (5) |
| Linseed oil | ------- | .1 | ------- | ------- | ------- | ------- | (5) | (5) | 77.1 | 68.5 |
| Oleo oil | .8 | (5) | 0.8 | 3.8 | 1.1 | (5) | (5) | (5) | (5) | ------- |
| Oleostearine | 2.3 | 1.0 | 2.6 | 1.0 | .2 | 1.2 | (5) | (5) | ------- | ------- |
| Oleo stock | ------- | ------- | .4 | .4 | ------- | ------- | ------- | ------- | ------- | ------- |
| Butter | ------- | ------- | .2 | ------- | ------- | ------- | ------- | ------- | ------- | ------- |
| Lard | .7 | (5) | 5.0 | .5 | 1.7 | .5 | ------- | ------- | ------- | (5) |
| Tallow | 5.8 | 4.2 | ------- | ------- | .2 | .4 | 34.0 | 37.0 | (5) | (5) |
| Grease | ------- | ------- | ------- | ------- | ------- | ------- | 8.4 | 5.7 | (5) | (5) |
| Fish oils } | 1.6 | 1.3 | ------- | ------- | ------- | ------- | 8.2 | 11.4 | 4.4 | 5.3 |
| Whale oil } | | | | | | | | | (5) | (5) |
| Total | 90.0 | 89.4 | 20.1 | 70.2 | 58.8 | 70.8 | 60.5 | 65.1 | 83.0 | 75.8 |

[1] Computed from Factory Consumption of Animal and Vegetable Fats and Oils, by Classes of Products, Bureau of the Census.
[2] Computed from Internal Revenue Bulletin (monthly), Bureau of Internal Revenue.
[3] Computed from Fats and Oils, Bureau of the Census.
[4] Estimated, includes oils used in mixing paints and varnishes as well as in factory products.
[5] Less than 0.5 percent.

TABLE 2.—*Percentage contribution of specified fats and oils, and quantity of fats and oils used in the manufacture of edible products and soap, and in the drying-oils industries, United States, 1931 and 1937*—Continued

| Item | Compounds and vegetable cooking fats | | Oleomargarine | | Other manufactured edible products | | Soap | | Paint, varnish, linoleum, oilcloth, printing ink | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1931 | 1937 | 1931 | 1937 | 1931 | 1937 | 1931 | 1937 | 1931 | 1937 |
| Chiefly imported: | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* | *Pct.* |
| Coconut oil | 2.8 | 0.8 | 69.5 | 22.6 | 27.8 | 12.1 | 22.0 | 15.2 | (5) | (5) |
| Palm oil | 2.9 | 7.7 | 1.3 | .3 | .5 | .2 | 11.2 | 8.5 | (5) | (5) |
| Palm kernel oil | (5) | (5) | | 2.4 | 11.8 | 5.2 | 1.8 | 6.8 | | |
| Babassu oil | | (5) | | 4.5 | | 2.7 | | .8 | | |
| Olive oil | | | | | .9 | .8 | 2.7 | 1.1 | | |
| Perilla oil | | | | | | | | (5) | 1.8 | 4.7 |
| Rape oil | | .3 | | | | | | (5) | (5) | (5) |
| Sesame oil | 2.8 | 1.8 | (5) | (5) | .1 | .8 | (5) | (5) | | |
| Tung oil | | | | | | | | | 14.7 | 18.1 |
| Other fats and oils | 1.5 | | .1 | | .1 | 1.4 | 1.8 | 2.5 | .5 | 1.4 |
| Total | 10.0 | 10.6 | 70.9 | 29.8 | 41.2 | 23.2 | 39.5 | 34.9 | 17.0 | 24.2 |
| Total fats and oils | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Quantity of fats and oils used | | | | | | | | | |
| Total fats and oils | *Mil. lb.* 1,208 | *Mil. lb.* 1,605 | *Mil. lb.* 102 | *Mil. lb.* 326 | *Mil. lb.* 191 | *Mil. lb.* 413 | *Mil. lb.* 1,542 | *Mil. lb.* 1,659 | *Mil. lb.* 611 | *Mil. lb.* 834 |

(5) Less than 0.5 percent.

Bureau of Agricultural Economics.

TABLE 3.—*Computation by classes of products and total disappearance of specified fats and oils, United States, 1937*

| Item | Factory consumption [1] | | | | | | | | Other disappearance [2] | Total domestic disappearance [3] |
|---|---|---|---|---|---|---|---|---|---|---|
| | Compounds and vegetable cooking fats | Oleomargarine | Other edible products | Soap | Paint, varnish, linoleum, oil-cloth, printing ink | Miscellaneous | Foots and loss | Total factory | | |
| Domestic and imported: | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* | *Mil. lbs.* |
| Cottonseed oil | 1,162 | 174 | 227 | 8 | (4) | 3 | 113 | 1,687 | 59 | 1,746 |
| Soybean oil | 91 | 32 | 16 | 10 | 17 | 3 | 10 | 179 | 4 | 183 |
| Peanut oil | 58 | 3 | 2 | 1 | | (4) | 4 | 68 | 41 | 109 |
| Corn oil | 2 | 2 | 64 | 2 | (4) | 4 | 10 | 84 | 83 | 167 |
| Linseed oil | 2 | | | 1 | 356 | 16 | (4) | 375 | 215 | 590 |
| Oleo oil | (4) | 12 | (4) | (4) | | 1 | (4) | 13 | 54 | 67 |
| Oleo stearine | 30 | 3 | 5 | (4) | | 1 | (4) | 39 | 8 | 47 |
| Lard | 1 | 2 | 2 | | (4) | 4 | (4) | 9 | 1,354 | 1,363 |
| Tallow, edible | 66 | | 2 | (4) | (4) | 1 | (4) | 69 | 20 | 89 |
| Tallow, inedible | | | | 914 | (4) | 62 | (4) | 976 | | 976 |
| Grease | | | | 94 | 1 | 121 | (4) | 216 | 66 | 282 |
| Fish oils | 21 | | | 124 | 44 | 38 | 2 | 229 | 21 | 250 |
| Whale oil | (4) | | | 65 | (4) | 5 | (4) | 70 | | 69 |
| Chiefly imported: | | | | | | | | | | |
| Coconut oil | 13 | 74 | 59 | 252 | 1 | 7 | 20 | 426 | 67 | 493 |
| Palm oil | 124 | 1 | 1 | 141 | (4) | 33 | 31 | 331 | 19 | 350 |
| Palm-kernel oil | (4) | 8 | 21 | 112 | | (4) | 3 | 144 | 6 | 150 |
| Olive oil, edible | | | 3 | (4) | | (4) | | 3 | 49 | 52 |
| Olive foots | | | | 18 | | (4) | | 18 | 3 | 21 |
| Perilla oil | | | | (4) | 42 | 1 | | 43 | | 40 |
| Sesame oil | 20 | (4) | 4 | 3 | | (4) | 2 | 38 | 12 | 50 |
| Tung oil | | | | | 116 | 4 | | 120 | 35 | 155 |

[1] Compiled from Animal and Vegetable Fats and Oils (annual), Bureau of the Census.
[2] Difference between total disappearance and total factory consumption.
[3] Estimated from production, trade and stocks of the United States.
[4] Less than 0.5 million pounds.

TABLE 4.—*Consumption of butter, oleomargarine, lard, and compounds, in the United States, 1919–38*

| Year | Butter [1] | Oleomargarine [2] | Lard [1] | Compounds and vegetable cooking fats [1] | Total | Percentage of total: Butter | Oleomargarine | Lard | Compounds and vegetable cooking fats |
|---|---|---|---|---|---|---|---|---|---|
| | *Million pounds* | *Million pounds* | *Million pounds* | *Million pounds* | *Million pounds* | *Percent* | *Percent* | *Percent* | *Percent* |
| 1919 | 1,608 | 354 | 1,158 | 1,231 | 4,351 | 37.0 | 8.1 | 26.6 | 28.3 |
| 1920 | 1,577 | 364 | 1,304 | 715 | 3,960 | 39.8 | 9.2 | 32.9 | 18.1 |
| 1921 | 1,757 | 215 | 1,201 | 763 | 3,936 | 44.6 | 5.5 | 30.5 | 19.4 |
| 1922 | 1,884 | 184 | 1,484 | 742 | 4,294 | 43.9 | 4.3 | 34.5 | 17.3 |
| 1923 | 1,995 | 226 | 1,618 | 738 | 4,577 | 43.6 | 4.9 | 35.4 | 16.1 |
| 1924 | 2,053 | 230 | 1,638 | 807 | 4,728 | 43.4 | 4.9 | 34.6 | 17.1 |
| 1925 | 2,029 | 232 | 1,432 | 1,127 | 4,820 | 42.1 | 4.8 | 29.7 | 23.4 |
| 1926 | 2,044 | 240 | 1,444 | 1,123 | 4,851 | 42.1 | 4.9 | 29.8 | 23.2 |
| 1927 | 2,065 | 276 | 1,518 | 1,161 | 5,020 | 41.1 | 5.5 | 30.3 | 23.1 |
| 1928 | 2,063 | 314 | 1,600 | 1,130 | 5,107 | 40.4 | 6.2 | 31.3 | 22.1 |
| 1929 | 2,117 | 353 | 1,572 | 1,209 | 5,251 | 40.3 | 6.7 | 30.0 | 23.0 |
| 1930 | 2,134 | 323 | 1,557 | 1,208 | 5,222 | 40.9 | 6.2 | 29.8 | 23.1 |
| 1931 | 2,247 | 230 | 1,678 | 1,168 | 5,323 | 42.2 | 4.3 | 31.5 | 22.0 |
| 1932 | 2,282 | 202 | 1,786 | 941 | 5,211 | 43.8 | 3.9 | 34.3 | 18.0 |
| 1933 | 2,254 | 243 | 1,743 | 949 | 5,189 | 43.4 | 4.7 | 33.6 | 18.3 |
| 1934 | 2,312 | 263 | 1,628 | 1,202 | 5,405 | 42.8 | 4.9 | 30.1 | 22.2 |
| 1935 | 2,207 | 380 | 1,218 | 1,541 | 5,346 | 41.3 | 7.1 | 22.8 | 28.8 |
| 1936 | 2,135 | 391 | 1,443 | 1,586 | 5,555 | 38.4 | 7.0 | 26.0 | 28.6 |
| 1937 | 2,158 | 397 | 1,363 | 1,594 | 5,512 | 39.2 | 7.2 | 24.7 | 28.9 |
| 1938 [3] | 2,205 | 385 | 1,443 | 1,560 | 5,593 | 39.4 | 6.9 | 25.8 | 27.9 |

[1] Total apparent disappearance in continental United States, estimated from production, trade, and stocks. Bureau of Agricultural Economics.

[2] "Withdrawn for consumption," tax paid. Compiled from Internal Revenue Bulletin (monthly), Bureau of Internal Revenue.

[3] Preliminary.

The CHAIRMAN. Can you tell me in connection with the 3-cent tax on soybean oil and cottonseed oil and peanut oil, what the effect has been on the exportation of those oils?

Mr. WALLACE. Of course, you are aware of the fact, Senator, that the production of soybean oil in this country has been a very recent development, and we have not been on the export market to any great extent with soybean oil at any time.

Senator DAVIS. You stated that soybeans have just been produced recently in this country. How recently?

Senator BAILEY. If I may interrupt? The figures here on page 6 of the bulletin of the Department of Agriculture shows that the production of soybean oil for 1934 was 35,000,000 pounds; it rose in 1935 to 105,000,000; in 1936 to 225,000,000, and dropped in 1937 to 194,-000 000, but in 1938 it rose to 322,000,000. There is a rise from 35,000,000 to 332,000,000 in 5 years.

The CHAIRMAN. Senator, have you there what the tables show with reference to cottonseed oil?

Senator BAILEY. Yes; the cottonseed oil in 1934 was 1,224,000,000; in 1935, it was 1,184,000,000; in 1936, 1,247,000,000; in 1937, 1,026,-000,000; in 1938 it was 1,683,000,000. That is the American production.

The CHAIRMAN. All right, Mr. Secretary.

Mr. WALLACE. I think you will find most of the answers to the questions you were asking in this bulletin from which Senator Bailey was reading.

The increased taxes on imported oils would greatly reduce or eliminate imports of cottonseed and soybean oils. On the other hand, the lower prices for oils in foreign markets resulting from these developments probably would greatly reduce or eliminate exports of these oils from the United States. The increased demand in the United States for domestic oils, resulting from the increase in the tax on imported oils, would tend to raise the prices of cottonseed and soybean oils. The amount of this increase, however, would be somewhat less than the increase in the price of the imported oils, for two reasons. In the first place, these several oils cannot be completely substituted for each other in all uses; and in the second place, there would be an increase in the supply of lard on the domestic market, resulting from the decreased exports previously noted. Because of the unknown elements with respect to possible substitution of these different products for each other, it is impossible to determine the exact effects on the prices of cottonseed and soybean oils of the increased taxes on imported oils.

Tallow and grease are used largely in the manufacture of soap. The supplies of materials for soap making would be limited by the increase in the tax on imported oils, and prices of such materials would be raised.

Butter and oleomargarine compete on domestic markets. As a result of the increased taxes on imported oils, the prices of materials used in the manufacture of oleomargarine would be increased somewhat. Past experience indicates, however, that small changes in the costs of materials used in oleomargarine production do not affect the price of oleomargarine nearly as much as other conditions, such as the production of butter and changes in consumer incomes. Even if this were not true, however, it is doubtful that the consumption or price of butter would be materially affected in the United States by the proposed increased taxes on imported oils, because oleomargarine represents such a small proportion of the total expenditure for table fats in this country. It would require the elimination of a large part of the total sales of oleomargarine to affect butter prices in any appreciable degree, and it is entirely improbable that the production of oleomargarine would be so affected by these tax changes.

In summary, the prices of domestically produced cottonseed oil, soybean oil, tallow, and grease probably would be temporarily increased somewhat as a result of the proposed increase in the taxes on imported oils.

The CHAIRMAN. I notice, Mr. Secretary, in these figures that there has been a perceptible increase in the domestic production of soybean oil, more so than cottonseed oil. Is there strong competition within the United States between the soybean oil and the cottonseed oil?

Mr. WALLACE. Yes; I have a statement here on the interfat competition which I can read into the record in a few minutes if you so desire. It is a somewhat variable competition depending on different price situations.

Senator TOWNSEND. Have you a statement there showing the increase in the exports of cottonseed oil and soybean oil in the last 4 or 5 years?

Mr. WALLACE. Senator Bailey just read that into the record a few moments ago, I believe.

Senator TOWNSEND. That was the production, was it not?

Mr. WALLACE. Yes; that was the production. And you wanted the exports?

Senator TOWNSEND. Yes; the exports.

Mr. WALLACE. In the case of exports, the exportation of soybean oil in 1931 was 5,000,000 pounds; 1932, 3,000,000; 1933, 2,000,000; in 1934, 2,000,000; in 1935, 4,000,000; in 1936, 4,000,000; in 1937, 6,000,000; and in 1938, 6,000,000.

Senator TOWNSEND. Then the increase in the exports has in nowise kept pace with the increase in production?

Mr. WALLACE. That is true.

Senator DAVIS. When did we begin the production of soybean oil in this country, Mr. Wallace?

Mr. WALLACE. I am just stating this from memory and personal observation. The first plants in Illinois, as I remember it, were back about 1921 or 1922. There may have been some of it in the East previous to that. There may have been some in the Middle West previous to that. Those with which I was personally acquainted began in about 1920. They produced very little at first.

Senator BAILEY. Mr. Secretary, now on the exports, we have been losing out on the export of fats and oils, have we not?

Mr. WALLACE. I feel, Mr. Senator, that it is very easy to be deceived as to the significance of these figures, because of the fact of the great variable in the domestic fat production which arose out of the weather as it affects the size of the corn crop on the one hand and the size of the cotton crop on the other. The size of the corn crop is reflected in the size of the hog crop, and therefore the size of the lard crop a year or two later.

Senator BAILEY. But let me call your attention to the figures on page 10. The cottonseed-oil exports in 1931 were 24,000,000 pounds; 1932, 57,000,000 pounds; in 1933, 36,000,000 pounds; in 1934, 15,000,000 pounds; in 1935, 4,000,000 pounds; in 1936, 3,000,000 pounds; in 1937, 8,000,000 pounds; and in 1938, 5,000,000 pounds only.

Now, you can see the same thing for your coconut-oil exports, which dropped from 26,000,000 pounds in 1933 to 7,000,000 in 1938. The only increase I see here is the lard. The lard exports were 601,000,000 pounds in 1931, and they are 234,000,000 now. There is a drop of 66 percent.

Mr. WALLACE. Senator, I would like you to refer again to page 6, from which you have previously quoted.

Senator BAILEY. I was reading the exports there on page 10.

Mr. WALLACE. Yes; but in order to understand the significance of the exports, it is necessary to refer back to page 6 and examine the lard figures, beginning in 1934. You may remember we had a very serious drought in 1934. Lard production in 1934 was over 2,000,000,000 pounds. The following year, as a result of the drought in 1934, the total lard production was 1,267,000,000 pounds.

Senator BAILEY. That was the drought on top of the killing of so many hogs and the general restriction of production, was it not?

Mr. WALLACE. Senator, in my opinion, that had absolutely no effect on the supply of lard.

Senator TOWNSEND. What was the year we killed the pigs?

Mr. WALLACE. If you would care to have me discuss that, I would be happy to do so.

Senator BAILEY. I was thinking that the two operated together to bring that about.

Mr. WALLACE. I may say, Senator, that you are giving very great joy to our friends over there [indicating], but if they would like to have me discuss it I would be glad to do it.

Senator BAILEY. They are getting a great deal of joy from other sources than myself these days. I do not think what little I say will give them any.

Mr. WALLACE. I am sure that neither you nor I would like to make it a main function of life to give these gentlemen joy.

Senator BAILEY. Well, I will tell the truth, even if does give Republicans satisfaction.

Mr. WALLACE. I am very happy to tell about that if you or they would like to have me tell the truth.

Senator BARKLEY. I never knew that the truth ever gave joy to the Republicans.

Senator DAVIS. It certainly is not agreeable on this occasion for the Democrats.

The CHAIRMAN. Senator Townsend had asked a question.

Senator TOWNSEND. Yes; I asked in what year the pigs were killed?

Mr. WALLACE. The pigs were killed in September and October of 1933.

Senator TOWNSEND. Did that not have some effect on the product—more effect than the drought?

Mr. WALLACE. The important thing to keep in mind, Senator, is this: That the amount of lard does not flow from the number of pigs but from the supply of corn, and the way the drought turned out in 1934 we had far more pigs than could be fed satisfactorily with the supply of corn, and actually there was a greater total amount of pork available in the fall of 1934 as a result of the hog operations in 1933 than would otherwise have been the case.

Senator TOWNSEND. And you think the drought had more effect on the price——

Mr. WALLACE (interposing). It was the determining factor. If you would care to have a memorandum on that, I can support my thesis with abundant statistics if you care to go into it.

Senator DAVIS. How many pigs were killed during that time?

Mr. WALLACE. I don't remember exactly; I believe about 5,000,000, or something like that—five or six million. You see, at that time, you may remember, the price of hogs was somewhere around $3 a hundred. The pigs that were available at that time had no particular significance so far as the consumers were concerned. When the consumers really wanted pork was a year later. The fact that the pigs did not eat the corn at that time to produce the pork in that winter when the consumers had no particular demand for increased supplies did not cause any hardship, but that corn which those pigs did not eat was available to be eaten in the fall and winter of 1934, when there was need for a greater supply of pork.

Senator BARKLEY. Those poor little pigs that were killed, they were consumed as food, weren't they? They were not just thrown away as waste?

Mr. WALLACE. They were consumed as food except in the case of the small ones which the packing houses could not handle. Their machinery was not set up to handle some of the exceedingly small ones, and I may say that very large numbers of those pigs came from the Northwest where they had a serious drought in 1933 and they had no food to take care of those pigs at that time.

But I would like to return to this question of the falling off in lard exports. The drought, I think any statistically minded person would agree, was the altogether determining factor in this falling off in the lard supply and lard exports from 1935 to date. I may say that we have in prospect, for the year 1939, a production of around 2,000,000,000 pounds of lard again. The effects of the drought of 1934 and 1936 have nearly worn off, and the gentlemen who are so gravely concerned with the price of fats and oils might well direct their attention primarily to the supply of lard and cottonseed oil inside of this country.

When the supply of lard was cut short by the droughts, there was created a very great demand for cottonseed oil, and in spite of the very large cottonseed crop in 1937, there was no very substantial export of cottonseed oil because of the fact that the cottonseed oil supply could be channeled off into the production of lard substitutes, but now that we have had two years of normal corn crops, we have in prospect a very substantial lard supply again, which means a corresponding effect on the domestic market for lard and cottonseed oil.

Senator BAILEY. Mr. Secretary, on that point I recall reading a newspaper report of a speech which you made some time last summer or fall in which you were reported to have stated that the cotton curtailment program or the restriction program had been equal to or brought about a situation which produced the sale of 150,000,000 bushels of corn which otherwise would not have been sold. I would like to get that clear. I am just saying that that was reported in the paper, and I had intended to talk to you about it.

Mr. WALLACE. I would like to get your question clear in my mind, Senator.

Senator BAILEY. That by crop restriction program with respect to cotton in the South, that that had made a market for 150,000,000 bushels of corn that otherwise would not have been made.

Mr. WALLACE. I do not remember the precise statement, but it is true that each million acres of cotton produces in the ordinary year, cottonseed oil equivalents in terms of lard competition to about a million hogs. In addition, there is the cottonseed meal, and I would roughly estimate that the average acre of cotton contains in the form of lard competition transformed back into bushels of corn and in the form of the cottonseed meal transformed as nearly as may be into bushels of corn, the equivalent, roughly, of 10 bushels of corn, and in view of the fact that that same acre of cotton put into corn will produce only 15 bushels of corn, it may be seen that the diverting of cotton land to corn does not produce the significant competition with the Corn Belt which has commonly been inferred by the press of the Middle West.

Senator BAILEY. The formula is that the production of oils and fats produced by cottonseed would tend to create a market for and a demand for the fats produced by hogs fed on corn. That was in one of your speeches according to the papers.

Mr. WALLACE. I ordinarily think of it in terms I have just stated. Yes; it would amount to the same thing.

Senator BAILEY. You recall making that statement, do you not?

Mr. WALLACE. No; I do not recall that particular statement.

Senator BAILEY. I read it in the newspaper, as I said.

Mr. WALLACE. It would amount to the same thing, Senator. The reduction in cotton acreage would come out at about the equivalent of 150,000,000 bushels of corn.

Senator BAILEY. Thank you.

Mr. WALLACE. To continue:

In summary, the prices of domestically produced cottonseed oil, soybean oil, tallow and grease probably would be temporarily increased somewhat as a result of the proposed increase in the taxes on imported oils. The amount of this increase, however, would be materially less than the increase in the tax. (A preliminary estimate is that the increase in the prices of these domestically produced commodities would not be more than 1 cent per pound.) The price of lard would be affected even less, and the price of butter would be affected hardly at all.

Of course, if it were not possible, in view of the rates bound by the trade agreements, to increase the import taxes on some of these oils, or if oils on which no additional tax is imposed should be imported in much larger quantites, the effects of these measures on prices of domestically produced fats and oils would be even smaller.

Senator CONNALLY. Certainly it is not going to reduce the price any, is it?

Mr. WALLACE. I still stand by my statement that the price would be temporarily increased. As to what the ultimate effect would be, I think there is a reason for some question, because I think the ultimate effect of all tariffs on prices can very seriously be questioned because of the way in which they build up the internal competition to take the place of the external competition.

Senator CONNALLY. It would all be our competition in that case?

Mr. WALLACE. In this case you will find if you put on a tax of this sort, I think you would find a considerable expansion in various types of internal competition. I think cottonseed oil would find perhaps a very great increase in the soybean competition.

Senator CONNALLY. That would help the soybean people, would it not?

Mr. WALLACE. Yes.

Senator CONNALLY. We are not concerned only with the cottonseed oil, but are interested in the soybean consumption as well.

Mr. WALLACE. I know what a loyal friend the Senator is of the Middle West, and I appreciate the friendship. It has been evidenced on many occasions.

Senator CONNALLY. The same influence that would temporarily increase the price would continue to operate at all times. It may not be effective because of other factors, but there would be that impulse there, would there not, Mr. Secretary, or else it would not increase it temporarily?

Mr. WALLACE. Undoubtedly there would be a temporary increase, Senator.

Senator CONNALLY. Would not the same force that increases it temporarily be operative continuously? It may not be effective because of other offsetting influences, but would not there always be that urge there to increase that price?

Mr. WALLACE. I think there would be an urge to increase domestic production very greatly.

Senator BAILEY. That would mean an increase of annual wealth, would it not?

Mr. WALLACE. Well, we are getting into very deep philosophical fields, Senator.

Senator CONNALLY. Wouldn't you rather eat our fat than somebody else's fat?

Mr. WALLACE. I would rather live on my own fat.

Senator BARKLEY. That would depend upon how fat it is. [Laughter.]

Mr. WALLACE. That statement was made in the metaphorical sense.

Senator VANDENBERG. Our soap makers are unduly disturbed about the prospect of increased prices.

Mr. WALLACE. Your question was, "Unduly disturbed"?

Senator VANDENBERG. Yes.

Mr. WALLACE. I think they had better answer with regard to that as to how much disturbed they are.

Senator VANDENBERG. I presume I can reassure them by your statement that they are mistaken about the effect of this tax?

Mr. WALLACE. This subject is so complex, gentlemen, that our questions and answers here are almost in the nature of flippancy. They are rather beside the point. They may throw an occasional dim light on the subject. A preliminary estimate is that the increase in the prices of these domestically produced commodities would not be more than 1 cent a pound. The price of lard would be affected even less, and the prices of butter would be affected hardly at all.

Senator BAILEY. Mr. Secretary, on that point, the price of butter appears to have gone down rather considerably. Could you pause at that for a moment and throw that dim light that you were speaking of just now on the figures in the price of butter? Butter has dropped, according to this table, since December 1937, from 38.89 to 26.29, that being the 1st of January 1939. There is a drop of 12 cents a pound.

Mr. WALLACE. I may say, Senator, it would have dropped much further if it had not been for the operations of the Dairy Products Marketing Association, backed up by the Surplus Commodities Corporation.

Senator BAILEY. What is the explanation? You are saying there how you prevented it from going lower. What is the explanation of that drop? That is farmer income.

Mr. WALLACE. Butter, like lard, is influenced by drought, and not only because of the way in which drought affects the supply of corn, but also by the way in which a drought affects pastures, and when better weather came in 1937 and 1938, there was an increase in the butter supply.

Senator BAILEY. Hadn't we gotten over the influence of that drought in 1938 by January 1938?

Mr. WALLACE. We produced 168,000,000 more pounds of butter in 1938 than we did in 1937. Of course, another reason for the decline in the price of butter in 1938 was the falling off in employment. The price of butter is determined by the supply, on the one hand, and by the pay rolls of city workers, on the other.

Senator TOWNSEND. What amount was purchased by the Commodity Credit Corporation, Mr. Secretary, of butter?

Mr. WALLACE. The Commodity Credit did not purchase any. This Dairy Products Marketing Association, using a loan from the R. F. C., purchased 110,000,000 pounds.

Senator TOWNSEND. That was the amount that it had increased, was it not? Just a little more?

Mr. WALLACE. No; it was less than the amount of the increase.

Senator DAVIS. How many pounds have we in storage?

Mr. WALLACE. I do not have in mind the figures in storage at the present time. This association purchased 110,000,000 pounds.

Senator BYRD. Has that been sold or is it still in storage?

Mr. WALLACE. It is being distributed to the people on relief by the Federal Surplus Commodities Corporation.

Senator BAILEY. We have had a similar drop in lard. The lard refined at Chicago, for December 1937, the price was 9.78; the average for 1937 was 12.67. The average in 1938 was 9.20, and the price in January 1939 was 7.72. That is a drop of a little better than 25 percent. Does it not appear that the prices of fats and oil generally are going down?

Mr. WALLACE. Again, Senator, you have an increase between 1937 and 1938 in the supply of lard of 300,000,000 pounds, and a prospect for the year 1939 of another increase of 300,000,000 pounds, and if you have an ordinary corn crop in 1939 you will have a still further increase in the supply of lard in 1940.

Senator BAILEY. Assuming that we do have the increase, does not the importation of oils and fats to the extent of a billion and a half pounds a year further tend to depress the price? If the domestic supply depresses the price, does not the foreign supply on top of the domestic supply accelerate the depressing of the price?

Mr. WALLACE. You see, Senator, lard even in the years of the most severe drought, was on the export market, and in the years of ordinary weather previous to 1933 was on the export market to the extent of 700 or 800 or even 900 million pounds a year. So lard has to meet the competition of these foreign fats and oils either in the domestic market or in the foreign market.

Senator BAILEY. That is the point.

Mr. WALLACE. And as long as you do not have an export subsidy or a two-price export system with regard to lard, it has to sell domestically on the basis of the price of foreign fats and oils.

Senator BAILEY. But now the foreign product, as a rule, is made on a lower basis of costs, labor costs and other costs than the domestic. The importation, therefore, of a billion and a half pounds of fats and oils from abroad made with cheaper labor tends to further depress the fall in the price, does it not?

Mr. WALLACE. But how can you possibly depress the price of lard when it is on the export market?

Senator BAILEY. I will take lard aside. Your lard production is competitive with all other fats to some extent. It is not in a class by itself; it is not insulated; isn't that correct? We may export lard, but if we are getting over here in the domestic market foreign oils that are competitive either directly or indirectly with your domestic lard, that would tend to depress the price notwithstanding your exports. Am I not right?

Mr. WALLACE. Of course, I think if your argument were carried through, it would mean that ultimately none of these taxes would do the domestic fat and oil price structure any good, but I do not think your argument, of necessity, carries through because none of these fats and oils completely replaces the other fats and oils. There is a continual change of relationship, but there is also some difference in function. There is a sufficient difference in function, we will say, between lard and a number of the other fats and oils—the closest relationship is between lard and cottonseed oil, I may say—but there is a sufficient difference between lard and many of the other oils so that the price of lard is almost nearly determined by the competitive condition in the foreign markets, and it does not necessarily follow that all of the other fats and oils and therefore completely determined with regard to their price, or the price situation in the foreign markets.

Senator BAILEY. Lard is highly competitive with cottonseed oil, isn't it?

Mr. WALLACE. Yes. Well, it would probably work out to this extent, that lard would take more of the lard-substitute market away from cottonseed oil, and cottonseed oil would be driven into some of the places which it can fill and lard cannot fill.

Senator BAILEY. Cottonseed oil competes with butter? It is in the same field? It is used in the making of oleomargarine, isn't it?

Mr. WALLACE. Well, as I stated previously, Senator, the oleomargarine price may be helped by the butter situation, but oleomargarine does not have much influence in determining butter prices. It is practically insignificant. The altogether dominating factor there is the supply of butter and wages of workers in the cities.

Senator BAILEY. Would you think the tax imposed by Congress on oleomargarine would affect the butter price at all?

Mr. WALLACE. Practically insignificant.

Senator BAILEY. You would be willing to get rid of that tax?

Mr. WALLACE. You are referring to the tax on oleomargarine? I thought that you were referring to the tax in this bill.

Senator BAILEY. I recall that Oscar Underwood in a speech in the Senate declared that that tax was a gross injustice to a great section of the country, bearing in mind that there is the theory that the southern section is economic problem No. 1—I was trying to find my way through to some solution of the problem.

Mr. WALLACE. That whole oleomargarine-tax situation, as you know, gets around to essentially the same situation we have with regard to enforcing our pure food and drug laws. All right-minded people believe that a product should be sold for what it is.

Senator BAILEY. That does not justify the tax placed on it.

Mr. WALLACE. That does justify, Senator, the tax on colored oleomargarine, the very substantial tax on colored oleomargarine.

Senator BAILEY. The taxes are far beyond the necessities of inspection. I think that is agreed.

Mr. WALLACE. That gets into a very complex situation, Senator; the extent to which, perhaps, the uncolored oleomargarine might by practices of evasion be colored and sold as butter.

Senator BAILEY. My point is that the tax is not used for that purpose. The tax is so great——

Mr. WALLACE (interrupting). It seems to me that the only fair basis on which the dairy people themselves can stand in the long run before the people of the United States is on the basis of having their product—of having all competing products sell for what they are and not disguised as butter. When they take that stand, the dairy people are on firm ground. When they get into the other field, I can see how other sections of the country would feel aggrieved, and justifiably so.

Might I continue, Mr. Chairman?

The CHAIRMAN. Yes; proceed, please.

Mr. WALLACE. Now, if you would care to have a statement on the outlook for these fats and oils for 1939, I shall be pleased to tell you about that.

The CHAIRMAN. Yes.

Mr. WALLACE. Domestic production of fats and oils from domestic and imported materials totaled more than 8.5 billion pounds in 1938 and was the largest since 1929. The increase over the 1937 production of about 8 billion pounds was due almost entirely to increased production from domestic materials, since imports of raw materials for manufacture were reduced.

Senator BAILEY. The total production is 8½ billion pounds of fats?

Mr. WALLACE. Yes.

Senator BAILEY. And the imports are 1½ billion. You would not say that the imports of 1½ billion from countries which can produce for less than we do, you would not say that that does not tend to reduce the price here, would you?

Mr. WALLACE. For a number of years, Senator, our normal imports of fats and oils have been somewhat greater than 1½ billion. Many of our industries have been built up on the basis of these imports. It is conceivable that if you had an embargo completely cutting off all imports, that temporarily you would have an increase in the price of domestically produced fats, and then, after you had raised the domestic production to 8½ billion pounds or 8 billion pounds, then again you would find that the altogether determining effect, the cause of variation in the price in the fat and oil structure was the domestic production, and you cannot escape from it. The thing that worries me about what you are proposing to do here, gentlemen, even assuming that you could do it without affecting the trade-agreement program, is that you would hold out to the farmers that you were doing something wonderful for them, something that is going to solve their problem.

Senator BAILEY. Oh, no——

Mr. WALLACE (interrupting). Actually, I think we all know that if this thing could be just done like that, that within a few years the farmers would find themselves again in a very difficult fat and oil situation.

Senator BAILEY. Yes; but Mr. Secretary, even if this were—I would not disagree with you about that. Suppose we got the price up for 1 year, under the present condition, would it not be a help to the farmer? We are dealing with a profound emergency in the South. But suppose we got the price up for cottonseed just for 1 year to where it was 2 years ago. They were getting $75 a ton, $18 a bale for cottonseed. Wouldn't that be a very great help?

Mr. WALLACE. It would have been a very fine thing if we had all called the attention of the southern farmers at that time to the fact that it was temporary and was the result of the way in which the drought had affected the production of lard so that they would know that they could not count on it in the future. That would have been a grand thing if that had been done.

Senator BAILEY. I was just thinking about the immediate consequencies of 1 year's crop, and I think that is about the way we have to live over here. We cannot count on cotton being 9 cents a pound for so many months at a time. It may drop to 6, it may go to 15, but I believe the farmers deal with their with their situation one crop at a time as a rule. My point is that if we could raise the price of cottonseed this year——

Mr. WALLACE (interrupting). I think it would be a fine thing if the thoughtful gentlemen in the Senate could consider with some of the rest of us who are greatly concerned with the most serious problem of the South as to what will bring about the greatest income to the South over a period of several years, rather than approaching it from the standpoint of just 1 year.

Senator BAILEY. I shall not object to that. I am not objecting to long term, but if I can get it for 6 months I would be glad to have it.

Mr. WALLACE. But if you get it for 6 months and then you get into very serious difficulties as a result of that specific action, would you want to do it? I don't think you would.

Senator BAILEY. I think that is the history of the country, though, that we are prosperous one year and not the next. Now, another question: Your statement here says that we have now on hand in America the largest surplus in our history of fats and oils. The total stocks on December 31 were even larger than the beginning of 1938. The December 1931 stocks were the largest ever reported. See table 7. Now, in view of the fact that our stocks are so large, do you think that we should pursue a policy to encourage imports from abroad?

Mr. WALLACE. I am not aware, Senator, that anyone is proposing to pursue a policy of encouraging imports from abroad of fats and oils.

Senator BAILEY. I will put it the other way. Assuming that the trade agreements were not a moral bar, as is held by some, would it not be helpful to put an excise tax on the foreign imports that would tend to help lift the price in the domestic market?

Mr. WALLACE. That is such a hypothetical quesion, Senator, that I do not believe I am in a position to answer it.

Senator BAILEY. If we did pass the act in 1936 and the 3-cent tax was put on—I think you agreed with that—and prices went up?

Mr. WALLACE. It seems to me, Senator, that it is quite advisable to reason from that to the 1938 situation. If you have the same thing—if it only answers for 1 year and then you are in trouble in 1938, why do the thing in 1938 with the probability that you will have the thing recurring in 1940 or 1939, or have it recur in 1941?

Senator BAILEY. Is this the argument—that if I was starving and you offered me a good meal, I would not eat it because I would know that the next day I would not have one?

Mr. WALLACE. Senator, your question is not really deserving of a serious reply.

Senator BAILEY. I think it is a perfect analogy to your argument that we should not take advantage of an immediate opportunity because, ultimately, we would not have a benefit.

Senator BARKLEY. There is quite a difference, even there, between eating and overgorging.

Mr. WALLACE. This is not in any way analogous.

Senator GEORGE. Mr. Secretary, the imposition of this tax in 1934 on coconut oils did have the effect of advancing the domestic price, did it not? I believe that we imposed it in the 1934 tax act.

Mr. WALLACE. I think, undoubtedly, it had some effect on the domestic price, Senator. As I say, it is very difficult to disentangle it from the very great effect of the drought. I would say that the drought had many times as much effect as the excise tax.

Senator GEORGE. The drought had not begun to be very effective in the fall of 1934. It was more effective in the subsequent year.

Mr. WALLACE. That is right.

Senator GEORGE. And I think it did unquestionably have some effect on the domestic prices of fats and oils. Of course, I appreciate all the difficulties involved in it.

Senator CONNALLY. Right there, may I suggest that in the case of cottonseed, after this act went into effect, in 1934, the price advanced from $8 a ton to $30 within a period of 2 or 3 weeks. That drought did not do that, because the drought was a long period, but when something happens instantaneously——

Mr. WALLACE (interrupting). Well, Senator, you are from Texas, and you may remember that the drought of 1934 not merely had an effect on the corn crop, but it also had a very great effect upon the cotton crop in Texas and Oklahoma, and your speculators, seeing that the future supply of lard would be cut off by reason of this very short crop, that becomes apparent to them by the middle of August—by the 1st of August in that year of 1934—and seeing the supply of cottonseed oil very greatly reduced because of the very short cotton crop in Texas and Oklahoma, and while the effect had not yet become fully apparent in the supplies, the speculative effect undoubtedly would have been apparent, I would say, by the 10th of August of 1934, even if there had been no increase in the excise taxes.

Senator CONNALLY. Let me ask you: If a speculator is smart enough to see all of that, don't you think that he would also have seen that this tax would make this foreign oil cost him 3 cents a pound more and that some of it would be shut off, and that which comes in, that he would have to pay more for?

Mr. WALLACE. Oh, yes; that would add fire to the speculative boom, unquestionably.

Senator CONNALLY. I do not agree with the speculative boom. That is just ordinary, common horse sense, if a man sees that a product is going to cost 3 cents more, and he does not know how much is going to be used, and if it is used it is going to be worth more. It is certainly going to have that effect.

Senator BAILEY. Suppose we should strike out the 3-cent tax we now have, would foreign oils come in here in great volume and depress our prices?

Mr. WALLACE. Well, it would completely change the relationship between domestic fats and oils. There would be a different array of fats used in the oleomargarine, for instance. I think there would be a very great increase in the use of coconut oil in oleomargarine, and a smaller use of cottonseed oil in oleomargarine.

Senator BAILEY. And the price goes up?

Mr. WALLACE. I think the price of cottonseed would be somewhat affected.

Senator BAILEY. Do you think the reverse of that is true, that the price went up because we did put on a tax?

Mr. WALLACE. Not nearly to the extent you suggested, Senator.

Senator BARKLEY. I think you said there is about 1½ billion of this oil that comes in and about 800,000,000 that we sent out. To what extent does the 800,000,000 of our exports compete in other countries with the same type of oil that is coming in?

Mr. WALLACE. I don't know what lard substitutes are made out of in England and in continental Europe, but I assume that they are made out of the same substances in this country, that they are made out of cottonseed oil. Some of the compounds may have coconut oil in them.

Senator BARKLEY. You do not know to what extent, then, the oils that we ship out of this country compete with the same oils made in some countries from which they are coming in?

Mr. WALLACE. I could not say offhand, Senator.

The CHAIRMAN. Mr. Secretary, would you explain, if there is any explanation, this: In 1933 we imported coconut oil from the Philippines to the amount of 316,000,000 pounds; in 1934 it dropped only 2,000,000 pounds to 314,000,000. Then in 1935 it went up to 353,000,000 pounds.

Then, on copra in 1933 it was 442,000,000 pounds; in 1934 it had dropped practically 100,000,000 to 338,000,000. Then, in 1935 it went up again to 441,000,000. How do you explain that variation?

Mr. WALLACE. What page is that on?

The CHAIRMAN. I have it on something that is furnished me by the experts here of the Tariff Commission.

Mr. WALLACE. This is on imports of coconut oil?

The CHAIRMAN. Yes. We passed this revenue act on May 10, 1934, and in that act put the 3-cent tax on coconut oil and copra.

Senator GEORGE. I think I may explain that, Mr. Secretary. The original act which imposed the tax on coconut oil and copra, copra being, of course, the form in which the heavy imports are coming in—that is, a considerable part of them—and that operated in 1934, and it reduced by over 100,000,000 the copra, and by a little bit, the actual oil. In 1935 it was discovered that by a simple processing method, which did not interfere with the oil, the fats in the coconut oil could—in the Philippines or other than the continental United States—as I say, could bring in to our market the coconut oil and copra in this same processed form and escape the tax, therefore, we had an amendment to the act which undertook to cut that off and did cut it off by providing that they could not just take out one ingredient from the coconut and say that the processing occurred outside the continental

United States, and bring it inside the United States and escape this tax.

We amended this 1934 act in 1936, it is my recollection, trying to close up that loophole, and again made it more effective. I think that is the explanation.

Mr. WALLACE. I think there might be added to that explanation, Senator——

Senator GEORGE (interposing). That is one part of the explanation.

The CHAIRMAN. Mr. Secretary, may I just before you begin to answer, add this. Then in 1937, importations of copra went further up to 471,000,000, and coconut oil went further up to 337,000,000, and then in 1938 coconut oil went to 303,000,000. It reached its peak and copra reached its peak of 490,000,000.

Can you give us any explanation of that?

Senator CONNALLY. Which illustrates the ability of the importers to pay the tax and still make money because they kept sending more over.

Mr. WALLACE. My offhand opinion, Senator, would be that the sustained imports of coconut oil might be related during part of the period to the shortage of some of the domestic fats and oils because of the drought, but I think it would be necessary to look into it in very great detail. The coconut oil for a time was rather extensively used in oleomargarine, and then it was shifted out of oleomargarine and replaced by cottonseed oil. I feel, Senator, that it is such a complex thing that it would require a lot of study by a fat-and-oil expert to give you a satisfactory explanation.

The CHAIRMAN. It strikes me as very complex, because when this amendment was first offered in 1934 to make it 3 cents they thought that it would get results, and it has not got the results year by year, as disclosed from the statistics, not only upon coconut oil and copra, but from the other oils.

Senator CONNALLY. Then this great crime that we are about to commit has not hurt anybody?

Senator GEORGE. I do not think that it could ever be said that it would act as an embargo on these oils. We contended at that time that it would not seriously reduce them, especially as there was a 2-cent preferential in favor of the Philippine oils and oils taken from other insular possessions of the United States. We did not intend to make an embargo. But it did have an effect upon the domestic prices of directly competing oils. I do not think there is any question about that. That price broke down when they found a way around the tax imposed in the 1934 act. It began to show an increase or response when in 1936 we were able to partially close up that gap, but it did not stop imports, of course, and it was not intended as an embargo tax.

Senator CONNALLY. Another reason why that is so is that they brought in other oils and treated them and converted them into competitive oils.

Senator GEORGE. Undoubtedly the Secretary, in my judgment, is correct when he says the domestic production here always is a big factor. There is no question about that; I have never had any doubt about that. It is only a question whether or not this tax is helpful to these oils without being actually an embargo against the importation.

Mr. WALLACE. Let us get down to a very fundamental matter, Senator. When we get our people in the frame of mind, whether they are farmers or manufacturers, of thinking that their troubles are going to be solved by cutting off the foreign devils, we are doing them a very great disservice, because ultimately they have got to solve their problems by getting proper adjustments internally. You are not going to do it by magic action of removing yourself from the world. You can do something for yourself temporarily. You may be able to do something very constructive in line with your long-run desired relationship to the outsideworld, making yourself secure in time of war and having those industries in this country which are vital to your long-time welfare, but when you approach it on the day-to-day basis or year-to-year basis of solving a temporary hot spot by saying, "We are going to take care of the great misery of these people by slapping a tax on right now," that kind of a way leads to ultimate confusion and very great disaster.

I might continue with a rather brief statement on the outlook for fats and oils in 1939—and it is a very disturbing situation, I may say. Imports of fats and oils, excluding oilseeds, in 1938 were more than 600,000,000 pounds less than in 1937, but domestic consumption in 1938 also was smaller than in the preceding year. At the beginning of 1939 stocks of fats and oils in this country, totaling nearly 3,000,000,000 pounds, were the largest on record and were about 100,000,000 pounds larger than at the beginning of 1938.

It now appears probable that the total domestic production of fats and oils in 1939 will not be greatly different from the production in 1938. A substantial increase—perhaps 300,000,000 pounds or more—in lard production is expected. However, if the 1939 cotton crop should be no larger than 11,000,000 bales, the decrease in production of cottonseed oil would more than offset the increase in lard production. It is expected that the 1939 production of butter, soybean oil, corn oil, and peanut oil will be somewhat larger than that of 1938.

The production of food fats and oils from materials produced on farms in the United Sttaes in 1938 is estimated to be nearly 6.5 billion pounds. This includes almost all of the domestic production of fats and oils from materials raised in this country, except flaxseed and linseed oil. It is expected that the production of food fats and oils in 1939 will be about the same as that of last year.

Imports of food fats and oils and of raw materials for their manufacture may be about the same in 1939 as in 1938. It is probable, however, that imports of drying oils and raw materials for such oils will be larger in 1939 than in 1938, because of the expansion in the demand for such oils in this country resulting from increased building activity.

Exports of lard from the United States in 1939 are expected to be somewhat larger than in 1938, as lard production will be considerably larger this year than last. The increase in lard exports, however will be limited by the lack of foreign outlets. At the present time

Great Britain and Cuba are the chief foreign markets for American lard, and little expansion of exports to our former important foreign markets, such as Germany, appears probable.

From the standpoint of prospective supplies in 1939 and perhaps in 1940, there appears to be little reason for expecting any significant advance in prices of fats and oils in this country. The domestic production of fats and oils in 1939 probably will be only slightly smaller than in years of relatively large production, such as 1929, 1932, and 1933. Production of fats and oils in the United States was at a reduced level from 1934 through 1937 chiefly because of the effects of the droughts upon butter and lard production and the effects of the smaller cotton acreage upon cottonseed oil production. Production increased in 1938 as a result of the large cotton crop in 1937 and the increase in hog production in 1938.

It is noteworthy, however, that the total production of food fats and oils in 1939 will be only slightly smaller than in 1929, although lard production this year will be about three hundred or four hundred million pounds smaller than in 1929. Butter production this year will be somewhat larger than in 1929, and the production of soybean oil, which was 11,000,000 pounds in 1929, probably will be more than 350,000,000 pounds this year. As a further increase in hog production is expected, lard production in 1940 will be larger than in the present year. Thus if crop production is about average this year and next, it may be that the total domestic production of fats and oils in 1940 will be larger than in 1929 and perhaps the largest on record.

Demand for fats and oils in this country, reflecting chiefly changes in business activity and national income, probably will be stronger in 1939 than in 1938, but foreign demand for fats and oils in recent months has been decidedly weaker than a year earlier. One of the important factors in the recent weakness in foreign demand has been the decline in the exchange value of the pound sterling and some other foreign currencies. Unless there is some improvement in foreign demand during the remainder of this year, there is little prospect for any material advance in prices of fats and oils either in this country or abroad.

I have here a rather extended statement which I won't read. You may care to have it for the record—the statistics of the different principal fats and oils in international trade and some of their interrelationships and statistics.

Senator TOWNSEND. Mr. Secretary, as I understand it, then, this increase in taxes in any of these amendments you oppose?

Mr. WALLACE. Senator, my stand, as I stated before, is based on the broad relationship of these amendments to our reciprocal trade policy, and that I believe these amendments contravene.

Senator TOWNSEND. What would be your position if an amendment were offered to take off the present tax?

Mr. WALLACE. I have not studied that, Senator.

Senator TOWNSEND. You would have to study that?

Mr. WALLACE. I have not studied what the effect would be internally. I would say, based on this analysis here, that the removal of the excise taxes of 1934 would cause some further fall in the price of some of the domestically produced fats. I think it would have practicaly no effect on lard, no effect on butter—there may be a temporarily psychological effect, but very small. There is a question whether there would be any at all on butter or lard—slight on lard.

Senator TOWNSEND. What would it affect?

Mr. WALLACE. It would have, because of the interrelationship—you see, cottonseed oil sort of stands in between coconut oil and lard. It would have some effect on cottonseed oil, I would assume. It would have some effect upon the soybean oil, I would assume, but not as great as most people would judge offhand.

Senator VANDENBERG. Can you answer this question, Mr. Secretary? I realize it might more properly be addressed to Mr. Sayre. Assume that one recognized the validity of the argument that the reciprocal trade agreements are at the moment a moral bar—now using the language of the Senator from North Carolina—to these amendments, at what earliest future date could the amendments be made effective to permit notice to contracting countries, under these trade agreements, of our purpose to change? Can you answer that question?

Mr. WALLACE. I think I can answer that if you will give me a moment. This is a statement, I might say, that should properly be addressed to the State Department, and I would want any answer that I would give, to be checked by them. In the case of those oils affected by the agreement with the United Kingdom, the earliest date would be December 31, 1941.

Senator VANDENBERG. Is that the expiration date of the agreement?

Mr. WALLACE. That is the expiration date of the agreement. Maybe there is a provision there where it could be rebound.

Senator VANDENBERG. That is what I am inquiring about.

Mr. WALLACE. I rather question whether that is in the United Kingdom agreement. In the case of Brazil, 6 months' notice would suffice.

The CHAIRMAN. Is that after the 3 years terminates, before you can serve the notice and get the 6 months' provision in?

Mr. WALLACE. In the United Kingdom agreement, I believe that we cannot have any change in that until after December 31, 1942.

Senator BAILEY. The excise taxes are called processing taxes when they are brought over here.

Mr. WALLACE. In the case of that particular contract, December 31, 1942, would apparently be the date. In the case of the Netherlands agreement, 6 months' notice. Also, in the case of the Colombian agreement, 6 months' notice.

Senator BAILEY. You will put that in the record, won't you, Mr. Secretary? [Indicating.]

Mr. WALLACE. Yes.

(The matter referred to is as follows:)

*Fats and oils and oil-bearing materials: Duties and excise taxes bound by trade agreements*

[Through the last trade agreements to become effective, i. e., those with Canada and the United Kingdom]

| Article | Rate and tax bound | Trade agreement | Expiration date |
|---|---|---|---|
| Sod oil | 3 cents per gallon | United Kingdom | Dec. 31, 1941. |
| Sperm oil, crude | 2½ cents per gallon | New Canadian | Do. |
| Sperm oil, refined or otherwise processed. | 7 cents per gallon | United Kingdom | Do. |
| Spermaceti wax | 2½ cents per pound | do | Do. |
| Wool grease: | | | |
| Containing more than 2 percent of free fatty acids. | ½ cent per pound | do | Do. |
| Containing 2 percent or less of free fatty acids and not suitable for medicinal use. | 1 cent per pound | do | Do. |
| Suitable for medicinal use, including adeps lanae, hydrous or anhydrous. | 2 cents per pound | do | Do. |
| Shark oil and shark-liver oil, including oil from sharks known as dogfish n. s. p. f. | 10 percent ad valorem (1½ cents excise tax on imports). | New Canadian | Do. |
| Palm kernel oil | ½ cent per pound (3 cents per pound processing tax bound against increase). | United Kingdom | Do. |
| Copra, palm nuts, and palm-nut kernels. | Duty-free bound | do | Do. |
| Babassu nuts and kernels | do | Brazil | 6 months' notice. |
| Palm-kernel oil, unfit for food | Duty-free bound (processing tax bound against increase). | United Kingdom | Dec. 31, 1942. |
| Palm oil | do | Netherlands | 6 months' notice. |
| Babassu-nut oil | Duty-free bound (bound free of internal taxes). | Brazil | Do. |
| Castor beans | ¼ cent per pound | Brazil<br>Colombia | Do.<br>Do. |
| Poppy seed | 16 cents per 100 pounds | Netherlands | Do. |

Senator VANDENBERG. I understand, as suggested by the Senator from Texas, that that is 6 months' notice after the 3 years, or 6 months' notice within the 3 years?

Senator CONNALLY. The language is rather peculiar. The Secretary stated yesterday that it may be terminated by giving notice not more than 3 years after the initial effective date. Dr. Sayre construes that to mean at the end of 3 years, so in the British case that would be January 1, 1942, that they could take it up and try to agree on a modification or abrogation, and if they do not agree, they can give notice and abrogate it whether they agree or not.

Senator BAILEY. Mr. Sayre left no doubt whatever that the contract with Great Britain, or the treaty, would necessarily last 3 years. The only way to modify it would be by the devaluing of foreign currency or such an upset in the foreign exchange that there would have to be a readjustment, otherwise it is a 3-year contract, and his view was that we could do nothing, that we have entered into a solemn agreement.

The CHAIRMAN. And he read from the law.

Senator BAILEY. I think that his construction of the law was correct, that that is what the law meant.

Mr. Secretary, have you finished?

Mr. WALLACE. Yes, sir; I have.

Senator BAILEY. I would like to ask one or two questions.

First, for the record, Senator Barkley asked if our exports of fats and oils were not competitive with the production abroad. I have a table here, and it appears that our exports for 1938 are as follows:

Coconut oil, 7,000,000 pounds; soybean oil, 6,000,000 pounds; cottonseed oil, 5,000,000 pounds; and "others," 2,000,000 pounds.

For the same year, 1938, the exports of lard were 234,000,000 pounds; inedible fats, 5,000,000 pounds; edible fats, 9,000,000 pounds; butter, 8,000,000 pounds; or a total of 257,000,000 pounds, out of which 234,000,000 pounds is lard. The others are rather small. You would not say that they were competitive to any great extent in the countries into which they are shipped.

Mr. WALLACE. Lard is the only one of any significance.

Senator BAILEY. And you would say that 234,000,000 pounds of lard shipped abroad would be competitive with the oils and fats abroad and the 1½ billion pounds shipped over here?

Mr. WALLACE. I think it is important for those who are obviously interested in the cotton-oil situation, Senator, to study with very great care the development of the lard situation. If as a result of the loss of the German market in lard, which used to be second only to that of the United Kingdom, but which now amounts to practically nothing, there is going to be an increase in the amount of lard on the domestic market, if instead of exporting 800,000,000 pounds of lard as we used to, we are going to be exporting in the ordinary year only 400,000,000 pounds and have to consume of necessity inside of this country 400,000,000 pounds more of lard than we used to, that is going to have its repercussion, very serious repercussion, on cottonseed oil, and it is a situation that cannot be cured merely by putting on an excise tax.

Senator BAILEY. I am not arguing that it can be cured; I was thinking about the helpful effect for present purposes.

On this matter of cottonseed, I do not think that we can overemphasize the importance of cottonseed as a product in the cotton South. We produce a thousand pounds of seed for each bale of cotton, that is cotton with the seed weighs 1,500 pounds, and you gin it, and you get 1,000 of seed and 500 pounds of lint, and that seed seems to be becoming even more in demand than the lint itself. And you seem to have another factor; your cottonseed production does not reflect itself in the accumulated surpluses to any such extent as the cotton lint does. Farmers dispose of the cottonseed itself.

You do not have any great carry-over. When cottonseed sells at the rate of $5 a bale, the farmers' seed is sufficient to pay him either for the picking or for the ginning. If it sells for $10 the seed pays the expense both for his picking and ginning. If it sells at the rate of $18 a bale, which it did in 1937 or 1936, then it pays him a profit of $8, which he adds to the price of his lint. Whenever that happens, that is $8 on each bale, and there are 10,000,000 bales, that is $80,000,000 profit. That is why we are so much concerned, because your cottonseed is one of the great products of the South and is beginning to compare rather favorably with the lint. You get now $40 a bale for your lint cotton. It is well within the picture that we might get $20 a bale for the seed, and that is $60 a bale, and when you get $60 a bale, that is equal to cotton at 12 cents; and then you begin to get somewhere.

That is why we are so greatly concerned with it.

Mr. WALLACE. I agree with you, Senator, that it is a most important thing to which to give the most careful consideration, but I am wondering if there is any way in which the farmers of the Corn Belt of the Middle West could council with the farmers of the Cotton Belt of the South in order to bring about a situation which would give the greatest return for lard and cottonseed oil.

Senator CONNALLY. Well, Mr. Secretary, right there—you have already testified that every time we have reduced cotton we helped the corn people and the hog people. We have reduced our cotton; we are getting less for it per pound and less production than we used to get. Don't you think it is legitimate for us to try to make up something on this oil, and of it?

Mr. WALLACE. I did not testify, Senator, that every time you reduced cotton you helped the Corn Belt people. I merely said that in the process of reducing cotton you did not increase competition with the Corn Belt to the extent which is customarily inferred in the newspapers of the Middle West.

Senator CONNALLY. And that the reduction of cotton had furnished a market for 150,000,000 bushels of corn.

Mr. WALLACE. It represented the equivalent of that, but——

Senator CONNALLY (interrupting). I am not complaining, but I am just trying to get the picture in my mind.

Mr. WALLACE. It does not change the situation materially, no, Senator, because when you reduce the crop acreage that land is put into other uses. If it does happen to be put into corn, the corn is used for producing livestock direct instead of competition coming via cottonseed oil and cottonseed meal. No, I have never said that the reduction in cotton helped the Corn Belt farmer; I merely have said that it has very little significance.

Senator CONNALLY. I thought you said it developed a market for 150,000,000 more bushels of corn.

Mr. WALLACE. I did not state it that way, Senator. Senator Bailey, I think, was suggesting that.

Senator BAILEY. I am quoting first the newspaper which said that it was the equivalent of 150,000,000 bushels of corn. Now, I recall that I read that with a great deal of interest. I am not saying that by way of being critical, but I have read your speeches and I get a great deal out of them. I will look up my record.

Senator CONNALLY. I am predicating it on what I understood the Secretary to say here. I am not critical, and I am not hostile to the corn people.

Mr. WALLACE. Yes; I think it is very important for the corn people and cotton people to meet in council.

Senator CONNALLY. Surely I want to cooperate with them, but I want them to be a little cooperative the other way, too. I am willing to help the corn people, but we don't want to have the corn fellow saying, "Well, I am getting a better market for my lard and hogs over in Europe and other places, and I don't want to have this cotton fellow get an increase in the competition that he is having."

Mr. WALLACE. Because of the fact that the corn farmer has had such a large percentage of his lard on the European market, he has had a great deal of interest in the plight of the farmer, the cotton farmer, who has also had his production on the foreign market, and that is one reason why a good many people in the Middle West have been so strong for these reciprocal trade agreements and why a great many of them would hate to see the reciprocal trade agreements overturned by sudden, harsh action.

Senator BAILEY. North Carolina has a stake in corn and hogs, too. We produced 42,000,000 bushels of corn, and we are increasing our production of hogs very greatly. I am not bringing out what I brought out about competition, and by way of complaint, but by way of information. I have been discussing this matter with you because I think we may get some light from you.

There has been a great deal said about fish meal and fish scrap. They are not before us right now, but they might come; but the argument against putting a tax upon the importation of fish meal and fish scrap has always been that it would increase the price first of fertilizer, and second, of chicken feed and hog feed.

Will you give us the facts about that, Mr. Secretary? How far would it increase them?

Mr. WALLACE. I don't know.

Senator BAILEY. I have a statement here of the increase in fertilizer as issued by the American Association of Fisheries, that it would increase fertilizer by 60 cents a ton, but I think that that means only with respect to those fertilizers which use fish meal and fish scrap and that is a very small use. The chicken feed is a different matter. Could you give us that information for this record?

Mr. WALLACE. Yes, sir; we can get it.

Senator BAILEY. I would like to have it and put it in at this point. I will ask the stenographer to put it in at this point, because I would like to have it here in the record.

(Subsequently Secretary Wallace submitted the following statement:)

EFFECTS OF IMPORTS OF FISH SCRAP AND FISH MEAL ON FEED AND FERTILIZER PRICES

Imports of fish scrap and meal into the United States are extremely small in relation to total supplies of poultry and hog feeds, and of fertilizers; hence the effect of imports on prices of these products is negligible.

During the years 1931–37 the domestic supply of feeds useful for poultry and hogs, including the feed grains, wheat millfeeds, and high-protein concentrates, averaged 106,000,000 tons annually. Average imports of fish scrap and meal for feed, on the other hand, amounted to only 40,000 tons, and net imports to only 31,000 tons, or 0.04 and 0.03 percent, respectively, of the supply of such feeds.

Consumption of fertilizer in the United States during 1937 totaled over 8,000,000 tons. Complete data on imports of fish scrap and meal for fertilizer are not available. In 1937, however, imports totaled about 28,000 tons, and in 1938 about 8,000 tons. Imports in 1937 amounted to less than one-half of 1 percent of total fertilizer consumption.

*Foreign trade in fish scrap and fish meal, supplies of feed grains and concentrates, and fertilizer consumption, United States, 1931–38*

| Year | Supplies of feed grains and concentrates [1] | | | | Fertilizer consumption [2] | Fish scrap and fish meal | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Corn | Wheat millfeeds | High protein concentrates | Total, feed grains, millfeeds, and concentrates | | Imports: For feeds [3] | Imports: For fertilizer [4] | Exports of fish meal for feed [3] | Net imports for food | Net imports for feed as percentage of feed supplies | Imports for fertilizer as percentage of fertilizer consumption |
| | *1,000 tons* | *1,000 tons* | *1,000 tons* | *1,000 tons* | *1,000 tons* | *Tons* | *Tons* | *Tons* | *Tons* | *Percent* | *Percent* |
| 1931 | 76,815 | 4,533 | 2,726 | 118,933 | 6,300 | 43,061 | (5) | 3,033 | 40,028 | 0.03 | ........ |
| 1932 | 80,645 | 4,463 | 2,409 | 133,681 | 4,330 | 24,422 | (5) | 2,667 | 21,755 | .02 | ........ |
| 1933 | 78,007 | 4,165 | 2,170 | 108,906 | 4,871 | 29,709 | (5) | 8,868 | 20,841 | .02 | ........ |
| 1934 | 50,350 | 4,412 | 2,308 | 75,328 | 5,548 | 39,899 | (5) | 30,498 | 9,401 | .01 | ........ |
| 1935 | 66,327 | 4,578 | 2,875 | 107,396 | 6,221 | 31,193 | (5) | 24,481 | 6,712 | .01 | ........ |
| 1936 | 47,226 | 4,809 | 3,219 | 82,341 | 6,838 | 48,969 | (5) | 4,963 | 44,006 | .05 | ........ |
| 1937 | 75,919 | 4,404 | 3,800 | 116,420 | 8,158 | 76,388 | 27,516 | 1,177 | 75,211 | .06 | 0.34 |
| 1938 [6] | 77,687 | 4,700 | 3,000 | 118,587 | ........ | 36,873 | 7,801 | 1,603 | 35,270 | .03 | ........ |
| Average, 1931–37 | 69,184 | 4,501 | 2,787 | 106,144 | 6,040 | 41,949 | ........ | 10,812 | 31,137 | .03 | ........ |

[1] Marketing year beginning October for corn, grain sorghums, and high protein feeds; July for oats, wheat fed, and wheat millfeeds; and June for barley. Production, plus stocks at beginning of marketing year, plus imports, minus exports.
[2] Compiled from reports of the National Fertilizer Association, published in the Fertilizer Review; based on fertilizer tag sales or sales records, or estimates as shown in footnotes.
[3] Compiled from Foreign Commerce and Navigation of the United States, Bureau of Foreign and Domestic Commerce; long tons converted to short tons.
[4] Compiled from U. S. Tariff Commission; long tons converted to short tons.
[5] Included in nitrogenous materials, not specifically provided for.
[6] Preliminary.

Senator CLARK. Mr. Secretary, you may have answered this question in my absence from the room, because I had another committee meeting which I attended. I would like to ask you, do you think, taking it by and large, that these reciprocal trade agreements have been to the advantage of American agriculture?

Mr. WALLACE. Yes.

Senator CLARK. Has that already been before the committee?

Mr. WALLACE. No; that question has not been asked of me.

Senator CLARK. I would like, Mr. Secretary, for you to express your views on that, because it sems to me that anything that benefits agriculture as a whole and American business as a whole in the establishment of foreign trade is necessarily bound to be reflected ultimately on every branch of American agriculture. I would be very glad if you would discuss your general view on these reciprocal trade agreements, if you will.

Mr. WALLACE. I think the gentlemen of the committee are quite familiar with my views, but I am most happy to reiterate them.

You are all familiar with the fact that this Nation came out of the World War a creditor nation, and a high-tariff nation, which meant that if it was to realize the maximum prosperity that it would have to get in the position to import more goods than it exported. The psychology of the American people has been such that it has been very difficult to reconcile themselves to the view that they would have to import more goods than they exported if they were to attain the maximum of prospertiy.

Instead of doing what was necessary to adjust ourselves to the post-war situation, we continually raised tariffs, hiding the ultimate situation from our view by the process of loaning vast sums of money during the decade of the 1920's. That process came to an end with a bang in 1930.

This administration, having some vision of the fundamental cause of our maladjustment to the post-war situation in relation to the rest of the world, knowing also the psychology of the American people, undertook to bring to pass in a very gradual way, the way most acceptable to the psychology of the American people, a gradual increase of imports, in those places where the least possible damage would be done to affected industries.

The agriculture of the United States has been on an export basis since the founding of the Nation. In the early twenties the products of 80,000,000 acres of land was being exported abroad. We continued during the decade of the twenties to export the products of perhaps 60,000,000 acres by grace of the loans which we made to the outside world. When the loans stopped, we could only export at a beggarly low price, cotton at 5 cents a pound, lard at 5 cents a pound, lard at 4 cents a pound, tobacco at 10 cents a pound.

It was obvious that we did not care to start loaning again. If there was to be a reestablishment of foreign demand for the products of 50,000,000 acres at a price acceptable to the domestic producer it was certain that there would have to be increases in imports.

I have felt continually that the agricultural adjustment program and the reciprocal-trade-agreement program were complementary to each other, that insofar as the reciprocal-trade-agreement program was successful, we would have a smaller job to do in agricultural adjustment.

In view of the psychology of the American people, the reciprocal trade agreements program has not been successful to the extent that Mr. Hull might desire. The importations of goods from abroad have perhaps resulted in a market for the product of five to ten million acres of agricultural land, which market would not otherwise exist if it had not been for the reciprocal trade program. I am grateful on behalf of the American agriculture for having that market for five to ten million acres restored to American agriculture. It makes our job in the Agricultural Adjustment that much less.

I could give you for the purpose of the record a very detailed statement with regard to the specific commodities involved, if you care for it, Senator Clark.

Senator CLARK. I would be very glad to have it, Mr. Secretary.

(Subsequently Secretary Wallace submitted the following statement:)

*The effect of the reciprocal trade agreements program on United States agricultural exports*

A comparison of our farm exports to trade-agreement countries with our farm exports to nonagreement countries over a period of years and for a considerable number of countries indicates that the reciprocal trade agreements program has been an important factor tending to increase our farm exports.

In the following table our agricultural exports to the 16 countries with which trade agreements were in effect by August 1937 are compared with those to all other countries. The 16 countries in question are Belgium; Brazil; Canada; Colombia; Costa Rica; Cuba; El Salvador; Finland; France, including her colonies, dependencies, and protectorates other than Morocco; Guatemala; Honduras; Haiti; the Kingdom of the Netherlands; Nicaragua; Sweden; and Switzerland. Except for 4 of the less-important agreements from the point of view of our farm exports—those with Finland, Nicaragua, El Salvador, and Costa Rica—all of those enumerated were in effect before the middle of 1936. The table brings out the fact that our agricultural exports to these 16 countries rose by $88,000,000, or 50 percent, from 1935 to 1938. During the same period our agricultural exports to all other countries decreased slightly.

*United States domestic exports of agricultural products*

| | Year ended Dec. 31— | | | | | |
|---|---|---|---|---|---|---|
| | 1935 | 1936 | 1937 | 1938 [1] | Increase (+) or decrease (−)—1938 over 1935 | |
| | | | | | Value | Percentage |
| | *Million dollars* | *Million dollars* | *Million dollars* | *Million dollars* | *Million dollars* | *Percent* |
| To the 16 trade-agreement countries | 174 | 194 | 246 | 262 | +88 | +50 |
| To all other countries | 573 | 516 | 552 | 565 | −8 | −1 |

[1] Preliminary.

This difference was not the result of any sudden shift which took place during the period covered and which might be explained in terms of drought or depression or some other factor not connected with trade agreements. On the contrary, it was evident during each year of the period, as is shown by the following indexes showing each year expressed in terms of the preceding year as 100.

*Indexes of the value of United States domestic agricultural exports*

| | 1936—In terms of 1935 | 1937—In terms of 1936 | 1938—In terms of 1937 |
|---|---|---|---|
| To the 16 trade-agreement countries | 111 | 127 | 107 |
| To all other countries | 90 | 107 | 102 |

These figures bring out the fact that farm exports to the trade-agreement countries rose by 11 percent during 1936 while those to other countries declined by 10 percent. During 1937 those to trade-agreement countries rose by 27 percent as compared with only 7 percent to other countries. During 1938 the figures were 7 percent and 2 percent.

Because of the unusually large fluctuations which took place in both domestic farm production and the general level of economic activity during the entire period covered by these data, it is important to pursue this analysis further than the changes in total trade shown thus far. Such further analysis, whether carried out on a country or on a commodity basis, lends support to the favorable conclusions indicated by the general figures.

Let us first proceed on a country basis. Of the 88-million-dollar increase in our exports of farm products to the 16 trade-agreement countries during the period under consideration, the largest part—a rise of 50 million dollars, or 114 percent—was recorded for exports to Canada. This increase was more than accounted for by the items upon which Canadian duties were reduced under the terms of the trade agreement, since our other farm exports to Canada decreased. This is especially significant because Canada's economy is closely linked to our own. Her cycle of business activity has been very similar to that in the United States and, to some extent at least, her farm production suffered from the same droughts which we experienced. Consequently, our farm trade with Canada might be expected to be distorted less by these extraneous factors and to reflect more accurately the influence of the trade agreement than might our farm trade with some other countries.

The second largest part of the increase occurred in farm exports to the Netherlands, which rose by 28 million dollars, or 155 percent. The third largest increase occurred in exports to Belgium, which rose by 13 million dollars, or 60 percent. This was followed by a rise of 6 million dollars, or 41 percent, in farm exports to Cuba.

Not all trade-agreement countries showed equally favorable results. Our farm exports to 4 of the 16 countries—France, Haiti, Honduras, and Nicaragua—made a proportionally less favorable record than did those to nontrade-agreement countries as a whole. Three of these are sparsely populated, predominantly agricultural countries; so that United States farm products could not, by the very nature of international trade relations, figure prominently in the trade agreements. The fourth, France, made a very poor showing indeed. Our farm exports to France declined by 13 million dollars, or 24 percent, between 1935 and 1938. This was due primarily, however, to the failure of French economic activity to recover substantially from the depressed levels of 1932. It is to be noted that the general figures of the above table show a remarkably favorable comparison for the trade-agreement countries in spite of the inclusion of France in the trade-agreement group.

Analyzing further on a commodity basis gives an equally favorable picture. Thus, exports of wheat to two countries from which we obtained trade-agreement concessions in wheat import barriers—the Netherlands and Switzerland—increased proportionally more than 15 times as much from 1935 to 1938 as did wheat exports to countries from which no wheat concessions were received. This figure is, of course, unusually large because of the change from a period of domestic shortage in 1935 to one of surplus supplies in 1938. Let us take some commodities which did not feel the influence of the droughts or which felt it to a lesser extent.

Exports of raisins rose by 28,000,000 pounds, or 125 percent, to the 11 countries from which we received concessions on raisin-import barriers, while they rose by 17,000,000 pounds, or only 20 percent, to all other countries. Exports of milled rice rose by 147 percent to the four countries (Cuba, Canada, the Netherlands, and France) from which we obtained trade-agreement concessions on rice; but they rose by only 2 percent to all other countries. Exports of prunes rose by 64 percent to the 11 concession countries but by only 13 percent to all other countries. Exports of canned asparagus rose by 16 percent to the 10 concession countries, but fell by 43 percent to all other countries. Exports of fresh apples rose by 28 percent to the 8 concession countries, but fell by 8 percent to all other countries.

It is not to be supposed, of course, that every commodity experienced the same favorable results. In the case of lard exports, for example, increases to concession and nonconcession countries were proportionally about the same, at 110 percent. This was due largely to a considerable increase in exports to the United Kingdom, with which no trade agreement was then in effect. In the case of some commodities, the nonconcession countries, because of special circumstances, made a more favorable showing than did the concession countries. By and large, however, the examples which have been cited are typical of the beneficial effects on our agricultural export trade which are shown wherever substantial trade-agreement concessions in foreign trade barriers are made.

Caution must be exercised in drawing conclusions from these figures. An increase in farm exports to a trade-agreement country may be due to an increase in our exportable farm surpluses or to a crop failure in the foreign country in question. Conversely, a decrease in our agricultural exports to a foreign country may be the reflection either of short supplies in the United States or of a bumper crop in the other country; or it may even be the result of a bumper crop in a third country. These are only a few of the factors which may be involved. The devaluation of a foreign currency, the relative rates of industrial activity in the different countries involved, and many other eventualities may contribute to a change in our farm exports to a trade-agreement country.

Many of these complications have been circumvented by considering the changes in our farm exports to trade-agreement countries as compared with our farm exports to nonagreement countries. Furthermore, the results here presented are consistent with analyses for earlier years. After taking all qualifications into consideration, they still point unmistakably to the conclusion that the reciprocal-trade-agreements program has been of considerable direct benefit to American farm exports.

This result is the more significant if it is remembered that the very important indirect benefits of the program—those which accrue to agriculture because of increases in general economic activity and consumer purchasing power attributable to enhanced exports of nonagricultural products—are not susceptible of statistical demonstration.

Mr. WALLACE. Going into the effect of the increase in the exports of lard to Cuba, for instance, as a result of our agreement, that was an increase of several fold.

Senator CLARK. That was as a result of the reciprocal trade agreement?

Mr. WALLACE. Yes, sir.

It seems to me desirable in cases of this sort, gentlemen, to follow a sensible middle course, which does not result in too sudden and harsh a break with the past, which does not cause any particular industry to have to make extraordinary adjustments. If these amendments were adopted, it would result in a number of industries in the United States having to make extraordinary adjustments. Certain groups involved in the processing of fats and oils would be greatly benefited, and other groups in those same industries would be greatly disadvantaged. It is one of these jerky things that tends to do a considerable amount of incidental harm to many communities.

Senator BAILEY. I think that sometime last fall, and I think it was perhaps in your address at Duke University, where I had the privilege of hearing you, you addressed yourself rather critically and not very hopefully about the trade agreements.

Mr. WALLACE. I was saying, Senator, about what I was saying here, that with the psychology of the American people as it is—and the remarks were made with regard to the extent of the foreign market, and the possible market or future possible demand of cotton—I was saying that with the psychology of the American people as it is, apparently it is going to be difficult to bring about sufficient increase in the imports under the trade-agreements program to establish a market abroad for the product of more than 5 or 10 million acres.

Senator BAILEY. As I recall, you suggested that you did not think that the trade-agreement scheme of things would be beneficial to the farmers, or as successful as many were being led to hope; that you were rather pessimistic about it. Isn't that your general impression?

Mr. WALLACE. It all sums up in terms of the figures of these 5 or 10 million acres.

Senator BAILEY. That is about all?

Mr. WALLACE. There are people who are not close to agriculture who have felt, I may say some—this matter, I think, is nonpartisan. I find a great many Republican gentlemen, as I say, who feel that the agricultural problem can be solved by the trade-agreement program. You will find men high in the councils of the Republican Party who hold to that view, that the trade-agreement program expanded is all that is necessary to solve the agricultural problem. I have felt that it was necessary to point out to these gentlemen, whether Republicans or Democrats, that with the psychology of the American people as it is, that the trade-agreement program could not result in sufficient volume of imports to solve the agricultural problem as it exists at the present time in the United States, that it would not bring about a sufficient increase in the foreign demand for cotton, for lard, for tobacco, and so on, and for wheat.

(Secretary Wallace submitted the following memorandum for the record:)

### Balance of Trade and Utilization of Fats and Oils in the United States

Fats and oils may be classified according to principal use as edible, soap, drying, and miscellaneous, although there is considerable overlapping in the uses of the various items. The following classification includes all of the major and a few of the minor fats and oils consumed in the United States. All the fats and oils enumerated, regardless of classification, may be used for edible purposes, unless otherwise noted.

#### CLASSIFICATION OF SPECIFIED FATS AND OILS ACCORDING TO PRINCIPAL USE IN THE UNITED STATES

1. Fats and oils used primarily for edible purposes: Babassu oil; butter; corn oil; cottonseed oil; lard; oleo oil; oleostearine, animal; olive oil; edible; peanut oil; sesame oil; soybean oil; sunflower oil; tallow, edible; teaseed oil.
2. Fats and oils used primarily for soap; Coconut oil; fish oils; grease (inedible); marine mammal oils; palm-kernel oil; palm oil;[1] olive foots (inedible); olive oil, inedible; tallow, inedibe.
3. Oils used primarily for drying purposes: Hempseed oil, linseed oil, oiticica oil, perilla oil, rubber seed oil, safflower oil, tung oil (inedible).
4. Fats and oils used primarily for medicinal, cosmetic, lubricating, and industrial purposes: Castor oil (inedible), cod oil (inedible), croton oil (inedible), fish-liver oils, neatsfoot oil (inedible), rape oil,[1] vegetable tallow (Chinese).

#### STATUS OF THE PRINCIPAL FATS AND OILS IN INTERNATIONAL TRADE

Of the fats and oils used primarily for edible purposes, five are important from the point of view of American producers, namely, butter, lard, cottonseed oil, soybean oil, and peanut oil. The balance of foreign trade for important fats and oils is shown for recent years in table 1.

The United States is largely self-sufficient with regard to butter. Small quantities of butter are imported and exported, but the balance of foreign trade in butter in most years is negligible.

Lard is important as an export commodity of the United States. Although most of the pork from domestic hog production during the past 10 years has been domestically consumed, large quantities of lard, in most years, have been available for export. Since 1920, however, lard exports have decreased somewhat because of trade restrictions imposed by some foreign countries, notably Germany; and since 1934, the quantity of lard available for export has been relatively small because of the curtailment in hog production as a result of drought. But with the recovery in hog production now under way, supplies of lard available for export in the next few years will again be relatively large.

Until 1935, cottonseed oil was exported on balance from the United States. From 1935 through 1938, however, more cottonseed oil was imported than was exported. Although imports during the past few years have been fairly large, small quantities of cottonseed oil have been exported, mostly as refined oil with benefit of tariff drawback. Imports have consisted largely of Brazilian oil. The large imports of cottonseed oil reflect the curtailment in domestic lard and tallow production in recent years, and the higher prices of coconut oil resulting from the increase in 1934 in the excise tax on coconut oil.

Prior to 1931, soybean oil consumed in this country was largely imported. But with the market expansion in domestic soybean production in recent years, small quantities of soybean oil have been exported on balance in a few years, i. e., 1931, 1932, and 1938. Imports of soybean oil from 1933 through 1937, however, were slightly in excess of exports.

Peanut oil, in most years, is on an import basis in this country. Although large quantities of peanuts are produced domestically, most of these are sold as nuts rather than being crushed for oil.

[1] Used primarily for edible purposes in some years.

Small quantities of edible tallow in recent years have been exported on balance. But inedible tallow, which is used principally in the manufacture of soap, normally is imported on balance, although the balance of trade usually is small. In 1935, however, relatively large quantities of inedible tallow were imported, chiefly because of the reduction of domestic supplies of tallow and grease with the curtailment in livestock production following the 1934 drought, but also because of the excise tax imposed on coconut oil.

Coconut oil, used principally in the manufacture of soap and oleomargarine, is imported in large quantities by the United States. Somewhat smaller quantities of palm oil and palm-kernel oil also are imported.

Fish oils and whale oil are produced in relatively large quantities by American fisheries. Additional quantities, however, have been imported in recent years, except that since 1933 small quantities of fish oils have been exported on balance.

In most recent years more than half of the linseed oil used in this country, chiefly for drying purposes, has been imported, mostly in the form of flaxseed. And practically all of the tung oil and perilla oil, also used for drying purposes, has been imported.

### RELATIVE IMPORTANCE OF THE VARIOUS FATS AND OILS IN MANUFACTURED PRODUCTS

1. *Compounds and vegetable cooking fats.*—As indicated in table 2, cottonseed oil is by far the most important product entering into the manufacture of lard compounds, contributing more than 70 percent of the total. Edible tallow also is used, as well as small quantities of oleostearine, marine animal oils, coconut oil, palm oil, and sesame soil. Soybean oil and peanut oil, in recent years have been used to a greater extent than formerly in the manufacture of compounds. Rape oil also was used for this purpose in 1936.

2. *Oleomargarine.*—For several years prior to 1935 coconut oil was the most important ingredient in the manufacture of oleomargarine. But with the increase in the excise tax on coconut oil in 1934, the rise in price of such oil relative to prices of untaxed oils, and newly imposed State excise taxes on oleomargarine containing imported oils, the proportion of coconut oil decreased sharply from about 75 percent of the total fats and oils used in oleomargarine in 1933 to only 23 percent of the total in 1937. The amount of cottonseed oil used, on the other hand, increased from less than 10 percent of the total to more than half. Marked increases also occurred in the proportion of soybean oil and babassu oil. Oleo oil and neutral lard, which in earlier years were important constituents of oleomargarine, are now relatively unimportant. Peanut oil, oleostearine, and palm oil also are used in small quantities in the manufacture of oleomargarine.

3. *Other manufactured edible products.*—Cottonseed oil now accounts for more than half of the total factory consumption of fats and oils used in mayonnaise, prepared salad dressings, and other prepared edible materials, such as bakers' and confectioners' products. Corn oil, and, to a lesser extent, soybean oil, also are important ingredients. Coconut oil and palm-kernel oil formerly were second only to cottonseed oil in importance as ingredients, but the proportion of these oils has decreased sharply in recent years, and in 1937 accounted for only 17 percent of the total as against 40 percent in 1931. Babassu oil, which was practically unknown in this country in 1931, accounted for 8 percent of the total in 1937.

4. *Soap.*—Inedible tallow is the principal ingredient in the manufacture of soap. Coconut oil is second in importance, while cottonseed oil foots, palm oil, palm-kernel oil, grease, and marine animal oils are important ingredients. Babassu oil and olive foots, and inferior grades of nearly all other fats and oils also are used in small quantities in the manufacture of soap.

5. *Paint, varnish, linoleum, oilcloth, and printing ink.*—Linseed oil is the principal oil used for drying purposes. Tung oil is second in order of importance, fish oils third, and perilla oil, fourth. Small quantities of soybean oil, castor oil, oiticica oil, and various other fats and oils also are used.

### CONSUMPTION OF FATS AND OILS BY CLASSES OF PRODUCTS

In table 3, the domestic consumption of important fats and oils in 1937 is shown by classes of products. Practically no butter and very little lard is used in prepared products since these fats are used directly for consumption. It will be noted that more cottonseed oil, soybean oil, peanut oil, corn oil, oleo oil, oleo stearine, edible tallow, and sesame oil is used for edible purposes than for soap; while more coconut oil, palm oil, palm-kernel oil, fish oils, and whale oil is used for soap than for edible purposes. Inedible tallow and grease are used almost exclusively for soap and miscellaneous industrial purposes. And linseed oil, tung oil, and perilla oil are used largely for drying purposes and do not compete greatly with the edible and soap fats and oils, except insofar as soybean oil and fish oils may be used for edible, soap, or drying purposes.

### COMPARATIVE CONSUMPTION OF BUTTER, OLEOMARGARINE, LARD, AND LARD COMPOUNDS

The principal fats and oils produced in the United States are butter, lard, and cotonseed oil. Most of the butter and lard is sold in the form in which it is produced, but cottonseed oil, together with other fats and oils, is used chiefly in the manufacture of edible products such as lard compounds, oleomargarine, mayonnaise, and prepared salad dressings.

Oleomargarine competes to a considerable extent with butter, but because its price is so much lower than that of butter and has been low in relation to the price of compounds and vegetable cooking fats, it also has competed to some extent with the cooking fats in recent years. (Fats and Oils Situation, December 15, 1938, p. 5.)

Of the total domestic consumption of the principal edible fats, i. e. butter, oleomargarine, lard, and compounds, butter accounted for about 40 percent on the average during the years 1919–38. Lard accounted for about 30 percent of the total, compounds about 25 percent, and oleomargarine about 5 percent. There was a moderate upward trend in consumption of each of these fats during the 20-year period. Total consumption of the four fats combined was about 4 billion pounds in 1920, and about 5.6 billion pounds in 1938 (table 4).

No marked trends, either upward or downward, in the consumption per capita is evident for any one of the four fats, except that since 1934, largely as a result of the severe drought in this country, and the curtailment in production of hogs and lard, the per capita consumption of lard has been relatively small, while that of lard compounds and of oleomargarine has been relatively large.

In general, production and consumption of lard compounds, since 1919, have tended to be small when production and consumption of lard have been large. Production and consumption of oleomargarine have tended to vary inversely with both butter and lard. But the variations in production and consumption of butter and oleomargarine have been relatively much smaller than those in lard and lard compounds (table 4).

(NOTE.—The tables referred to in the foregoing discussion are the same as the tables submitted for the record by Secretary Wallace during the course of his testimony.)

The CHAIRMAN. Are there any other questions of the Secretary?

(No response.)

The CHAIRMAN. We are very grateful to you, Mr. Secretary. I hope you will supply this data which has been requested as quickly as possible, because the record must be printed promptly.

Senator CONNALLY. I want to make a statement for the record. I would request Dr. Sayre to file a statement with the committee giving a detailed statement of just what agricultural products have been afforded a better entry into foreign countries by the reduction of duties and tariffs, or whatever they may be, in all these foreign-trade agreements. I would like to see in detail just what has been accomplished for agriculture.

The CHAIRMAN. The clerk will notify him and request him to submit the statement as quickly as possible.

(The following data showing detailed benefits to agriculture obtained in trade agreements is submitted pursuant to the request of Senator Connally:)

(This data has been largely compiled from Department of Commerce figures.)

TABLE 1.—*United States foreign trade with trade-agreement countries[1] and with other countries*

| | Year ended June 30— | | | | |
|---|---|---|---|---|---|
| | 1935–36 | 1936–37 | 1937–38[2] | Increase (+) or decrease (−) 1937–38 over 1935–36: Amount | Percent |
| United States (domestic) exports: | | | | | |
| Of farm products: | | | | | |
| To 16 countries | $186,000,000 | $207,000,000 | $288,000,000 | +$102,000,000 | +55 |
| To all other countries | 580,000,000 | 525,000,000 | 600,000,000 | +20,000,000 | +3 |
| United States imports (for consumption): | | | | | |
| Of agricultural commodities: | | | | | |
| From 16 countries | 468,000,000 | 630,000,000 | 454,000,000 | −14,000,000 | −3 |
| From all other countries | 674,000,000 | 937,000,000 | 701,000,000 | +27,000,000 | +4 |

[1] Belgium; Brazil; Canada; Colombia; Costa Rica; Cuba; El Salvador; Finland; France, including her colonies, dependencies, and protectorates other than Morocco; Guatemala; Honduras; Haiti; Kingdom of the Netherlands; Nicaragua; Sweden; and Switzerland.
[2] Preliminary.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*

A. GRAINS AND GRAIN PRODUCTS (INCLUDING FEEDS)

| Product | Country | Nature of concession |
|---|---|---|
| Wheat | Canada | Duty cut 60 percent.[1] |
| | Netherlands | Purchase undertaking 5 percent of Netherlands consumption. |
| | Switzerland | Quota obtained. |
| | Guatemala | Duty bound. |
| | United Kingdom[2] | Duty removed. |
| | Ecuador | Duty cut 50 percent. |
| Wheat flour | Cuba | Duty cut 13 percent on flour of all-American wheat; preferential increase 10 percent of duty; other flour, duty bound. |
| | Canada | Duty cut 63 percent.[1] |
| | Netherlands | Purchase undertaking 5 percent of Netherlands consumption. |
| | Honduras | Duty bound. |
| | Guatemala | Do. |
| | Nicaragua | Do. |
| | Costa Rica | Duty bound (first quality). |
| Corn | Cuba | Duty bound. |
| | Canada | Duty cut 60 percent for certain uses. |
| | United Kingdom[2] | Bound free. |
| Cornmeal | Cuba | Duty cut 30 percent; preferencial increase 10 percent. |
| | Canada | duty cut 10 percent.[1] |
| Cornstarch | Belgium | Quota increase 1/10. |
| | Sweden | Duty bound. |
| | Colombia | Duty cut 25 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut 25 percent. |
| | Finland | Duty bound. |
| | United Kingdom[2] | Do. |
| Barley | Cuba | Meal, duty cut 73 percent; grain and flour, bound.[4] |
| | Canada | Duty cut 40 percent. |
| | France | Duty cut 50 percent. |
| Barley (roasted, ground, etc.). | Canada | Duty cut 8 percent.[1] |
| Malt | Cuba | Duty cut 14 percent; preferential increase 10 percent. |
| | Canada | Duty cut 50 percent. |
| | Colombia | Duty cut 19 percent. |
| | France | Duty cut 50 percent. |
| Malt (not including barley malt.) | Canada | Duty cut 33⅓ percent.[1] |
| Rye | Cuba | Meal, duty cut 73 percent; grain and flour, bound. |
| | Canada | Duty cut 40 percent.[1] |
| | France | Duty cut 50 percent. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Rye flour | Canada | Duty cut 10 percent.[1] |
| Rice | Cuba | Duty cut 17 percent; preferential increase 10 percent. |
| | Belgium | Duty bound. |
| | Sweden | Duty bound (milled). |
| | Canada | Duty cut 30 percent. |
| | Netherlands | Quota assured; duty treatment bound. |
| | Switzerland | Duty bound; quota bound. |
| | France | Duty cut 50 percent (milled and polished). |
| | United Kingdom [2] | Duty cut 33⅓ percent. |
| Oats | Cuba | Duty cut 35 percent; preferential increase, 20 percent. |
| | Canada | Duty cut 50 percent. |
| | France | Do. |
| | Costa Rica | Duty bound (rolled oats). |
| Oat flour | Cuba | Duty cut 7 percent. |
| | Brazil | Duty cut 50 percent. |
| | France | Do. |
| Oatmeal | Cuba | Duty cut 78 percent. |
| | Belgium | Duty cut 25 percent. |
| | Brazil | Duty cut 50 percent. |
| | Canada | Duty cut 37 percent. |
| | Netherlands | Monopoly fee cut on sliding scale; duty treatment bound. |
| | Honduras | Duty cut 50 percent. |
| | Colombia | Duty bound. |
| | Guatemala | Duty cut 50 percent. |
| | Costa Rica | Duty bound. |
| | El Salvador | Duty cut 50 percent. |
| | United Kingdom [2] | Duty cut 33⅓ percent. |
| | Ecuador | Duty bound. |
| Buckwheat | Canada | Duty cut 17 percent.[1] |
| Buckwheat meal and flour. | do | Duty cut 10 percent.[1] |
| Crackers and biscuits. | Cuba | Fine, with chocolate or sweetmeat, cut 30-74 percent; others bound. |
| | Canada | Duty cut 10-25 percent.[1] |
| | Honduras | Sweetened, duty bound; unsweetened, cut 50 percent. |
| | Colombia | Duty cut 25 percent (soda crackers). |
| | France | Duty cut 50 percent. |
| | El Salvador | Duty cut 65 percent. |
| Cereal foods and milk food in packages. | Canada | Duty cut 9 percent. |
| | Czechoslovakia | Duty cut 41 percent.[3] |
| Breakfast foods (prepared). | Sweden | Duty cut 25 percent. |
| | Canada | Do. |
| | Netherlands | In bulk; bound free. |
| | Honduras | Duty bound. |
| | Colombia | Duty cut 25 percent. |
| | Guatemala | Duty cut 50 percent. |
| | Costa Rica | Cooked, duty cut 47 percent; other, bound. |
| | El Salvador | Duty cut 50 percent. |
| | Czechoslovakia | Duty cut 56 percent.[4] |
| Macaroni, spaghetti, and noodles. | Canada | Duty cut 17 percent.[1] |
| | France | Duty cut 50 percent. |
| Hay | Cuba | Duty cut 30 percent; preferential increase 20 percent. |
| | Canada | Duty cut 65 percent.[1] |
| | France | Duty cut 67 percent. |
| Cottonseed cake | Cuba | Duty cut 55 percent; preferential increase 20 percent. |
| | Sweden | Bound free. |
| Linseed cake | Cuba | Duty cut 55 percent; preferential increase 20 percent. |
| | Belgium | Bound free; tax cut, 25 percent; restriction removed. |
| | Sweden | Bound free. |
| | United Kingdom [2] | Duty bound. |
| Soybeans, oil cake and meal for poultry feeds or fertilizer. | Canada | Duty removed. |
| Other selected feeds. | Cuba | Bran and hulls, bound; other, duty cut 7 to 55 percent; preferential increase 10 to 20 percent. |
| | Sweden | Bound free (copra and other oil cake). |
| | Canada | Duty cut 60 percent. |
| | Netherlands | Soybean cake, quota assured. |
| | United Kingdom [2] | Duty bound. |

[1] Most-favored-nation benefits.
[2] Not including Newfoundland and the Crown Colonies which granted many concessions on United States exports of agricultural products.
[3] Duty cut—baked flakes and similar breakfast foods, ground cereals, and rice.
[4] Roasted puffed grains of cereals and of rice.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

B. MEATS, FISH, AND OTHER ANIMAL PRODUCTS

| Product | Country | Nature of concession |
|---|---|---|
| Pork: | | |
| Fresh and frozen | Haiti | Duty cut 67 percent. |
| | Canada | Duty cut 75 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 20 percent (fresh). |
| | France | Duty cut 50 percent (except offals). |
| | United Kingdom [2] | Bound free. |
| Hams | Cuba | Duty cut 12 to 25 percent; preferential increase 10 percent. |
| | Canada | Duty cut 65 percent. |
| | Belgium | Quota obtained. |
| | Honduras | Duty cut 51 percent. |
| | Colombia | Duty cut 37 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut 50 percent (except salted or pickled). |
| | El Salvador | Duty cut 77 percent, except canned. |
| | United Kingdom [2] | Bound free. |
| Bacon | Cuba | Duty cut 22 percent; preferential increase 10 percent. |
| | Canada | Duty cut 65 percent. |
| | Honduras | Duty cut 51 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut 50 percent. |
| Salted and pickled. | Cuba | Duty cut 38 percent; preferential increase, 5 percent. |
| | Belgium | Quota obtained. |
| | Haiti | Duty bound. |
| | Sweden | Duty bound (salted). |
| | Canada | Duty cut 65 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 20 percent (salted). |
| | France | Duty cut 50 percent (certain cuts). |
| Canned | Cuba | Duty cut 6 percent; preferential increase 5 percent. |
| | Belgium | Duty cut 25 percent; tax cut 33 percent (canned tongue). |
| | Canada | Duty cut 14 to 20 percent. |
| | Honduras | Duty cut 37 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty bound. |
| | Costa Rica | Duty cut 35 percent (including sausages). |
| | El Salvador | Duty bound. |
| Lard | Cuba | Duty cut 85 percent,[3] by stages. |
| | Belgium | Bound free; quota obtained. |
| | Haiti | Duty cut 25 percent (conditional).[4] |
| | Canada | Duty cut 12 percent.[5] |
| | Netherlands | A: Quota assured; bound free. |
| | Switzerland | Embargo lifted; duty cut 50 percent; quota obtained, 60 percent total imports. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 17 percent. |
| | Costa Rica | Do. |
| | United Kingdom [2] | Duty removed. |
| | Czechoslovakia | Quota assured. |
| | Ecuador | Duty cut 50 percent. |
| Pigs' tongues | United Kingdom [2] | Duty bound. |
| Pigs' heads, pigs' feet and pigs' offal. | do [2] | Bound free. |
| Veal offals | do.[2] | Duty bound. |
| | Canada | Duty reduced 50 percent (beef and veal offal). |
| Beef: | | |
| Fresh and frozen. | Haiti | Duty cut 67 percent. |
| | Canada | Duty cut 25 percent (also veal). |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 20 percent. |
| Salted and pickled. | Haiti | Duty bound. |
| | Canada | Duty cut 50 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 20 percent. |
| Canned | Cuba | Duty cut 6 percent; preferential increase, 5 percent. |
| | Canada | Duty cut 14 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty bound. |
| Horse meat, salted (1931). | Canada | Duty cut 50 percent. |
| | Netherlands | Quota assured; duty bound. |
| | Guatemala | Duty cut 20 percent. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Sausage casings | Belgium | Bound free. |
| | Canada | Duty cut 14 percent. |
| | Switzerland | Duty bound. |
| | United Kingdom [2] | Do. |
| | Czechoslovakia | Do. |
| Other meats | Canada | Duty reduced 25 to 65 percent. |
| Oleo oil, stock, and stearin | Cuba | Duty cut 60 percent;[6] stearin, duty bound.[4] |
| | Netherlands | Quota assured; bound free.[7] |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty bound and quota assured.[6] |
| Tallow | Cuba | Duty bound.[4] |
| | Canada | Duty cut 12 percent.[1] |
| | United Kingdom [2] | Duty bound. |
| Fish:[8] | | |
| Fresh | Cuba | Duty bound (oysters). |
| | Canada | Duty cut 10 to 100 percent.[9] |
| | Colombia | Duty cut 33 percent. |
| | France | Salmon, duty bound; other, cut 75 percent. |
| | United Kingdom [2] | Duty reduced 50 percent (oysters). |
| Salted | Cuba | Duty cut 13 percent; preferential increase 10 percent, mackerel). |
| | Sweden | Duty removed (salmon and trout). |
| | Canada | Duty cut 25 to 50 percent.[10] |
| | Colombia | Duty cut 33 percent. |
| | France | Duty cut 75 percent (including smoked). |
| Canned: | | |
| Salmon | Cuba | Duty cut 13 percent; preferential increase 10 percent. |
| | Brazil | Duty cut 60 percent. |
| | Canada | Duty cut 8 percent. |
| | Netherlands | Duty bound.[1] |
| | Switzerland | Duty cut 50 percent. |
| | Honduras | Duty cut 67 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 50 percent. |
| | France | Duty cut 75 percent; quota obtained. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 83 percent. |
| | United Kingdom [2] | Duty bound (canned); duty reduced 50 percent (chilled or frozen). |
| | Czechoslovakia | Duty cut 40 percent. |
| Sardines | Cuba | Duty cut 20 percent; preferential increase 15 percent. |
| | Belgium | Duty cut 25 percent (pilchards). |
| | Brazil | Duty bound. |
| | Canada | Duty cut 20 to 30 percent.[1] |
| | Switzerland | Duty cut 50 percent (including pilchards). |
| | Honduras | Duty cut 67 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 50 percent. |
| | France | Duty cut 75 percent on limited quantity (pilchards). |
| | Costa Rica | Duty cut 33 percent. |
| | United Kingdom [2] | Duty cut 20 percent (pilchards). |
| | Czechoslovakia | Duty cut 20 percent;[11] duty cut 67 percent.[12] |
| | Ecuador | Conventional rate bound.[13] |
| Shellfish | Cuba | Duty cut 7 percent; preferential increase 5 percent. |
| | Canada | Duty cut 8 to 100 percent.[14] |
| | Switzerland | Duty cut 25 percent (shrimps). |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Duty cut 50 percent. |
| | France | Duty cut 30 percent; quota obtained, crustaceans. |
| | United Kingdom [2] | Duty bound (shrimp). |
| | Ecuador | Duty bound. |
| Prepared milk | Haiti | Duty cut 50 percent (alternative ad valorem rate only). |
| | Brazil | Duty cut 37 percent (in powder, tablets, etc.). |
| | Honduras | Dried whole, bound; other, cut 32 to 50 percent. |
| | Colombia | Duty cut 33 percent. |
| | Guatemala | Condensed and evaporated, duty bound; other, cut percent. |
| | France | Duty cut 50 percent (condensed milk). |
| | Nicaragua | Cut 17 to 67 percent. |
| | Costa Rica | Condensed-bound; other, cut 33 to 40 percent. |
| Infants' food (malted milk, etc.). | Haiti | Duty cut 50 percent (alternative ad valorem rate only). |
| | Colombia | Duty cut 67 percent |
| | France | Duty cut 50 percent. |
| Butter | Haiti | Duty cut 50 percent (alternative specific rate only). |
| | Canada | Duty cut 14 percent.[1] |
| | Honduras | Duty cut 68 percent. |
| | Guatemala | Duty bound. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Cheese | Haiti | Duty cut 40 percent. |
| | Canada | Duty cut 15 percent (some [1]); duty cut 50 percent, (fresh). |
| | Guatemala | Duty bound. |
| Eggs | Canada | Duty cut 9 to 17 percent (dried and frozen).[1] |
| | France | Duty cut 50 percent. |
| Poultry and game (including live, $302,000). | Canada | Duty cut 20 percent. |
| | Guatmala | Duty bound (canned). |
| | France | Duty cut 50 percent. |
| Honey | Belgium | Duty cut 35 percent. |
| | Canada | Duty cut 50 percent. |
| | United Kingdom [2] | Duty cut 28 percent. |

[1] Most-favored-nation benefits.
[2] Not including Newfoundland and the Crown colonies, which granted many concessions on United States exports of agricultural products.
[4] If duty or tax is reduced on any edible fats and oils, impure, corn, soybean, cottonseed oil, or edible tallow, oleo stearin, and nonspecified vegetable oils, a compensatory reduction is to be made on the oils and fats in the above categories.
[6] Reduction does not become effective until Haitian budget in a given year is promulgated at 40,000,000 gourdes or more.
[7] Pure lard and steam lard, oleo stearin and grease stearin, oleo oil, plus stearin, other than that fluid at 15° C.: For manufacture of margarine, technical production, or reexport.
[8] Premier jus, imported by factories for the manufacture of edible fats under special permit.
[9] Duty cut, halibut 50 percent; mackerel 50 percent; oysters 50 percent; other fresh 50 percent.
[10] Duty cut, halibut 50 percent; mackerel 50 percent; and other 50 percent.
[11] Pilchards in oil.
[12] Pilchards in tomato sauce, if accompanied by proper certificate.
[13] The agreement bound the conventional rate of import duty, which is 30 percent below the general rate of duty and which was hitherto enjoyed tentatively under the provisional commercial agreement effective by an exchange of notes signed June 12, 1930.
[14] Duty cut, oysters 40 to 50 percent; shrimps 63 percent.

## C. FRUITS, NUTS, AND VEGETABLES

| | | |
|---|---|---|
| Fruits, fresh: | | |
| Apples | Cuba | Duty bound. |
| | Belgium | Do. |
| | Haiti | Duty cut 40 percent (alternative specific rate only). |
| | Sweden | Jan. 1 to Apr. 30, cut 50 percent; May 1 to Dec. 31; bound. |
| | Brazil | Bound free. |
| | Canada | Duty cut 25 percent.[16] |
| | Netherlands (A) and Indies (B). | A: Duty bound; monopoly fee cut 50 percent (seasonally). B: Duty bound. |
| | Switzerland | Quota bound. |
| | Honduras | Duty bound. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Quota increase ½; duty bound. |
| | Finland | Cut 50 to 75 percent (Dec. 15 to June 15). |
| | Costa Rica | Duty bound. |
| | El Salvador | Duty cut 50 percent. |
| | United Kingdom [2] | Duty cut 33⅓ percent (seasonally). |
| | Czechoslovakia | Duty cut 50 percent (seasonal); duty cut 17 percent (seasonal); fee cut 50 percent. |
| Pears | Cuba | Duty bound. |
| | Belgium | Duty cut 50 percent. |
| | Haiti | Duty cut 40 percent (alternative specific rate only). |
| | Sweden | Dec. 1 to Apr. 30, cut 50 percent; May 1, to Nov. 30, bound. |
| | Brazil | Bound free. |
| | Canada | Duty cut 50 percent [16] (seasonally). |
| | Netherlands (A) and Indies (B). | A: Duty bound; monopoly fee cut 50 percent (seasonally). |
| | Switzerland | Quota bound. |
| | Honduras | Duty bound. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Quota increase ½; duty bound. |
| | Finland | Duty bound. |
| | Costa Rica | Do. |
| | El Salvador | Duty cut 50 percent. |
| | United Kingdom [2] | Duty cut 33⅓ percent (seasonally). |
| | Czechoslovakia | Duty cut 38 percent (Sept. 1–Mar. 31); fee cut 50 percent. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 10 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| **Fruits, fresh—Con.** | | |
| Oranges | Canada | Duty removed (seasonally). |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Quota obtained. |
| | Costa Rica | Duty bound. |
| [illegible] | Belgium | Duty cut 50 percent. |
| | [illegible] | Duty removed. |
| | [illegible] | Duty cut 50 percent. |
| | Netherlands (A) and Indies (B) | A: Duty bound; monopoly fee cut 50 percent. |
| | Colombia | Duty cut 50 percent. |
| | [illegible] | Do. |
| | [illegible] | Do. |
| | Costa Rica | Duty bound. |
| | United Kingdom [2] | Duty removed. |
| | Czechoslovakia | Duty cut 17 percent. |
| Grapes | Cuba | Duty bound. |
| | Haiti | Duty cut 40 percent (alternative specific rate only). |
| | Brazil | Bound free. |
| | Canada | Duty cut 50 percent. |
| | Netherlands (A) and Indies (B). | A: Duty bound, monopoly fee; B: Duty bound, cut 10 percent. |
| | Honduras | Duty bound. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound (certain types). |
| | Costa Rica | Duty bound. |
| | El Salvador | Duty cut 50 percent. |
| Other fresh fruits | Cuba | Melons, duty cut 70 percent; preferential increase, 20 percent; other, bound. |
| | Brazil | Bound free (except citrus). |
| | Canada | Duty cut 50 percent.[16] |
| | Honduras | Duty bound (plums, cherries, strawberries). |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Finland | Duty bound (plums). |
| | Costa Rica | Duty bound. |
| **Fruits, dried:** | | |
| Prunes | Cuba | Duty cut 12 percent. |
| | Belgium | Duty cut 25 percent. |
| | Haiti | Duty cut 36 percent (alternative specific rate only). |
| | Sweden | Bound free. |
| | Canada | Duty bound. |
| | Netherlands (A) and Indies (B). | A: Duty bound, monopoly fee cut 50 percent; B: Duty bound. |
| | Switzerland | Duty cut 33 percent; quota increase ⅓. |
| | Honduras | Duty cut 75 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Bound at slightly lower rate. |
| | Nicaragua | Duty cut 40 percent. |
| | Finland | Duty cut 51 percent. |
| | Costa Rica | Duty cut 47 percent. |
| | El Salvador | Duty cut 80 percent. |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty cut 97 percent; duty cut 17 percent; bound free; quota assured. |
| | Ecuador | Con. rate bound. |
| Raisins | Cuba | Duty cut 12 percent; preferential increase 10 percent. |
| | Haiti | Duty cut 36 percent (alternative specific rate only.) |
| | Sweden | Duty removed. |
| | Netherlands (A) and Indies (B). | A: Duty bound, monopoly fee cut 50 percent; B: Duty bound. |
| | Switzerland | Duty bound. |
| | Honduras | Duty cut 75 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut 50 percent (Thompson seedless). |
| | Nicaragua | Duty cut 40 percent. |
| | Finland | Duty cut 50 percent. |
| | Costa Rica | Duty cut 47 percent. |
| | El Salvador | Duty cut 80 percent. |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty cut 25 percent; duty cut 85 percent; assurance. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Fruits, dried—Con. | | |
| Apples | Cuba | Duty cut 12 percent. |
| | Belgium | Duty cut 34 percent. |
| | Sweden | Bound free. |
| | Netherlands (A) and Indies (B). | B: Duty bound. |
| | Switzerland | Quota increase 1/10. |
| | Honduras | Duty cut 75 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Do. |
| | Nicaragua | Duty cut 40 percent. |
| | Costa Rica | Duty cut 47 percent. |
| | United Kingdom [2] | Duty cut 33 percent. |
| | Czechoslovakia | Duty cut 95 percent (other bound free). |
| Apricots | Cuba | Duty cut 12 percent. |
| | Belgium | Duty cut 27 percent. |
| | Haiti | Duty cut 36 percent (alternative specific rate only). |
| | Sweden | Bound free. |
| | Canada | Duty cut 10 percent. |
| | Netherlands (A) and Indies (B). | B: Duty bound. |
| | Switzerland | Duty cut 20 percent; quota increase 1/10. |
| | Honduras | Duty cut 75 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Do. |
| | Nicaragua | Duty cut 40 percent. |
| | Finland | Duty cut 50 percent. |
| | Costa Rica | Duty cut 47 percent. |
| | United Kingdom [2] | Duty Bound. |
| | Czechoslovakia | Duty cut 95 percent (other bound free). |
| Other dried fruits. | Cuba | Duty cut 12 percent. |
| | Belgium | Peaches, cut 50 percent; pears, cut 25 percent; others, bound. |
| | Sweden | Bound free (peaches, pears, and salad fruit). |
| | Canada | Duty cut 10, 17 percent (peaches, pears, and other fruit). |
| | Netherlands (A) and Indies (B). | A: Monopoly fee removed (apricot kernels); B: Duty bound (except dates and tamarinds). |
| | Switzerland | Quota increase 1/10. |
| | Honduras | Duty cut 75 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Duty bound (peaches and pears). |
| | Nicaragua | Duty cut 40 percent. |
| | Finland | Duty cut 50 percent (pears, peaches, and salad fruit). |
| | Costa Rica | Duty cut 47 percent. |
| | United Kingdom [2] | Peaches, cut 33 percent [17]; pears, cut 33 percent [17]; nectarines, cut 33 percent.[17] |
| | Czechoslovakia | Duty cut 50 percent; duty cut 95 percent; assurance. |
| Fruits, canned: | | |
| Peaches | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Haiti | Duty cut 35 percent. |
| | Sweden | Duty cut 33 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 30 percent. |
| | Netherlands (A) and Indies (B) | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |
| | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 33 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 74 percent. |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty cut 36 percent. |
| Pears | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Haiti | Duty cut 35 percent. |
| | Sweden | Duty cut 33 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 40 percent. |
| | Netherlands (A) and Indies (B). | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| **Fruits, canned—Con.** | | |
| **Pears** | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 33 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 74 percent. |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty cut 36 percent. |
| Pineapples | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Sweden | Duty cut 60 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 40 percent. |
| | Netherlands (A) and Indies (B). | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |
| | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut 5 percent (unsweetened). |
| | Nicaragua | Duty cut 33 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | United Kingdom [2] | Duty cut 16 percent.[11] |
| | Czechoslovakia | Duty cut 61 percent. |
| Apricots | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Haiti | Duty cut 35 percent. |
| | Sweden | Duty cut 33 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 40 percent. |
| | Netherlands (A) and Indies (B). | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |
| | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 33 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty cut 36 percent. |
| Grapefruit (1934) | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Sweden | Duty cut 60 percent. |
| | Brazil | Duty cut 20 percent. |
| | Netherlands (A) and Indies (B). | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |
| | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 33 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | United Kingdom [2] | Duty removed. |
| | Czechoslovakia | Duty cut 36 percent. |
| Fruits for salad | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Haiti | Duty cut 35 percent. |
| | Sweden | Duty cut 33 percent. |
| | Brazil | Duty cut 20 percent. |
| | Netherlands (A) and Indies (B). | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |
| | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut 5 percent (certain unsweetened). |
| | Nicaragua | Duty cut 33 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 74 percent. |
| | United Kingdom [2] | Duty cut 23⅓ percent.[11] |
| | Czechoslovakia | Duty cut 36 percent. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Fruits, canned—Con. | | |
| Other canned fruits. | Cuba | Duty cut 17 percent. |
| | Belgium | Duty cut 27 percent. |
| | Haiti | Duty cut 35 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 40 percent. |
| | Netherlands (A) and Indies (B). | A: Ad valorem duty and monopoly fee bound (up to 5 kilos); B: Duty bound. |
| | Switzerland | Duty cut 20 percent. |
| | Honduras | Duty cut 73 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 33 percent. |
| | Costa Rica | Do. |
| | United Kingdom [2] | Loganberries, duty cut 35 percent;[14] apples, duty cut 35 percent; cherries, duty cut 40 percent. |
| | Czechoslovakia | Duty cut 36 percent. |
| Nuts | Cuba | Duty cut 23 percent. |
| | Canada | Duty cut 50 percent.[16] |
| | Honduras | Unshelled, cut 33 percent; shelled, cut 75 percent. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | Czechoslovakia | Pecans unshelled cut 33 percent; walnuts unshelled cut 11 percent. |
| Nuts, shelled, n. o. p. (almonds and walnuts). | Canada | Duty cut 25 percent.[1] |
| Nuts of all kinds, except peanuts. | | Duty cut 50 percent. |
| Nuts shelled, except almonds, walnuts, and peanuts. | | Do. |
| Pecan nuts, shelled or unshelled. | United Kingdom [2] | Duty bound. |
| Vegetables, fresh and dried: Potatoes, white. | Cuba | July 1 to Oct. 31, duty cut 50 percent; preferential increase 30 percent; Nov. 1 to June 30, duty bound. |
| | Haiti | Duty removed (seed potatoes only). |
| | Canada | Duty removed Aug. 1 to June 15; duty reduced 50 percent June 16 to July 31. |
| | Colombia | Duty cut 17 percent. |
| Sweet potatoes and yams. | Canada | Duty removed. |
| Onions | Cuba | June 16 to Nov. 14, duty cut 38 percent; preferential increase 30 percent; Nov. 15 to June 15, duty bound. |
| | Canada | Duty bound plus cuts in seasonal extra duties and valuations. |
| Onion sets and shallots. | do | Duty bound. |
| Mushrooms, fresh | do | Duty cut 66 percent plus cuts in seasonal extra charges and valuations. |
| Peas and beans, dried. | Cuba | White beans, bound; others, cut 6 to 25 percent; preferential increase 5 to 20 percent. |
| | Canada | Duty cut 50 percent. |
| | France | Do. |
| | Nicaragua | Duty bound (beans). |
| Other fresh and dried vegetables. | Cuba | Duty bound. |
| | Canada | Duty cut 8 to 100 percent [14] [15] plus cuts in seasonal extra charges and valuations on fresh vegetables. |
| | Colombia | Duty cut 17 percent (tubers only). |
| Vegetables, canned: | | |
| Asparagus | Cuba | Duty cut 14 percent; preferential increase 10 percent. |
| | Brazil | Duty cut 50 percent. |
| | Canada | Duty cut 33⅓ percent. |
| | Netherlands and Indies. | Duty and monopoly fee bound, duty bound. |
| | Switzerland | Duty bound; quota increase ½. |
| | Honduras | Duty cut 74 percent. |
| | Colombia | Duty cut 70 percent. |
| | Guatemala | Duty bound. |
| | France | Bound at slightly lowered rate. |
| | Nicaragua | Duty cut 37 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 80 percent. |
| | United Kingdom [2] | Duty cut 50 percent. |
| | Czechoslovakia | Duty cut 47 percent. |

See footnotes at end of table.

**TABLE 2.**—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
| --- | --- | --- |
| Vegetables, canned—Continued. | | |
| Baked beans | Cuba | Duty bound. |
| | Sweden | Duty cut 33 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 50 percent. |
| | Netherlands and Indies. | Duty bound. |
| | Switzerland | Quota increased ½. |
| | Colombia | Duty cut 70 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 37 percent. |
| | Finland | Duty cut 35 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | United Kingdom [3] | Duty bound. |
| | Czechoslovakia | Duty cut 30 percent. |
| Peas | Cuba | Duty cut 14 percent; preferential increase 10 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 50 percent. |
| | Netherlands and Indies. | Duty bound. |
| | Switzerland | Quota increase ½. |
| | Honduras | Duty cut 60 percent. |
| | Colombia | Duty cut 70 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 37 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 80 percent. |
| | Czechoslovakia | Duty cut 30 percent. |
| Corn | Cuba | Duty cut 14 percent. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 50 percent. |
| | Netherlands and Indies. | Duty bound. |
| | Switzerland | Quota increased ½. |
| | Honduras | Duty cut 71 percent. |
| | Colombia | Duty cut 70 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 37 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 80 percent. |
| | United Kingdom | Duty cut 50 percent. |
| | Czechoslovakia | Duty cut 30 percent. |
| Tomatoes | Cuba | Duty bound. |
| | Canada | Duty cut 33 percent.[1] |
| | Netherlands and Indies. | Duty bound. |
| | Honduras | Duty cut 74 percent. |
| | Colombia | Duty cut 70 percent. |
| | Guatemala | Duty bound. |
| | France | Duty cut up to 45 percent (low solid content). |
| | Nicaragua | Duty cut 37 percent. |
| | Finland | Duty cut 35 percent (tomato juice only). |
| | Costa Rica | Duty cut 33 percent. |
| | El Salvador | Duty cut 80 percent. |
| | Czechoslovakia | Duty bound. |
| Tomato juice | United Kingdom [3] | Do. |
| Vegetable juices and sauces. | Canada | Duty cut 21 percent. |
| Soups | Cuba | Fish and meat cut 7 to 25 percent; preferential increase 5 to 20 percent; other, bound. |
| | Sweden | Duty cut 33 percent. |
| | Brazil | Duty cut 20 percent (except those with meat). |
| | Canada | Duty cut 20 percent.[1] |
| | Colombia | Duty cut 70 percent. |
| Ripe black olives in brine. | Canada | Duty cut 66 to 71 percent. |
| | United Kingdom [3] | Duty cut 40 percent. |
| | Czechoslovakia | Duty cut 67 percent. |

See footnotes at end of table.

TABLE 2.—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Other canned vegetables. | Cuba | Duty bound. |
| | Brazil | Duty cut 20 percent. |
| | Canada | Duty cut 33 percent.[19] |
| | Netherlands and Indies. | Duty bound. |
| | Switzerland | Quota increase ½. |
| | Colombia | Duty cut 70 percent. |
| | Guatemala | Duty bound. |
| | Nicaragua | Duty cut 37 percent. |
| | Costa Rica | Duty cut 33 percent. |
| | Czechoslovakia | Duty cut 30 percent. |

[17] Not including shelled almonds and Walnuts, and shelled or unshelled peanuts.
[18] Duty cut, most fresh vegetable, 66 percent; dried vegetagles 25 percent.
[19] In addition through the most-favored-foreign-nation provision Canadian duties were reduced from 7 to 100 percent on beans and peas, n. o. p.; beets for manufacturing sugar; dried, desiccated or dehydrated potatoes, and sweetpotatoes, n. o. p.; pickles or preserved vegetables and vegetable and meat pastes; canned, dried and preserved mushrooms and dried or preserved truffles; unbottled olives and cherries, sulphured or in brine; and pickled fruits and nuts.
[1] Most-favored-nation benefits.
[2] Not including Newfoundland and the Crown Colonies which granted many concessions on exports of United States agricultural products.
[16] Reductions in seasonal, extra duties, and valuations were also obtained.

D. COTTON, TOBACCO, AND OTHER VEGETABLE PRODUCTS

| | | |
|---|---|---|
| Raw cotton, including linters. | Cuba | Duty bound. |
| | Sweden | Bound free. |
| | Canada | Do. |
| | Netherlands | Do. |
| | Switzerland | Duty bound. |
| | Finland | Bound free. |
| | United Kingdom [2] | Do. |
| | Czechoslovakia | Varying duty cuts.[20] |
| Leaf tobacco | Cuba | Duty cut 20 percent; preferential 20 percent (formerly no preferential). |
| | Belgium | Duty bound. |
| | Netherlands | Duty bound (seed leaf, Maryland, Kentucky, and Virginia types). |
| | Indies | Duty bound. |
| | Colombia | Duty cut 50 percent. |
| | Guatemala | Duty bound. |
| | France | Assurance minimum monopoly of 48.0 million francs or 20.5 million pounds. |
| | United Kingdom [2] | Preference bound. |
| Cottonseed oil, edible. | Cuba | Duty cut 77 percent; preferential increased 10 percent.[21] |
| Soybean oil, edible | do | Do.[21] |
| Compound lard | do | Duty cut 37 percent.[21] |
| Compound lard | Canada | Duty cut 12 percent.[1] |
| | Nicaragua | Duty cut 17 percent. |
| | Finland | Duty cut 33 percent on quota of 2.2 million pounds. |
| | United Kingdom [2] | 10 percent duty removed. |
| Cottonseed oil, crude. | Cuba | Duty cut 81 percent;[21] preferential increased 15 percent. |
| | Guatemala | Duty cut 50 percent. |
| Other vegetable oils | Cuba | Duty cut 74 percent;[21] preferential increaed 10 percent. |
| | Canada | Duty cut 6 to 10 percent. |
| Sirups and molasses | do | Duty cut 10 to 17 percent.[1] |
| | France | Duty cut 50 percent (molasses). |
| Confectionery | Cuba | Duty cut 25 percent; preferential increased 20 percent. |
| | Brazil | Duty cut 62 percent (chewing gum). |
| | Canada | Ad valorem cut 14 percent (some). |
| | Switzerland | Duty cut 60 percent (chewing gum). |
| | Colombia | Duty bound (chewing gum). |
| | Costa Rica | Duty cut 50 percent (chewing gum). |
| | United Kingdom [2] | Duty bound. |
| | Czechoslovakia | Duty cut 40 percent (chewing gum). |
| Jams and jellies | Cuba | Duty cut 25 percent, preferential increased 20 percent. |
| | Brazil | Duty cut 20 percent. |
| Jams and jellies | Canada | Duty cut 25 percent. |
| Cocoa and preparations. | Cuba | Duty cut 25 percent; preferential increase 20 percent. |
| | Canada | Duty cut 17 to 25 percent. |
| | Colombia | Duty cut 70 percent (chocolate and milk mixtures powdered). |

See footnotes at end of table.

**Table 2.**—*Principal American agricultural, food and fishery exports upon which duty reductions or other concessions have been obtained in the 19 trade agreements thus far concluded*—Continued

| Product | Country | Nature of concession |
|---|---|---|
| Spices | France | Duty cut 25 percent (powdered mustard). |
| Sauces, seasonings, flavorings. | Cuba | Duty cut 25 percent; preferential increase 20 percent. |
| | Canada | Duty cut 8 to 20 percent. |
| | Colombia | Duty cut 70 percent. |
| Yeast | Canada | Duty cut 17 percent.[1] |
| | Colombia | Duty bound. |
| | France | Duty cut 75 percent (medicinal, in retail packages). |
| Seeds, field and garden. | Canada | Duty cut 10 to 100 percent.[1] [32] |
| | United Kingdom[2] | Duty bound. |
| Trees, plants, and flowers. | Canada | Duty cut 10 to 100 percent.[1] [33] |
| | France | Duty cut up to 60 percent (subject to quarantine regulations). |
| Other vegetable products. | Cuba | Duty bound.[34] |
| | Haiti | Cut 33⅓ percent (inexpensive red and white wines). |
| | Sweden | Duty bound (coffee substitutes). |
| | Canada | Duty cut up to 50 percent.[1] [35] |
| | France | Sugar, cut 50 percent; wines and liquors, cut 75 percent. |

[1] Most-favored-nation benefits.
[2] Not including Newfoundland and the Crown Colonies, which granted many concessions on United States exports of agricultural products.
[30] Duty cut 50 percent—cotton linters; pressed; duty removed—linters, freed from grease, bleached but not shaped; bound free—raw, carded, bleached, colored and ground cotton, cotton waste.
[31] If duty or tax is reduced on any edible fats and oils, impure corn, soybean, and cottonseed oil, or edible tallow, oleo stearin, and nonspecified vegetable oils, a compensatory reduction is to be made on the oils and fats in the above categories.
[32] Duty cut—timothy seed, 50 percent; clover seed, 25 percent; broom corn seed, 100 percent; other field seeds, 40 percent; garden seeds, 10 to 23 percent.
[33] Duty cut—apple trees, 20 percent; pear trees, 11 percent; peach trees, 50 percent; nut trees for grafting stock, 100 percent; plants, roots, and florist stock (except cut flowers) 10 to 57 percent.
[34] Cottonseed oil residues with more than 60 percent free fatty acids, duty cut 70 percent; with not more than 60 percent of free fatty acids, bound.
[35] Duty cut—peanut butter 14 percent; champagne 20 percent; brandy 50 percent; liqueurs 40 percent; wines about 40 percent.

**Table 3.**—*United States: Value of agricultural exports to trade-agreement countries, 1935–36 to 1937–38*[1]

| Country | Year ended June 30— | | | | |
|---|---|---|---|---|---|
| | 1935–36 | 1936–37 | 1937–38[1] | Increase (+) or decrease (−), 1937–38[1] over 1935–36: Value | Percentage |
| | *1,000 dol.* | *1,000 dol.* | *1,000 dol.* | *1,000 dol.* | *Percent* |
| To 16 trade-agreement countries | 186,343 | 206,880 | 287,606 | +101,263 | +54 |
| Belgium | 19,731 | 20,424 | 38,560 | +18,829 | +95 |
| Brazil | 1,399 | 1,647 | 2,165 | +766 | +55 |
| Canada | 48,701 | 56,483 | 90,454 | +41,753 | +86 |
| Colombia | 2,027 | 2,385 | 2,390 | +363 | +18 |
| Cuba | 14,877 | 16,780 | 22,715 | +7,838 | +53 |
| Finland | 2,790 | 3,138 | 3,792 | +1,002 | +36 |
| France[2] | 62,930 | 65,164 | 60,532 | −2,398 | −4 |
| Guatemala | 690 | 847 | 1,005 | +315 | +46 |
| Haiti | 809 | 947 | 736 | −73 | −9 |
| Honduras | 700 | 605 | 630 | −70 | −11 |
| Netherlands[3] | 17,956 | 22,975 | 47,923 | +29,967 | +167 |
| Nicaragua | 422 | 437 | 318 | −104 | −25 |
| Sweden | 11,142 | 12,486 | 12,697 | +1,555 | +14 |
| Switzerland | 1,259 | 1,334 | 2,241 | +982 | +78 |
| El Salvador | 348 | 440 | 474 | +126 | +36 |
| Costa Rica | 553 | 788 | 974 | +421 | +76 |

[1] Preliminary as of July 20, 1938.
[2] Including her colonies, dependencies, and protectorates other than Morocco.
[3] The Kingdom of the Netherlands.

Compiled by the Department of Agriculture from official records of the Bureau of Foreign and Domestic Commerce.

The CHAIRMAN. The committee will recess now and will meet at 2 o'clock in the District Committee Room of the Capitol.

(Whereupon, at 11:55 a. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(The hearing reconvened at 2 p. m.)

The CHAIRMAN. The committee will be in order.

I have had word from Congressman Austin, of Connecticut, who was present this morning but who cannot be here now, and he has asked me to place in the record certain telegrams and a letter from some of his constituents concerning the matters before us. Without objection those will be inserted in the record.

The telegrams and letter referred to follow:

[Telegram]

SOUTH NORWALK, CONN., *March 2, 1939.*

Hon. ALBERT E. AUSTIN,
*House of Representatives:*

Riders, H. R. 3790 propose increase 3 cents to 5 cents pound imported soap-making oils; 3 cents tax passed 1936 now equals cost of products. Laundries chief industrial consumer soap oppose vigorously this surprise attempt to increase cost 60 percent on one industry.

ANSON F. KEELER,
(For Norwalk Steam Laundry.)

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[Telegram]

STAMFORD, CONN., *March 4, 1939.*

Hon. ALBERT E. AUSTIN,
*House of Representatives:*

Will you cooperate with Senators Danaher and Maloney to defeat amendments to H. R. 3790, offered by Senators Connally and Bailey, regard to increase tax on soap oils. Our soap costs have been increased due to last tax of 1934 and 1936 and a further increase is just too bad.

WILLIAM P. HEMMING.

NORWALK, CONN., *March 4, 1939.*

Congressman ALBERT E. AUSTIN:

Strenuously oppose proposed increased tax on all imported soap-making oils and fats. Please register opposition.

R. L. GIESELER.

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NORWALK, CONN., *March 2, 1939.*

Hon. ALBERT E. AUSTIN,
*House of Representatives:*

Riders H. R. 3790 propose increase 3 cents to 5 cents pound imported soap-making oils; 3-cent tax passed 1936 now equals cost of products. Laundries chief industrial consumer soap oppose vigorously this surprise attempt to increase cost 60 percent of one industry.

GEORGE E. JONES,
(For Star Laundry.)

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NORWALK, CONN., *March 2, 1939.*

Hon. ALBERT E. AUSTIN,
*House of Representatives, Washington, D. C.*

DEAR DR. AUSTIN: This letter confirms the telegram which I sent you this morning, as follows:

"Riders H. R. 3790 propose increase 3 cents to 5 cents pound imported soap-making oils, 3 cents tax passed 1936 now equals cost of products. Laundries chief industrial consumers soap. Oppose vigorously this surprise attempt to increase cost 60 percent on one industry."

This move to increase the tax on soap-making oils will increase to the laundry industry the cost of soaps approximately 60 percent in the amount of tax which goes into the cost of the product. At the present time the cost of the product with the 3-cent tax is in a situation where the tax is as much as the cost of the product itself.

The Bureau of Raw Materials for American Vegetable Oils and Fats Industries which has headquarters at suite 1251, National Press Building, Washington, D. C., has a very great collection of detailed data on the soap-making industry and the effect of taxes thereon.

I am sure that this organization will contact you, and as a taxpayer and constituent in this State I trust that you will register vigorous opposition to this new burden which certain Senators are trying to impose in our business. There is no basis in rhyme or reason for this kind of a tax as there is no matter of protective tariff involved because the imported soap oils used in the manufacture of soaps are not produced in this country, and since there is no question involved of protecting American products there is no reason for this increased tax.

It simply goes back to the old story of trying to obtain revenue from a likely source, but you know and everyone knows that such methods of taxation are not sound or desirable and merely tend to support the insatiable demand that Government officials seem to have at this time for getting more money for the Government to spend.

Respectfully yours,

STAR LAUNDRY,
By GEORGE E. JONES.

The CHAIRMAN. Mr. Elizalde.

## STATEMENT OF HON. J. M. ELIZALDE, RESIDENT COMMISSIONER OF THE PHILIPPINES TO THE UNITED STATES

Mr. ELIZALDE. Mr. Chairman and members of the committee, my name is J. M. Elizalde. I am the Resident Commissioner of the Philippines to the United States, and I am appearing on behalf of my government.

I am going to be very brief in my statement. I have no written statement to offer. The head of the Bureau of Insular Affairs appeared yesterday and said almost everything that I could say here on behalf of the Government. I think that I would be in a position to answer some technical questions that I know about the business in general.

I would start by saying that the taxes as proposed in these two bills, one by Senator Connally proposing a raise of 2 cents per pound on the excise tax of coconut oil, and the one by Senator Gillette of three-tenths of 1 cent tax per pound on copra cake—I will start first by talking on the matter of copra.

I will just briefly state here that 4 million people in the Philippines are dependent on the coconut industry. That is about a quarter of our population. I might mention too that a coconut plantation is not something that can be improvised; it takes 7 or 8 years to grow coconuts. We have one and a half million acres of land, and that is about one-fifth of our total agricultural acreage, in coconuts, and most of our plantations are of around 10 acres and less, so this industry really involves a great number of rather poor people.

Senator TOWNSEND. How many coconut trees are planted to the acre?

Mr. ELIZALDE. I really could not tell you at this moment. I understand that the income per coconut tree is ₱1.50 a year. I do not quite remember the number of trees that are planted to the acre, but I can get that and insert it in the record.

Senator TOWNSEND. It is not material.

Mr. ELIZALDE. As I was saying, coconut plantations cannot be improvised, they take several years, and most of those people who have those plantations are of course depending for their livelihood on them. They cannot shift over to another crop, sugar or something else, overnight. They are in that business.

Coconut products rank second in the exports of our country. The first is sugar, and then comes coconut and coconut oil. Under our present Independence Act, we are limited in the exportation of coconut oil to this country to 200,000 tons, so as far as the finished product is concerned, we are already limited. Of course there is no limitation to the importation of copra to this country.

We have a 2 cent preferential over all other countries in the tax, and most of the copra consumed in this country comes from the Philippines. The raising of this tax from 3 cents to 5 cents will be a very, very serious burden to the people in the Philippine Islands. I think I can say correctly that some people are not exactly of the same opinion, but the great bulk of this tax of 3 cents imposed has reverted to the producers of copra. Before the tax was imposed, the price of copra was at about three times the price that it is today, without the corresponding difference in the price in the United States. I believe that the Philippines would be in a very, very serious plight, much worse than they are now, if it had not been for the rise in prices consequent to the drought in this country in 1934, 1935, and 1937 from which it enabled the Philippines to export considerably more copra at higher prices at that time. That occurred at that particular time, but just going back to the matter of the 3-cent tax, the price of our copra, as I say, without a corresponding reduction in the price of coconut oil in this country, has been reduced to about one-third. In proportion, the Filipinos used to get 16 pesos, which is $8, per 100 kilos. Now they are only getting around 5 to 6 pesos, $2.50 to $3 a hundred kilos, which is of course a very, very low price.

If the consequence of this raise here of 2 more cents would work in the same way, it of course would just mean the disruption of the industry in the Philippines. We are obliged to compete in this country with oils such as babassu oil from Brazil. Babassu oil pays no tax and no duty.

Senator BAILEY. Would you care for us to put a tax on babassu oil?

Mr. ELIZALDE. It is not up to me to say so. I am just mentioning the fact of the competition. The fact is that the babassu is tied by the trade agreement with Brazil.

In the case of copra it is tied under a trade agreement also with the British agreement with a 3-cent tax. Coconut oil, of course, pays a 3-cent tax. Under our Independence Act there is no provision in the Independence Act or under the present law which would prevent the Government from imposing this additional tax. We get a refund of the tax here. Of course that is of great benefit to the Philippines. It has been extremely beneficial to all of the public works, but there is a provision in that section 602½ of the bill that this tax cannot be returned in any way to the coconut industry or anybody that is connected with the coconut industry, so the coconut people, although this tax is reverting to the country and is used for roads, schools, and many beneficial purposes——

Senator BAILEY (interposing). It could be returned though.

Mr. ELIZALDE. No, sir. It is in the law that it cannot be.

Senator BAILEY. Just suppose that the Government took the money that it derived from our tax and employed the money for operating the Government and then reduced the tax on the land?

Mr. ELIZALDE. The tax on the land is already relatively low. The thing is that that would be really an indirect violation of the act. As a matter of fact, I will say that the Filipino Legislature and some people in the country were working out some kind of a scheme whereby such benefits might be reverted to the coconut producers, but the President definitely put his foot down and said that he would not accept any changes unless those changes were made by law in the United States, that we would have to abide not only by the words of the act but also by the spirit.

Senator BAILEY. What can you do with that money that does not reflect itself in reduced taxation? Take the United States Government. Suppose we should get a billion dollars somewhere. That would tend to reduce our taxes to the extent of a billion, would it not, almost automatically?

Mr. ELIZALDE. I don't think that we could do any direct reduction of taxation to the copra producer without doing it with all the rest of the people, and the proportion is really relatively small.

Senator BAILEY. But the more revenue that a government has from other sources the less it has to take from others for the difference.

Mr. ELIZALDE. I agree that if taxes were reduced all over the country, but this money coming from coconuts has been used mostly for new development of the country, such as roads.

Senator TOWNSEND. If you did not receive that money from taxes, you would take it from the taxes of your own country, wouldn't you, to do that work?

Mr. ELIZALDE. Yes; but we would not undertake as much work as we have undertaken. In other words, this is additional work to what we would be able to do under our own budget. This is considerably more work than we are doing, and under the new act that we now have under discussion, S. 1028, that money is tied exclusively to economic development.

I do not think that I have anything else to say.

The CHAIRMAN. Thank you very much. If you want to add anything further in the record, you may do so.

Mr. O'Connor, do you want to be heard?

Mr. O'CONNOR. Yes.

## STATEMENT OF HON. JOHN O'CONNOR, REPRESENTING THE WESTERN OPERATING CORPORATION, NEW YORK CITY

Mr. O'CONNOR. Mr. Chairman and members of the committee, I represent the Western Operating Corporation, one of the two American corporations which are engaged in the whaling industry and flying the American Flag on the seas. Some years ago, after consultation with a number of the Departments of the Government and in an effort to revive the whaling industry, they embarked on this venture. Last year at the very close of the Congress, an amendment was put in the tax bill which imposed a tax of 3 cents a pound on the imported whale oil unless it was caught under certain conditions. That, of course, would have meant the end of the American Flag in the whaling industry on the high seas. Of course, a 5-cent tax is just an added imposition on these two American companies, and unless some relief, some affirmative relief, is given by this Congress, then America will not be represented in the whaling industry, so in this Congress an effort will be made before the Ways and Means Committee and before this committee to get some relief from that provision, the tariff provision tacked on to the tax law last year directed directly and solely at these two American companies.

As to the details of our situation, I would like to have that presented by Mr. George De Forest Lord of New York, who is exceptionally familiar with the entire situation.

The CHAIRMAN. All right, Mr. Lord.

## STATEMENT OF GEORGE De FOREST LORD, NEW YORK CITY, REPRESENTING THE WESTERN OPERATING CORPORATION

Mr. LORD. I will try to be very brief, because I know how long the committee has sat on this question.

I represent the Western Operation Corporation, which is one of the two American companies to which Mr. O'Connor referred.

Before we formed the company, before we got together the capital to go into this venture, we applied to the Commerce Department for a ruling based on the fact that the great majority of the stock of this company would probably be foreign owned, and we asked them whether under those circumstances the company would be privileged to have an American registered vessel, at the same time asking the Treasury Department whether such a company could operate as an American fishery. The Commerce Department responded that if the officers of the company were all American citizens, the ownership of the stock made no difference, and the Treasury Department stated that the operation of an American fishery would depend on whether we had an American registered vessel in the eyes of the Commerce Department.

Shortly after we got these rulings, the company was organized. There were about 35 American stockholders who owned approximately—I think it is around 17 percent of the stock. They are fairly well distributed throughout the country, mostly, however, being in New York and Detroit.

The CHAIRMAN. Where is the balance of the stock held?

Mr. LORD. The balance of the stock is held some in England, some in Denmark, and some in Norway. We have been completely frank with the Government as to the basis of forming this company. We have not attempted to conceal anything, and I hope if there are any questions that the Senators would like to ask on that point, that they will ask them, and I will be more than glad to respond.

The CHAIRMAN. Are there any questions?

Senator BAILEY. You were just stating that 83 percent of the stock of your company is owned by nationals of other nations than ours?

Mr. LORD. That is right, sir.

Senator BAILEY. And the crews?

Mr. LORD. The crews are practically entirely foreign.

Senator BAILEY. Of what nation?

Mr. LORD. Norwegians.

Senator BAILEY. How many officers do you have? They must be American nationals?

Mr. LORD. All of our officers are American nationals.

Senator BAILEY. Are there officers also to the ship?

Mr. LORD. My recollection is that there are 12.

Senator BAILEY. Seventeen percent of the stock and 12 persons Americans?

Mr. LORD. Yes.

Senator BAILEY. The ship is owned by the company but it is registered under American registry?

Mr. LORD. Yes, sir.

Senator BAILEY. About how much is the production of your ship per year?

Mr. LORD. Last year we produced about 30,000 tons. It might have been 34,000 tons.

Senator BAILEY. Where do you have to go to get your whales?

Mr. LORD. We have to go down to the Antarctic. Last year, in the summer of 1937, we went to Australia and then refitted down at Capetown, South Africa, and then went out from there about 10 days further south into the Antarctic, right in the ice a good deal of the time.

Senator BAILEY. The other ship—does that have the same amount of business?

Mr. LORD. Oh, no; the other ship is a much smaller ship. Ours is about 14,000 tons, and the other vessel is about 8,000 tons, and apparently is not fitted to go to the Antarctic.

Senator BAILEY. Where do they operate?

Mr. LORD. They operated in Australia last summer. They are not operating during the winter season.

Senator BAILEY. Is that owned and operated pretty much as yours is?

Mr. LORD. Well, their stock is 80 percent American-owned. It is a much smaller venture. You just cannot start a whaling company out of hand; you have to get the benefit of the experience of people who have been in it before. I imagine if we put the stock of the whaling company on the market here, we would have been pretty well pursued by people who thought that we were trying to defraud the residents of this country.

Senator BAILEY. I think the S. E. C. would have got you just like they get everybody else. I would not advise anybody to try that now.

Mr. LORD. What you have to do is to rely on the experience of other countries. The whaling industry of every country in the world, and every maritime country has gone into it, has been developed on the basis of Norwegian capital to start with and Norwegian experience and Norwegian seamen and gunners.

Senator BAILEY. Is your ship and the smaller ship the only two of American registry?

Mr. LORD. They are the only two.

Senator BAILEY. Is that all the whale oil that comes into this country.

Mr. LORD. That is all the whale oil that comes into this country.

Senator BAILEY. Now, tell me about this dog-shark matter?

Mr. LORD. I don't know anything about dog sharks.

Senator BAILEY. Who is catching the dog sharks?

Mr. LORD. I don't know who is catching the dog sharks.

Senator BAILEY. But they are catching them and shipping the oil in here.

Mr. LORD. Well, I don't know anything about dog sharks at all, and did not until I heard them mentioned yesterday at these hearings.

Senator BAILEY. I did not mention them first. Did you see where, when the President was down here in the Caribbean having an imaginary battle with all of the navies of the world, that the only enemy that they saw was a dog-shark ship?

Mr. LORD. I did.

Senator BAILEY. And they did not catch any shark, so I think they lost the battle down there on that occasion. But there is a shark business.

Mr. LORD. That would be pure hearsay to me. I would not know at all.

Senator BAILEY. I wonder if there is anyone who could tell us about that dog-shark business?

Mr. LORD. There is nobody with us.

Senator BAILEY. I know they have ships off the coast of my State setting nets for shark. I know that because I have seen the nets and seen the ships. I do not think they are American ships, but I would not be sure about that because I have seen them only at a considerable distance—a mile or so at sea. There is some business of this sort, and I should like to get the information about it.

Mr. LORD. I will be glad to try and find out, if you wish me to, but I do not believe that I would be particularly a reliable source because I have no expert knowledge to start with.

The CHAIRMAN. What percent of the whale oil that comes into this country is brought in by your company and what percent by the other company?

Mr. LORD. This year we expect to bring in about 15,000 tons as a result of the Antarctic production. I believe that the other company produced about seven or eight thousand tons.

Senator BAILEY. Now, will you tell me just what that oil competes with? Is it used for soap, for example?

Mr. LORD. It is used entirely for soap. We maintain that it does not compete with anything except inedible tallow, which, as I understand it, is a product of the refuse cans of restaurants—it is garbage grease. That is shown quite clearly in the statistics for the oil industry, The Consumption of Fats and Oils, issued by the Department of Commerce, Bureau of the Census, table 8, on page 26. The total cottonseed-oil production, for example, during the year 1937, was 1,686,822,000, and an average of 8,000,000 pounds was used for soap, which is about one-half of 1 percent. That follows pretty generally through the oils and the fats, except coconut oil——

Senator BAILEY (interposing). What about competing with American fishermen?

Mr. LORD. I am relying on someone else who is expert on that. As I understand it, most fish oils have too high a fatty acid content for use in white soap. They, on the east coast, are used principally for fish meal and scrap, and the oil which is produced, as I understand it, has too high a fatty acid content for soap.

It is interesting to note that before the Committee on Merchant Marine and Fisheries last year a letter was presented by the other whaling company which had been written by Mr. Hayes, of the Consolidated Fisheries, offering to represent the whaling company in connection with the excise taxes on whale and fish oils, saying that the trend of the Bailey amendment was for the advantage of both whale-oil and the fish-oil industry, and they ought to appear together on it, so I assume that they are really not very much opposed to each other.

CONSOLIDATED FISHERIES CO.,
*Lewes, Del., February 5, 1937.*

Mr. AMOS D. CARVER,
*President, The American Whaling Co., Inc.,*
*New York, N. Y.*

DEAR MR. CARVER: Thanks for your letter of the 4th instant.

I, of course, realize, as you say, that earnings or losses are greatly affected through the market price of oils and fats. Next time I am in New York, I will try to contact you.

I note that Chicago and Cincinnati interests expect delivery of 84,000 tons of whale oil at New York and New Orleans by March 1-10. This, of course, will come in over the present duty or tax. While this is a large amount, think of the amount that would come in if there wasn't any duty or tax. The duty and tax combined is, as you know, quite high. It was very expensive to secure and covered the work of several years; in fact, from 1934. All producers of fats and oils have secured such benefits from this, and I was wondering if you felt like your company could and should contribute to our American Fisheries Association, Cooperative, an organization comprised of producers of fish oils on this, the west coast and Alaska, and an organization which has been very helpful in securing this protection.

We would like very much to have you become members of the association, as much work and expense are entailed in an attempt to keep the present protection.

I have recently learned of a tanker that has been sold to be converted into a whaling oil factory ship; her name, I believe, is the *Ulysses*. I presume you people bought this. My information is that she has gone to Norway to fit out.

I want to thank you for the information contained in yours and would appreciate hearing from you again at your earliest convenience and in the meantime I will, before seeing you, try to see the parties interested in the whale-oil interest. I believe I will see at least one of them.

Sincerely yours,

THOS. H. HAYES.

Senator BAILEY. That is Mr. Hayes who was here 2 or 3 years ago?

Mr. LORD. Yes; he was here last year, too.

The CHAIRMAN. It might be well in that connection to have inserted in the record the statistics furnished by the Tariff Commission showing the United States factory consumption of oils and fats in manufacturing from 1931 to 1937, showing the whale oil and the fish oil. I will ask the reporter to take those figures off for those years and insert it in the record.

(The statistics are as follows, from table No. 2, Soap:)

[Quantity in million pounds]

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|
| Whale | 68.7 | 48.0 | 44.0 | 34.0 | 28.4 | 32.0 | 65.1 |
| Fish | 58.4 | 49.1 | 52.2 | 64.5 | 110.0 | 128.0 | 123.9 |

Mr. LORD. As I understand it, the total production of fish oil in North Carolina for the year 1938 was somewhere around $280,000.

Senator BAILEY. I saw the statistics the other day and figured it myself. There was 385,000,000 pounds of menhaden. We call them fat backs. And the total income of the State from its fisheries, and it is all practically sea fishing, of course some shellfish, which is only $250,000—and it comes to $5,000,000 a year. That is the value of the annual income from the sea in North Carolina.

Mr. LORD. Yes; but that does not represent all the fish oils.

Senator BAILEY. Very largely all of it is menhaden. The commercial fishermen for the market do a fair business but not a great business.

Mr. LORD. That also represents the meal and the scrap, which, of course, is produced there and with which whale oil would not compete.

Senator BAILEY. No; it would not.

Mr. LORD. After having organized the company——

Senator BAILEY (interposing). I would like to say at that point that the meal and the scrap are part of the production. While you are producing oil you produce the meal and the scrap. You can consider either a byproduct, but I think each is in its own right a principal product of the menhaden fisheries.

Mr. LORD. I saw some statistics of the Bureau of Fisheries last year which allocated the fish production or the fish-oil production to the various States, and I would like to have leave to submit that as a part of the record if there is no objection.

*Canned fishery products and byproducts of the United States and Alaska, 1937—Fish utilized and products of the menhaden industry*

| State | Menhaden utilized | Products | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Dry scrap and meal | | Acidulated scrap | | Oil | | Total |
| | *Number* | *Tons* | *Value* | *Tons* | *Value* | *Gallons* | *Value* | *Value* |
| New York, New Jersey, Delaware, and Georgia | 224,302,000 | 7,497 | $345,463 | [1] 12,236 | [1] $251,339 | 1,543,680 | $582,829 | $1,170,631 |
| Virginia | 199,550,000 | 14,252 | 615,213 | (1) | (1) | 1,361,181 | 522,476 | 1,137,689 |
| North Carolina | 108,534,000 | 6,039 | 256,312 | 10,731 | 208,371 | 839,508 | 294,443 | 759,126 |
| Florida | 107,371,000 | 8,013 | 364,231 | 8,033 | 158,394 | 146,896 | 55,803 | 578,428 |
| Total | [2] 780,853,000 | [3] 35,801 | [3] 1,581,219 | 31,000 | 618,104 | 3,891,265 | 1,455,551 | 3,654,847 |

[1] The production of 1 firm in Virginia is included with New York, New Jersey, Delaware, and Georgia.
[2] 473,011,800 pounds.
[3] Of this production 22,763 tons, valued at $985,075, were reported as dry scrap and 13,038 tons, valued at $596,144, as fish meal.

NOTE.—The menhaden factories were located as follows: 1 in New York, 2 in New Jersey, 2 in Delaware, 11 in Virginia, 10 in North Carolina, 1 in Georgia, and 5 in Florida.

Senator BAILEY. We would be glad to have it.

Mr. LORD. After having organized the company, the first step we took was to purchase an American vessel, the *Ulysses*, and, contrary to the usual method of procedure in that case, the first thing we did was to pay the Government a $400,000 mortgage and about $85,000 in back interest which the vessel had carried as a loan during previous ownership. Apparently the Commerce Department rather regretted having issued this ruling, because from then on we seemed to be in a considerable amount of controversy with them. The first controversy arose when we found that we would have to have a vessel to transship our cargo from Australia before the ship came back, and we asked them in July 1937 whether we could use a foreign vessel to do it. The American tanker market had gone up almost vertically in the preceding January, and they were so engaged in carrying coastwise and intercoastal that there just were not any vessels available, and I heard a rumor that the Department proposed to rule that the American ship *Ulysses*, even though it was in the Australian waters, was a point in the United States and therefore we could not use a foreign vessel to ship from one point in the United States, the *Ulysses*, to another point in the United States, the port of Norfolk, Va. I could not believe that, but I thought that we would get a ruling very rapidly on the subject. It took us just 3½ months to get the ruling. The first response was that the question was a hypothetical one. When we urged further that we were entitled to some answer because if the cargo was subject to forfeiture it would mean about a million and a half to us. Then they asked us how our stock was owned, why we had the vessel reconstructed abroad, how many American citizens were employed on board the vessel, why we used foreign killer ships, and so forth.

We answered all of those questions in September. Then we could not wait any longer and employed a foreign tanker, and just 5 hours before the foreign tanker arrived at Norfolk, November 18, 1937, we were informed by the Department of Commerce that they intended to seize the whole cargo. That ship lay off of Norfolk for approximately a week with 200 tank cars waiting to take her cargo, and finally the Government consented to accept a bond for $250,000 and release the cargo. That case was tried in Norfolk last October, and a decision was rendered that it was not a violation of the coastwise laws.

There have been a good many attacks on this company here in Washington on the basis of the fact that so much of the stock is foreign owned. I partially answered that, but I would like to have the committee consider it a little further.

Every maritime country in the world which has developed a whaling industry—and that means Norway, Denmark, Germany, England, and Japan—has developed it on the basis of Norwegian experience or Swedish experience, and if this committee decides that this company is not to be allowed to continue further because it must have American killer ships, it means that we are just abandoning any possibility in this country of continuing the whaling industry, because we cannot do it without having a basis of knowledge which we can only acquire from Norway.

Senator BAILEY. I understand your position is that the Americans are not skilled or really not capable of catching and killing whales?

Mr. LORD. I think they will be eventually, but they are not now. I had a talk recently with a man who is the largest English operator of whaling expeditions. They have 5 factory ships, they have 55 killer ships, and they have several land stations. It is a Scotch concern. He told me he insisted on having his gunners have 7 years' experience in the Antarctic or having his men have 7 years' experience in the Antarctic before they became gunners. We have been chartering Norwegian killer ships for approximately $12,500 a season.

Senator BAILEY. They go along with your main ship?

Mr. LORD. Yes.

Senator BAILEY. How big are they?

Mr. LORD. We use eight of them.

Senator BAILEY. How big is the killer ship?

Mr. LORD. It is about 135 to 150 feet long, and we use 8 of them. They have a gunner and a crew of, I think, about 14. If you would like to see any photographs of this expedition, I have them right here [exhibiting].

The killer ships are not built in this country. We have tried to get estimates for building them here, and we find that it would cost us about $265,000 in the cheapest estimate, as compared with about $140,000 on the other side. Until we can have some prospect of operating successfully, we cannot put the capital in this thing for new killer ships. It would cost us about $2,500,000 to do it, and if we can only operate until June 1939 on this basis, and have no reasonable prospect for operating after that, we simply cannot put the money into it.

Senator BAILEY. When did you form your company?

Mr. LORD. What is that?

Senator BAILEY. When was your company formed?

Mr. LORD. The company was formed in January 1937.

Senator BAILEY. How long has it been operating?

Mr. LORD. It has been operating—we sent a ship out to Australia in June 1937.

Senator BAILEY. That was after the passage of the 1936 act, was it not?

Mr. LORD. The 1936 act did not affect us. The act that really affected us materially was the provision in the tax law last spring saying that after June 30, 1939, we would have to have American-built killer ships. I have tried to get the permission of the Department of Commerce, Bureau of Navigation, to transfer Norwegian killer ships to American registry, and they say, "No; it cannot be done." There are two bills pending now which would permit that.

This company now employs American tankers. We sent American tankers down to the Antarctic to get our cargo. There is one going down in the very near future. If we are permitted to continue, if we are permitted to have an extension of the provisions that we can use foreign killer ships, say until 1942, the Government will take out of us in taxation a very considerable sum, and we are quite ready to contribute that.

Apparently some of the people here in Washington and elsewhere are objecting because this is a product of an American fishery and exempt from taxation, but if it were not, there would not be any such fishery. We will be paying taxes for a number of years if we are permitted to continue, instead of having a heavy tax imposed on us in 1 year and being required to go out of business entirely.

As I said to Senator Bailey, our only competition is with inedible tallow, which is produced from garbage cans of hotels and restaurants. The figures that I referred to bring this out very clearly. I have referred to the cottonseed-oil production and generally to the value of fats and oils. When we get down to tallow, the total production of edible tallow in this country in 1937 was approximately 69,000,000 pounds. Of that, only 143,000 pounds went into the production of soap. Of inedible tallow, the total production in 1937 was approximately 675,000 pounds, and 613,000 pounds went into soap. That is our only competition that I can see in the field of fats and oils in this country. The production of whale oil is only 1.41 percent of the total production of fats on this consumption table here.

TABLE 8.—*Factory consumption of primary animal and vegetable fats and oils, by classes of products: 1933 to 1937*

[Quantities in thousands of pounds]

| Kind | Year | Total | Shortening | Oleomargarine | Other edible products | Soap | Paint and varnish | Linoleum and oilcloth | Printing inks | Miscellaneous products | Loss including foots |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1937 | [illegible] | 1,601,841 | 324,905 | 412,684 | 1,475,756 | 457,785 | 102,763 | 26,212 | 351,766 | 297,201 |
| | 1936 | 4,775,241 | 1,614,319 | 322,719 | 363,237 | 1,[illegible],538 | 428,668 | 101,882 | 20,206 | 321,833 | 297,839 |
| | 1935 | 4,486,687 | 1,552,476 | 306,275 | 320,006 | 1,312,790 | 394,005 | 81,631 | 18,000 | 288,688 | 216,416 |
| | 1934 | 4,026,819 | 1,214,742 | 214,132 | 292,466 | 1,474,[illegible] | 329,894 | 67,811 | 15,544 | 257,959 | 159,856 |
| | 1933 | 3,514,641 | [illegible] | [illegible] | 247,753 | 1,311,2[illegible] | 297,560 | 69,938 | 13,419 | 239,072 | 164,708 |
| Cottonseed oil | 1937 | 1,686,822 | 1,102,596 | 173,615 | 228,647 | 8,414 | 43 | ------ | 167 | 2,632 | 112,708 |
| | 1936 | 1,392,827 | 9[illegible],866 | 108,10[illegible] | 178,330 | 1,278 | 34 | ------ | 15 | 2,281 | 93,917 |
| | 1935 | 1,33[illegible] | 991,798 | 99,[illegible] | 138,580 | 1,857 | 36 | ------ | 13 | 3,978 | 103,972 |
| | 1934 | 1,377,[illegible] | 1,058,[illegible] | 54,778 | 155,[illegible] | 2,702 | 18 | ------ | 29 | 3,298 | 102,536 |
| | 1933 | 1,114,[illegible] | 852,84[illegible] | 37,997 | 121,[illegible] | 6,967 | 9 | ------ | 14 | 2,772 | 112,686 |
| Peanut oil | 1937 | 67,5[illegible] | 58,141 | 2,880 | 1,937 | 820 | ------ | ------ | ------ | 22 | 3,715 |
| | 1936 | 103,7[illegible] | 88,[illegible] | 4,140 | 2,419 | 1,734 | ------ | ------ | ------ | 44 | 6,928 |
| | 1935 | [illegible] | [illegible]0,900 | 4,358 | [illegible],002 | 754 | ------ | ------ | ------ | 154 | 9,616 |
| | 1934 | 14,9[illegible] | 8,837 | [illegible] | 854 | 147 | ------ | ------ | 1 | 49 | 2,367 |
| | 1933 | 8,87[illegible] | 3,330 | 2,635 | [illegible] | 529 | 1 | ------ | ------ | 36 | 1,072 |
| Coconut oil | 1937 | [illegible] | 12,531 | 73,806 | [illegible] | 352,241 | 1,1[illegible]4 | ------ | 2 | 6,846 | 29,458 |
| | 1936 | 602,273 | [illegible],427 | [illegible],465 | [illegible],020 | 307,376 | 7[illegible]1 | ------ | 1 | 3,939 | 41,274 |
| | 1935 | 582,097 | [illegible] | 174,314 | [illegible]7,060 | 229,711 | 3[illegible]9 | ------ | 2 | 3,525 | 43,072 |
| | 1934 | 589,602 | 9,045 | 123,678 | 78,636 | 341,124 | [illegible]7 | ------ | 2 | 2,128 | 34,952 |
| | 1933 | 583,826 | 7,117 | 150,096 | 69,333 | 322,264 | [illegible]9 | ------ | 2 | 2,642 | 32,333 |
| Corn oil | 1937 | 83,812 | 1,[illegible] | 1,796 | [illegible] | 2,392 | [illegible]59 | ------ | ------ | 4,005 | 10,036 |
| | 1936 | 72,[illegible] | [illegible] | 1,238 | [illegible]1,017 | 2,527 | [illegible]23 | ------ | ------ | 3,967 | 12,830 |
| | 1935 | 56,121 | 2,[illegible] | [illegible] | 36,122 | 2,828 | [illegible]29 | ------ | ------ | 3,786 | 10,209 |
| | 1934 | 59,9[illegible] | 1,895 | 4 | 3[illegible],630 | 6,268 | 404 | ------ | ------ | 2,973 | 9,736 |
| | 1933 | 43,946 | 1,128 | 341 | 2[illegible],803 | 3,638 | 213 | 12 | ------ | 3,749 | 6,972 |
| Soybean oil | 1937 | 378,516 | 90,798 | 3[illegible],793 | 15,[illegible]30 | 10,274 | [illegible],143 | 934 | 80 | 3,038 | 9,926 |
| | 1936 | [illegible]4,563 | 113,897 | 14,[illegible]2 | 21,[illegible] | 5,023 | 14,471 | 2,886 | 62 | 3,405 | 8,959 |
| | 1935 | [illegible],158 | 52,4[illegible] | 1,740 | 8,421 | 2,549 | 13,003 | 4,816 | 52 | 1,665 | 5,468 |
| | 1934 | 2[illegible] | 2,[illegible]5 | 24 | 509 | 1,354 | 10,451 | 2,843 | 59 | 2,109 | 823 |
| | 1933 | 22,958 | [illegible] | 7 | 460 | 4,235 | 8,568 | 5,641 | 65 | 2,626 | 867 |
| Olive oil, edible | 1937 | 3,296 | ------ | ------ | 3,180 | 21 | ------ | ------ | ------ | 95 | ------ |
| | 1936 | 4,312 | ------ | ------ | 3,972 | 53 | ------ | ------ | ------ | 287 | ------ |
| | 1935 | 2,432 | ------ | ------ | 2,213 | 33 | ------ | ------ | ------ | 186 | ------ |
| | 1934 | 2,372 | ------ | ------ | 2,183 | 51 | ------ | ------ | ------ | 133 | ------ |
| | 1933 | 2,139 | ------ | ------ | 1,861 | 61 | ------ | ------ | ------ | 217 | ------ |
| Olive oil, inedible | 1937 | [illegible] | ------ | ------ | ------ | 890 | ------ | ------ | ------ | 4,678 | ------ |
| | 1936 | 10,4[illegible] | ------ | ------ | ------ | 1,634 | ------ | ------ | ------ | 8,824 | ------ |
| | 1935 | 10,703 | ------ | ------ | ------ | 1,690 | ------ | ------ | ------ | 9,013 | ------ |
| | 1934 | 8,975 | ------ | ------ | ------ | 1,953 | ------ | ------ | ------ | 7,022 | ------ |
| | 1933 | 10,217 | ------ | ------ | ------ | 2,001 | ------ | ------ | ------ | 8,216 | ------ |

TABLE 8.—*Factory consumption of primary animal and vegetable fats and oils, by classes of products: 1935 to 1937*—Continued

[Quantities in thousands of pounds]

| Kind | Year | Total | Shortening | Oleomargarine | Other edible products | Soap | Paint and varnish | Linoleum and oilcloth | Printing inks | Miscellaneous products | Loss including foots |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sulphur oil or olive foots | 1937 | 18,361 | | | | 17,984 | | | | 377 | |
| | 1936 | 24,577 | | | | 23,965 | | | | 612 | |
| | 1935 | 31,860 | | | | 31,507 | | | | 353 | |
| | 1934 | 30,738 | | | | 30,411 | 2 | | | 325 | |
| | 1933 | 32,970 | | | | 31,878 | 2 | | | 1,090 | |
| Palm-kernel oil | 1937 | 144,041 | 47 | 7,946 | 21,294 | 111,511 | | | | 63 | 3,177 |
| | 1936 | 44,104 | 627 | 2,400 | 12,490 | 26,443 | | | | 54 | 2,090 |
| | 1935 | 57,125 | 825 | 425 | 14,895 | 37,273 | | | | 46 | 3,661 |
| | 1934 | 22,601 | | | 4,608 | 16,516 | | | | 32 | 1,445 |
| | 1933 | 15,962 | | | 7,757 | 6,278 | | | | 69 | 1,858 |
| Rapeseed oil | 1937 | 14,336 | 5,203 | | | 961 | 138 | | 1 | 7,493 | 520 |
| | 1936 | 50,906 | 30,572 | 9 | 808 | 7,771 | 168 | 13 | | 10,182 | 1,383 |
| | 1935 | 35,802 | 15,575 | | 460 | 8,001 | 168 | 23 | 1 | 10,909 | 665 |
| | 1934 | 10,366 | 122 | | | 964 | 76 | 17 | | 9,157 | |
| | 1933 | 7,696 | | | | 39 | 23 | 18 | | 7,618 | |
| Linseed oil | 1937 | 375,220 | 1,522 | | | 1,359 | 267,184 | 68,151 | 20,342 | 16,510 | 152 |
| | 1936 | 305,330 | | | | 1,462 | 233,340 | 50,076 | 14,968 | 5,464 | |
| | 1935 | 291,684 | 57 | | | 1,156 | 230,146 | 41,809 | 14,266 | 4,205 | 5 |
| | 1934 | 258,483 | | | | 1,022 | 205,743 | 32,108 | 12,606 | 7,004 | |
| | 1933 | 241,325 | | | | 960 | 192,959 | 33,015 | 10,863 | 3,508 | |
| Tung oil | 1937 | 120,378 | | | | | 105,731 | 7,198 | 2,762 | 4,687 | |
| | 1936 | 107,875 | | | | 2 | 94,642 | 7,131 | 2,331 | 3,769 | |
| | 1935 | 114,287 | | | | | 98,435 | 10,391 | 2,013 | 3,448 | |
| | 1934 | 105,978 | | | | 35 | 88,184 | 12,854 | 1,660 | 3,245 | |
| | 1933 | 91,549 | | | | 5 | 76,714 | 11,746 | 1,523 | 1,561 | |
| Perilla oil | 1937 | 42,537 | | | | 2 | 31,776 | 8,053 | 1,752 | 954 | |
| | 1936 | 80,019 | | | | 8 | 53,222 | 17,717 | 1,940 | 7,132 | |
| | 1935 | 41,609 | 55 | | | 16 | 27,164 | 9,650 | 828 | 3,894 | 2 |
| | 1934 | 16,108 | | | | | 9,898 | 4,481 | 582 | 1,147 | |
| | 1933 | 14,186 | | | | | 6,529 | 5,826 | 419 | 1,412 | |
| Castor oil | 1937 | 34,812 | | | | 2,123 | 6,455 | 1,653 | 260 | 24,321 | |
| | 1936 | 31,855 | | | | 1,623 | 3,766 | 1,066 | 158 | 25,242 | |
| | 1935 | 25,762 | | | | 1,056 | 3,480 | 477 | 101 | 20,648 | |
| | 1934 | 20,188 | | | | 1,736 | 2,299 | 317 | 62 | 15,724 | |
| | 1933 | 19,486 | | | | 2,090 | 2,072 | 341 | 53 | 14,930 | |
| Palm oil | 1937 | 331,054 | 123,677 | 1,063 | 944 | 141,358 | | | 3 | 33,303 | 30,706 |
| | 1936 | 301,373 | 168,808 | 1,402 | 195 | 78,453 | 1 | | 2 | 24,449 | 28,063 |
| | 1935 | 251,393 | 117,377 | 3 | 339 | 87,311 | 1 | | 1 | 17,109 | 29,192 |
| | 1934 | 191,736 | 16,717 | 66 | 538 | 154,704 | 3 | | 10 | 14,835 | 4,865 |
| | 1933 | 232,619 | 21,116 | 544 | 681 | 187,962 | 29 | | 2 | 16,560 | 5,625 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sesame oil | 1937 | 37,667 | 29,269 | 1 | 3,435 | 2,944 | | | | 81 | 1,937 |
| | 1936 | 55,335 | 33,120 | 57 | 16,728 | 1,869 | | | | 21 | 3,540 |
| | 1935 | 54,252 | 34,957 | 77 | 14,605 | 749 | | | | 58 | 3,796 |
| | 1934 | 7,403 | 4,720 | | 1,408 | 466 | | | | 36 | 773 |
| | 1933 | 13,834 | 7,371 | | 4,800 | 758 | | | | 35 | 870 |
| Sunflower oil [1] | 1936 | 1,230 | 208 | 5 | 920 | | 97 | | | | |
| | 1935 | 12,402 | 10,896 | 100 | 910 | 103 | 310 | | | | 83 |
| | 1934 | 11,756 | 901 | | 1,003 | 7,142 | 631 | 1,909 | | 40 | 130 |
| | 1933 | 13,885 | 2,469 | | 2,535 | 7,889 | 175 | 116 | | 172 | 529 |
| Babassu oil | 1937 | 42,063 | 127 | 14,606 | 11,294 | 14,308 | | | | | 1,728 |
| | 1936 | 35,764 | 5,368 | 16,114 | 2,995 | 8,993 | | | | 36 | 2,258 |
| Other vegetable oils | 1937 | 25,985 | 870 | | 5,848 | 10,812 | 1,498 | 9 | 17 | 6,334 | 597 |
| | 1936 | 43,904 | 15,640 | 442 | 5,025 | 4,268 | 4,614 | 6,758 | | 4,955 | 2,202 |
| | 1935 | 29,680 | 12,839 | 1,878 | 2,693 | 4,762 | 1,929 | | | 3,697 | 1,882 |
| | 1934 | 5,479 | 1,626 | 2 | 627 | 1,836 | 260 | | 37 | 790 | 301 |
| | 1933 | 2,021 | | | | 176 | 1,283 | | | 562 | |
| Lard | 1937 | 8,938 | 915 | 1,747 | 2,246 | | | | 3 | 3,974 | 53 |
| | 1936 | 7,318 | 4,503 | 2,196 | 471 | 9 | | | 5 | 63 | 69 |
| | 1935 | 9,429 | 2,252 | 3,005 | 3,903 | 1 | | | 4 | 203 | 61 |
| | 1934 | 14,260 | 2,635 | 7,486 | 3,837 | 24 | | | 3 | 184 | 91 |
| | 1933 | 17,485 | 3,171 | 8,959 | 4,810 | | | | 5 | 301 | 239 |
| Edible animal stearin | 1937 | 38,711 | 29,664 | 3,375 | 4,926 | 321 | | | | 411 | 14 |
| | 1936 | 44,918 | 36,358 | 3,550 | 4,370 | 320 | | | | 320 | |
| | 1935 | 34,151 | 27,026 | 2,612 | 3,901 | 338 | | | | 284 | |
| | 1934 | 28,703 | 21,517 | 3,478 | 2,474 | 452 | | | | 782 | |
| | 1933 | 25,421 | 17,105 | 3,120 | 3,402 | 362 | | | | 1,432 | |
| Oleo oil | 1937 | 13,055 | 242 | 12,277 | 41 | 74 | | | | 402 | 19 |
| | 1936 | 21,782 | 1,839 | 18,331 | 467 | 57 | | | | 1,088 | |
| | 1935 | 18,620 | 126 | 18,226 | 85 | 93 | | | | 89 | |
| | 1934 | 26,137 | 764 | 21,872 | 108 | 85 | | | | 3,308 | |
| | 1933 | 19,061 | 294 | 15,095 | 703 | 112 | 13 | | 2 | 2,842 | |
| Tallow, edible | 1937 | 68,896 | 66,278 | | 1,593 | 143 | | | 2 | 712 | 168 |
| | 1936 | 118,998 | 116,908 | | 1,412 | 228 | | | 2 | 334 | 114 |
| | 1935 | 124,882 | 120,384 | | 1,156 | 1,431 | | | 2 | 1,655 | 254 |
| | 1934 | 78,909 | 73,416 | | 1,703 | 1,096 | | | 1 | 2,558 | 133 |
| | 1933 | 51,447 | 46,437 | | 691 | 2,389 | | | 1 | 1,734 | 195 |
| Tallow, inedible | 1937 | 675,918 | | | | 613,509 | 151 | | 7 | 61,921 | 330 |
| | 1936 | 725,974 | | | | 660,020 | 135 | | 7 | 65,265 | 547 |
| | 1935 | 718,357 | | | | 663,002 | 106 | | 9 | 54,804 | 436 |
| | 1934 | 717,368 | | | | 662,858 | 105 | | 8 | 54,254 | 143 |
| | 1933 | 566,731 | | | | 508,824 | 112 | | 6 | 57,654 | 135 |
| Grease | 1937 | 215,851 | | | | 94,247 | 150 | | 509 | 120,421 | 324 |
| | 1936 | 204,532 | | | | 98,714 | 94 | | 468 | 104,792 | 464 |
| | 1935 | 200,222 | | | | 98,986 | 77 | | 349 | 101,159 | 551 |
| | 1934 | 240,154 | | | | 142,782 | 76 | | 375 | 96,270 | 651 |
| | 1933 | 205,520 | | | | 124,743 | 44 | | 349 | 79,953 | 431 |
| Neat's-foot oil | 1937 | 5,595 | | | | 16 | 15 | | 1 | 5,553 | 10 |
| | 1936 | 5,727 | | | | 41 | 7 | | 1 | 5,647 | 31 |
| | 1935 | 6,626 | | | | 53 | 157 | | 1 | 6,216 | 219 |
| | 1934 | 4,561 | | | | 61 | 16 | | 1 | 4,483 | |
| | 1933 | 4,260 | | | | 20 | 20 | | | 4,197 | 43 |

[1] Quantities for 1937 included in "Other vegetable oils."

**TABLE 8.—*Factory consumption of primary animal and vegetable fats and oils, by classes of products: 1933 to 1937*—Continued**

[Quantities in thousands of pounds]

| Kind | Year | Total | Shortening | Oleomargarine | Other edible products | Soap | Paint and varnish | Linoleum and oilcloth | Printing inks | Miscellaneous products | Loss including foots |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Marine animal oils | 1937 | 70,196 | 66 | ------ | ------ | 65,130 | 11 | ------ | 7 | 4,967 | 15 |
| | 1936 | 35,388 | ------ | ------ | ------ | 32,603 | 17 | ------ | 11 | 2,747 | 10 |
| | 1935 | 30,963 | 427 | ------ | ------ | 28,440 | 34 | ------ | 4 | 1,983 | 75 |
| | 1934 | 35,297 | 394 | ------ | ------ | 33,996 | 37 | ------ | 5 | 838 | 27 |
| | 1933 | 46,110 | ------ | ------ | ------ | 44,895 | 2 | ------ | 2 | 1,211 | ------ |
| Fish oils | 1937 | 229,077 | 21,284 | ------ | ------ | 123,879 | 27,277 | 16,765 | 298 | 37,966 | 1,608 |
| | 1936 | 248,032 | 40,228 | ------ | ------ | 128,044 | 23,168 | 16,235 | 225 | 36,914 | 3,160 |
| | 1935 | 208,965 | 27,671 | ------ | ------ | 109,970 | 18,251 | 13,885 | 354 | 35,622 | 3,203 |
| | 1934 | 126,480 | 10,775 | ------ | ------ | 64,548 | 11,654 | 13,282 | 108 | 25,235 | 883 |
| | 1933 | 106,287 | 9,272 | ------ | ------ | 52,188 | 8,753 | 13,223 | 113 | 21,873 | 865 |

**TABLE X.—*Whaling in the Antarctic 1935/36–1937/38—Absolute and percentage figures***

| Years | All countries | | Norway | | British Empire | | Japan | | Germany | | Panama | | Others | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of whales | Oil production | Number of whales | Oil production | Number of whales | Oil production | Number of whales | Oil production | Number of whales | Oil production | Number of whales | Oil production | Number of whales | Oil production |
| Absolute figures: | | *Barrels*[1] | | *Barrels*[1] | | *Barrels*[1] | | *Barrels*[1] | | *Barrels*[1] | | *Barrels*[1] | | *Barrels*[1] |
| 1935-36 | 30,991 | 2,476,338 | 14,421 | 1,114,033 | 12,538 | 995,167 | 639 | 44,145 | ------ | ------ | 2,449 | 206,891 | 944 | 75,192 |
| 1936-37 | 34,579 | 2,658,106 | 15,639 | 1,158,665 | 12,361 | 977,822 | 1,959 | 156,587 | 920 | 61,992 | 2,389 | 151,495 | 1,911 | 121,547 |
| 1937-38 | 46,039 | 3,340,329 | 14,960 | 1,157,993 | 16,111 | 1,153,365 | 5,582 | 388,683 | 5,237 | 356,858 | 1,527 | 117,650 | 2,622 | 165,781 |
| Percentage figures: | | | | | | | | | | | | | | |
| 1935-36 | 100.0 | 100.0 | 46.5 | 45.8 | 40.4 | 40.9 | 2.0 | 1.8 | ------ | ------ | 7.9 | 8.4 | 3.2 | 3.1 |
| 1936-37 | 100.0 | 100.0 | 43.5 | 43.6 | 35.7 | 36.8 | 5.7 | 5.9 | 2.7 | 2.3 | 6.9 | 6.8 | 5.5 | 4.6 |
| 1937-38 | 100.0 | 100.0 | 32.5 | 34.7 | 35.0 | 34.5 | 12.1 | 11.6 | 11.4 | 10.7 | 3.3 | 3.5 | 5.7 | 5.0 |

[1] Barrel=1/6 ton (ton=1,016 kilograms).

The CHAIRMAN. Thank you very much.

There is a Mr. Merrill here who is from California, and I understand he has to leave this afternoon.

Mr. MERRILL. I shall be through in about 5 minutes. I have not any theories to expound, but simply wish to give you some facts.

## STATEMENT OF F. H. MERRILL, PRESIDENT, LOS ANGELES SOAP CO., LOS ANGELES, CALIF.

Mr. MERRILL. The effect of the excise tax as so far experienced by the soap makers of the Pacific coast——

The CHAIRMAN (interposing). You are president of the Los Angeles Soap Co.?

Mr. MERRILL. Yes. Five years ago there were about half a dozen small soap manufacturers on the Pacific coast who were enjoying a thriving business. Today they are practically out of business. They tell me that they have been unable to pay the excise tax and continue in the game.

I can tell you more particularly about how that has affected the soap business on the Pacific coast by reciting our own experience, and that is the experience of the Los Angeles Soap Co.

I believe we are somewhat larger than those smaller ones, who have been practically eliminated; we have a capitalization of about $4,000,000. The excise tax on the coconut oil which we use amounts to about $400,000 per year. We were unable to pay that excise tax out of our earnings; we have no such earnings. Our first thought was that the excise tax should be added to the cost of our product and charged to our customers, and that was our first move, but it did not work. The public would not pay the added price, and thus we lost about 20 percent of our business. Consequently we lost money. We then thought of another plan which was to charge as much of that excise tax to the public as we could collect from them, which was about half and the other $200,000 we have taken out of our employees. There was no other source for it. We simply cut our organization; we have discharged practically 20 percent of our employees in order that we might be able to save enough money to pay this excise tax. The net result of it all was last year that we created unemployment to the extent of about $200,000, and we made 2 percent on our investment.

Now, I would like to say this, that if this other 2 cents is added to the excise tax on coconut oil, that all of that will have to come out of the housewife's budget. We have no source from which that can be derived other than the housewife's budget; in other words, if you add this 2 cents a pound to the excise tax on coconut oil, it is a direct tax upon the American home.

Senator KING. The housewife may refuse to buy.

Mr. MERRILL. That is exactly what happens.

Senator KING. Then you go out of business.

Mr. MERRILL. Well, our experience was that when we went up a small amount in our price, 20 percent of them quit buying. The unfortunate part of that is, from the standpoint of the American producers of raw materials, that when they reduce the quantity of soap which they buy, we have to reduce the quantity of American-produced raw materials which we buy.

I would like to say a word about coconut oil. It has been stated that it is a competitor of American fats. As far as the soap kettle is concerned, it is not. As a matter of fact, I consider coconut oil the best salesman for tallow which we have. If we introduce coconut oil to our kettle along with the tallow, we make a product which the public will buy. This is not anything that has not been tried out. Thirty years ago we were making all of our soap from American-produced raw materials and we were not selling anything like the per capita soap that we are selling today. If you look over the statistics, you will see that as the consumption of coconut oil has gone up in the soap kettle, so has gone up the consumption of tallow.

It has been suggested, for instance, that we use cottonseed oil in the soap kettle. Cottonseed oil is a very poor soap-making raw material. If, however, it is used in the soap kettle, it displaces tallow and not coconut oil. When cottonseed oil was very cheap, we used some cottonseed oil; it is cheaper than tallow. It gave a fair soap but not as satisfactory a soap as we are making today. Cottonseed oil makes a soap which does not keep well, it gets rancid.

I would like to say this too, that the composition of our soap, I mean the charge that we put into our kettles, is not regulated by the manufacturer. We do not determine what we shall use for making soap; that is determined absolutely by the American housewife. She knows what she wants, and we make up what she wants. We spend a lot of time and money finding out just what she wants, and we make exactly what she wants. We are not free agents in the matter of using raw materials in our kettle. And the soap that she wants is the kind which contains coconut oil.

We began many years ago making soap, as I say, containing no coconut oil. The minute coconut oil was introduced into the soap kettle, that was the time the housewife began to buy heavily, and she is increasing her orders for that kind of soap today. The largest selling types of grocery-store soap today is a soap called blown or granulated soap. To make that soap requires a reasonable percentage of coconut oil in the kettle. Without the coconut oil, you cannot make it.

Senator BAILEY. What other oils do you use in connection with it?

Mr. MERRILL. We?

Senator BAILEY. Yes.

Mr. MERRILL. Tallow.

Senator BAILEY. Speaking generally, what other oils are used?

Mr. MERRILL. Palm-kernel oil, which is a fair substitute for coconut oil, and babassu oil, both contain lauric acid.

Senator BAILEY. Are there any other oils?

Mr. MERRILL. There is tallow.

Senator BAILEY. It takes the two of them?

Mr. MERRILL. Yes. I think the average charge is 60 pounds of tallow and 40 pounds of coconut oil or other lauric acid containing oil such as palm kernel.

Senator BAILEY. Can you tell us to what extent the fish oil is used in making soap in America? I do not mean, now, any particular type.

Mr. MERRILL. Fish oil, after being hydrogenated, can be used in place of tallow. It is not a substitute for coconut oil.

Senator BAILEY. You mean it is not a substitute absolutely; but are there not soaps in America that do not have the coconut oil?

Mr. MERRILL. Oh, yes. What I am calling your attention to is that the consumption of those soaps is decreasing and the consumption of the soaps which contain the coconut oil is increasing. The blown or granulated soaps, the package soaps, have very nearly doubled in consumption in 6 years. Those figures are available in the statistics of the Department of Commerce.

Senator KING. Even with the depression, the increase of soap has gone on?

Mr. MERRILL. Oh, yes. The use of coconut oil soap has continued to increase. I might say that we use coconut oil because if we do we can sell our product, and the price of the coconut oil is not a serious factor, except to this extent: That if, for instance, this 2 cents a pound excise tax is added to the coconut oil we will still use it, but the housewife will have lost. The more you charge the less you sell; and if we sell less, we will use also less American-produced tallow; so putting an excise tax on coconut oil is not going to help the production of American raw materials for the soap kettle.

Senator BAILEY. Your theory is that high taxes prevent selling?

Mr. MERRILL. My theory is that the higher the price the less the sales.

Senator BAILEY. The higher tax lifts the price, doesn't it?

Mr. MERRILL. If you add more on the tax and if that adds more to the price, you will sell less.

Senator BAILEY. What would you say to this, generally: That last year the taxes in America, all told, were three-fifths of the net profits of the corporation? Do you think that that hampered business?

Mr. MERRILL. Well, I don't know as I follow your question.

Senator BAILEY. All right. Taken in round numbers, that all the corporations in America made last year $3,000,000,000. That is just a figure. But the taxes were 2 billion. Would you say that that heavy charge of taxes tended to hold the American consumer back from buying, or back from the market?

Mr. MERRILL. My private opinion is that taxation decreases employment. Does that answer your question?

Senator BAILEY. And disturbes buying, doesn't it?

Mr. MERRILL. Oh, yes; naturally.

Senator BAILEY. I was looking up the statistics last night. I think it is safe to say that the tax charge in America is now uniformly more than half the net profits of the corporate structure.

Mr. MERRILL. Well, in our instance it is very much more.

Senator KING. You have your municipal taxes, your State taxes, and the various forms of Federal taxes?

Mr. MERRILL. That is right.

Senator KING. And when you have paid all of those taxes, you have a very large part of your total income subtracted?

Mr. MERRILL. Yes. Years ago our direct taxes, the taxes which we paid whether we made any money or not, I mean excluding profit taxes, were less than 2 percent of our sales. Today they are about 11 percent of our sales. Those are taxes which we must pay whether we make any money or not, and we have to find some means of meeting those taxes.

Senator KING. Have there been any considerable numbers of manufacturers who have failed during the past 2 or 3 years, soap manufacturers?

Mr. MERRILL. Well, they just quit.

Senator KING. They have ceased to operate?

Mr. MERRILL. That is right. Some of them have gone into other lines, the making of cosmetics, for instance. They have quit their soap-making operations and gone into cosmetics.

Senator CONNALLY. May I ask you some questions?

Mr. MERRILL. Yes.

Senator CONNALLY. I believe you said you would still use coconut oil?

Mr. MERRILL. Yes.

Senator CONNALLY. Probably in comparable amounts to what you have been using?

Mr. MERRILL. The decrease would be in proportion to the decrease in the buying of soap. How much that will decrease, I cannot tell you.

Senator CONNALLY. Now, let us see; in 1931, there was not any tax on this coconut oil at all, was there?

Mr. MERRILL. I don't know.

Senator CONNALLY. You were in business?

Mr. MERRILL. There was no excise tax; no.

Senator CONNALLY. In 1934 it was put on?

Mr. MERRILL. Yes.

Senator CONNALLY. Up to that time, it had no tax at all?

Mr. MERRILL. Yes.

Senator CONNALLY. In 1931, there were only imported into the United States 325 million pounds of coconut oil, and in 1938, with the tax on, 364 million pounds; so that there was an increase instead of a decrease.

Mr. MERRILL. Well, you take an average through, and you will find the usage in soaps is very, very uniform.

Senator CONNALLY. We will see the average through. In 1931, there was 325 million pounds; in 1932, when the depression hit us, it went down to 240 million pounds; in 1933 it jumped up to 316 million pounds; in 1934, 315 million pounds; in 1935, 353 million pounds; in 1936, 322 million pounds; 1937, 337 million pounds; and in 1938 it jumped to 364 million pounds. And that went into soap, didn't it?

Mr. MERRILL. I am not prepared to say that all of it went into soap.

Senator CONNALLY. You are not prepared to say that every pound did. But the bulk of it went into soap.

Mr. MERRILL. By far the larger part of it does.

Senator CONNALLY. So if they were bringing in more, they were probably making more soap out of it than they did before.

Mr. MERRILL. Out of a lot of it.

Senator CONNALLY. Probably in the same ratio that they had formerly? The same percentage of it probably went into soap?

Mr. MERRILL. Oh, yes; we do not change our formula, if that is what you mean.

Senator CONNALLY. So they were bringing in more and using more, and the natural deduction was that they were making more soap out of coconut oil in 1938 than they ever had in the past 7 or 8 years.

Mr. MERRILL. You cannot judge from 1 year's figures.

Senator CONNALLY. I gave you 7 years' figures. You are still making soap, aren't you?

Mr. MERRILL. Oh, yes.

Senator CONNALLY. Still in business?

Mr. MERRILL. Yes.

Senator CONNALLY. If you are not selling any more soap than you did or if you are selling less, that means that more of your competitors are selling more, doesn't it?

Mr. MERRILL. That is right.

Senator CONNALLY. Can you not compete when you are right there on the Pacific coast and get this oil without any freight on the Pacific coast which they have to pay back East, aren't you able to compete with these eastern manufacturers and make that soap as cheaply as they can?

Mr. MERRILL. We are still in business, if that is what you mean.

Senator CONNALLY. I am not trying to rag you; I am asking for information.

Mr. MERRILL. We are not making very much profit, but we are still in business.

Senator CONNALLY. I am not talking about profits, and I am not interested in your profits, but I am interested in what you say about making soap. You are making plenty of soap?

Mr. MERRILL. Yes.

Senator CONNALLY. They are buying it?

Mr. MERRILL. Yes.

Senator CONNALLY. And they are washing with it and using it?

Mr. MERRILL. Yes.

Senator KING. The higher the price that you pay for coconut oil, the more tallow perhaps might be used, or other ingredients in the manufacture of an inferior kind of soap?

Mr. MERRILL. If you could sell it. That is the whole problem. You have to make what you can sell; that is the important point in the whole thing, and as I told you, it is the American housewife who determines what we shall put into our soap kettles. We have no option in the matter. If we put in what she wants, she will buy it, and if we do not put in what she wants, she won't buy it.

Senator BAILEY. That is not just a whim on the part of the housewife. She is after a good acceptable soap, isn't she?

Mr. MERRILL. She knows what she wants. She has a pretty good idea what she will pay for it, too, and if you charge her too much, she does not buy.

Senator BAILEY. What you are saying is that you run into consumer resistance with a little lift in the price?

Mr. MERRILL. That is correct.

Senator BAILEY. I think we are running into that all around in this country.

Mr. MERRILL. It looks that way to me.

The CHAIRMAN. Are there any other questions?

(No response.)

The CHAIRMAN. That is all, thank you, Mr. Merrill.

Mr. Lozier.

## STATEMENT OF HON. RALPH F. LOZIER, REPRESENTING THE NATIONAL INSTITUTE OF OIL SEED PRODUCTS

Mr. LOZIER. For the information of those who may not know me, I will state that my name is Ralph F. Lozier. My home is Carrollton, Mo.

The CHAIRMAN. You represent the National Institute of Oil Seed Products?

Mr. LOZIER. Yes, sir. For 52 years I have been practicing law, was at one time judge of the seventh judicial circuit of Missouri, and for 12 years a Member of the House, from the Sixtieth to the Seventy-third Congresses, inclusive. I represent the National Institute of Oil Seed Products, the member companies of which are:

Member companies of San Francisco, Calif.: Pacific Vegetable Oil Corporation; R. J. Roessling & Co.; C. B. Jennings & Co.; S. L. Jones & Co.; Adolph Schumann & Co.; and El Dorado Oil Works.

Member companies of Berkeley, Calif.: Durkee Famous Foods, Inc., and Berkeley Oil & Meal Co.

Member company of Oakland, Calif.: Western Vegetable Oil Corporation.

Member companies of Los Angeles, Calif.: Snow Brokerage Co.; California Flaxseed Products Co.; Copra Oil & Meal Co.; Pacific Nut Oil Co.; Globe Grain & Milling Co.; Pacific Oil & Meal Co.; Vegetable Oil Products Co.; California Cotton Oil Corporation; and Producers Cotton Oil Co., Fresno, Calif.

Spencer Kellogg & Sons, Inc.: Buffalo, N. Y.; Edgewater, N. J.; Chicago, Ill.; Des Moines, Iowa; St. Paul, Minneapolis, and Duluth, Minn.; and Kansas City, Mo.

I appear in opposition to the three amendments which have been offered in the Senate to the pending revenue bill. I desire at this time only to be helpful and if possible to give to the committee perhaps a moiety of information which may be of some aid to it in determining whether or not these amendments shall receive the approval of this committee.

I am opposed to these amendments, first, because their enactment involves an abrogation or a repudiation of the covenants made with independent nations. The right of Congress, the power of Congress, the prerogative of Congress, to denounce these treaties is undeniable, but the ethics of such action is certainly open to very serious question.

Under our Constitution the treaty-making power is vested, not in the President, not in the Senate, but in the President and Senate, each having equal authority in the negotiation and adoption of treaties. That statement is subject to this modification, that where the treaty deals with a subject that has been committed by the Constitution to another branch of the Government—for instance, on the question of taxation, fixing tariffs and excise rates, the coinage of money, naturalization laws, appropriation of public funds, and many other things which under the Constitution Congress is authorized to do—the treaty-making power of the President and Senate does not extend to cases involving those subjects unless the House of Representatives participates.

The only virility that these trade agreements have comes from the fact that the Congress of the United States, of which the House of

Representatives is a constituent member, has delegated to the executive department of the Government the right to make these treaties under certain definite regulations and limitations, and the prerogative of the House of Representatives to participate in the treaty making is recognized when taxes or any of those special powers conferred by the Constitution on Congress are involved.

And that doctrine, though originally challenged, has been recognized during the entire history of our Nation.

I am opposed to these amendments secondly because of the fact that they are in violation of the intent and spirit of the Independence Act which pledges ultimate independence to the Philippine people. In that Act, the Congress of the United States solemnly pledged that it would not impose any tariff duties upon Philippine products, entering the United States. We must assume that those who represented the Philippine nation construed that obligation as an agreement not to impose taxes or duties upon Philippine products, but the ink of the signatures to the bill had scarcely dried before the Congress of the United States imposed a 3-cent excise tax on coconut oil imported to the United States from the Philippine Islands. It is true it is not technically a violation of the Independence Act, because under the guise of calling levy an excise tax, we in reality levied an impost duty. It is nothing more than that, so we broke faith with those 13 or 14 million people when we enacted, not a tariff law but a law imposing an excise tax which is in essence and effect equivalent to a tariff and which the Congress of the United States evidently never intended when the independence statute was enacted which the people of the United States never intended, and which those that represented the Philippines never intended.

Well, when this bill imposing an excise on coconut oil was pending, it was shown that the Philippine copra growers would be seriously affected by the imposition of this excise tax, which admittedly was imposed in order to benefit the American dairymen, the American farmers, and the producers of domestic vegetable and animal oils, and when the bill was in the Senate, on the initiative of Senator Norris a provision was inserted which prohibited the return of these excise taxes to the growers or producers of copra in the Philippines.

Here is the formula: They said in substance, "the United States has violated its obligation embodied in the Independence Act not to impose a duty on these Philippine products, but we will impose an excise tax which is the equivalent to a duty. We realize that, in trying to help the producers of vegetable oils in the United States, we are imposing a very heavy tax upon the producer of copra in the Philippines," but in order to benefit the producers of American domestic vegetable oils we will levy and collect the tax and cover it into the Treasury of the Philippine Islands under which arrangement the Government of the Philippines could reimburse the copra growers for the losses which were inevitable, from the imposition of this tax." But before the bill got through the Senate, Senator Norris offered an amendment which prohibited the payment of any of these funds out of the Philippine treasury to the Philippine producers of copra, that is to the vocational group that was the victim of this breach of a solemn covenant of the United States with that dependent people. And so the provision was written in the law that if the Philippine

Legislature, the Philippine Government, paid any of this money directly or indirectly to reimburse or subsidize the producers of copra, who were the victims of this legislative miscarriage, that automatically the transfer of the proceeds of these excise taxes from the United States to the Treasury of the Philippine Government would immediately cease.

Well, the Filipino people are still with us. The legislation is pending in this Congress, with which this committee has no jurisdiction, the purpose of which is to determine the status of those people permanently, and it is now proposed that the transition period shall be extended until 1960, on the specious theory that at the present time the Filipino people are not economically independent or self-sufficient, and that our flag should not be withdrawn until the islands attain economic independence. We all realize that the Philippines were dropped in our lap as the result of a war into which we were reluctantly drawn. The United States Delegates or Commissioners, Justice Day, Whitelaw Reid, Senator Frey, Senator Cushman Davis, and George Grey, none of them wanted to take the Philippines, but we were between two very regretable and unsatisfactory alternatives, and finally took over the islands in order to free them from the 300 years of unspeakable Spanish oppression, and, incidentally, in order to prevent a European power from acquiring them—a power that was looking with longing eyes for their acquisition. We took them under a promise that we would retain possession until they were able to establish a stable government. And the purpose of the United States Congress and the overwhelming sentiment of the American people was reflected in the Jones Act in 1916 which solemnly pledged the American people to withdraw our sovereignty from the Philippines as soon as they were able to establish a stable government.

Now, ability to establish a stable government was the only condition; nothing said about economic self-sufficiency or economic independence. It was not until many years thereafter that someone injected this other element into the formula, namely, that they must become economically independent or self-sufficient before they could hope for political independence. I want to say, while we are not considering that bill, the observation I am about to make I think is apropos to the bill which we are considering, viz, that the time will not come in the next generation or in two or three succeeding generations when the Philippine Islands will be economically independent or self-sufficient. Theirs is an agrarian population, they are not an industrial people, and their attainment of economic self-sufficiency is far, yes very far in the future, and to postpone withdrawal of our sovereignty until they become economically independent means a continuation of the American flag in the Philippines for generations. The 13 American Colonies were not economically self-sufficient when we won our independence at the point of the sword. How many nations in Latin America are economically independent? How many nations in Europe are economically independent? And yet if we take the proposed formula and say we are going to make these islands economically independent before granting their independence, we are legislating by these three amendments to further enslave them economically and make it impossible for them to ever become economically independent or self-sufficient.

I pass from these matters to a detailed consideration of these amendments. I have heard much about the condition of the cottonseed oil industry and that of other producers of domestic vegetable oils. The depression to which we have been referred is actual, and yet may I say to these gentlemen that those things of which they complain are to be found in every vocational group in the United States, especially in the agricultural and industrial groups. Our people in the great Middle West produce hogs and lard and tallow and corn and wheat. They are in desperate financial straits and are walking with steady step toward a condition of peasantry comparable with that which prevails in many European States. More than that, the condition of the vegetable and oil industry in Europe, Asia, Africa, and Latin America is just as badly depressed as it is in the United States.

I have heard suggestions repeatedly made around this table that we should exclude the various oils that come in from abroad. In an address, Mr. Lunn of the Fats and Oils Division of the Bureau of Foreign and Domestic Commerce, of the Department of Commerce, gave expression to this thought, that it would be generally agreed that this world has never produced a sufficient amount of fats and oils to meet the needs of our civilization. Did you ever stop to think that notwithstanding the enormous quantity of vegetable oils produced in the United States and imported into the United States, that the per capita daily consumption of all oils and fats, animal and vegetable, is only one-fifth of a pound? The American people consume per capita only one-fifth of a pound of vegetable and animal oils daily, and that includes butter, it includes oleomargarine, and it includes compounds, shortenings, and all consumption of edible and inedible oils and fats.

Senator BROWN. One-fifth of a pound over what period?

Mr. LOZIER. Daily. The daily per capita consumption of vegetable and animal oils of every kind and character and for all purposes is only one-fifth of a pound, and as Mr. Lunn says, the consumption of about 18 pounds of butter and 3 pounds of oleomargarine indicates very clearly that we have not reached the point that we are striving for, namely, to have an adequate supply of fats and oils, which are so vital to our existence and high standards of living.

Now, it has been suggested that we ought to exclude these fats and oils, thereby giving our domestic market to the producers of domestic fats and oils. In 1936 our importations of vegetable and animal oils was 2,310,000,000 pounds. In 1935, 2,600,000,000 pounds. The average of 5 years prior to 1934 was 1,654,000,000 pounds. And then in 1938, our importations of fats and oil amounted to 1,601,000,000 pounds. In 1937 it was 2,828,000,000 pounds, and the average for the last 5 years was 2,043,000,000 pounds.

Now, what does this proposition mean? I am wondering if we understand the significance and the purport and the consequences of this proposed legislation. How many of us know that these amendments if adopted would not equalize the vegetable-oil excise taxes of 5 cents per pound on all of these commodities? How many of us take into consideration when we refer to hemp oil that there is a duty of 1½ cents a pound that would not be affected by these amendments and which duty would be in addition to the proposed 5 cents per pound excise tax? And if these amendments are adopted, the tax load on hemp oil instead of being 5 cents as proposed in these amendments, there would be a duty of 1½ cents and an excise tax of 5 cents, or a combined duty and tax of 6½ cents.

And also in the case of rape oil. There is a tax of 6 cents a gallon on rape oil. The Customs Bureau construes 6 cents per gallon as equivalent to eight-tenths of a cent a pound. So these amendments proposing a flat 5-cent excise tax on these oils, wdhen applied to rape oil, we find the duty and tax combined would be 5.8. We have a 20-percent ad valorem tax on kapok oil. The Bureau of Customs construes that as being equivalent to 1.2 cents a pound, and under these amendments if enacted, we would have kapok oil coming in here with a duty of 1.2 and with an excise tax of 5 cents a pound, or a total tax load of 6.2 cents per pound. And this is true in relation to a number of other oils, and I am bringing this matter to the attention of the committee in the utmost good faith, because I feel that this committee, that this Congress, that the people who are now considering this legislation, have not given and cannot give at this session of Congress to this proposition the earnest consideration and close examination to which it is entitled, and therefore action on these amendments should be postponed until a complete study can be made of the entire vegetable-oil-tax structure.

We are dealing with a scientific and highly technical proposition; we are dealing with vegetable oils and seeds that are imported into this country because of their vegetable-oil content, without taking into consideration the variable oil yield of these various seeds, some of them yielding only 15 percent oil, some 18 percent, others 24 percent, and others 33 percent, 35, 37, and 48 percent; and yet here comes along a proposal imposing a flat tax upon all of these oils without taking into consideration their differences in value and the variable oil content of the substances from which they are processed. It would be just as absurd as to impose the same tax yardstick or per pound tax on a steel crowbar as on a watchspring; that is, so much per pound without reference to their respective values.

I feel, gentlemen, and I say this with due respect to this, one of the greatest committees in all of our self-governing States, charged with the responsibility of balancing the legislative scales between the producer and the consumer, between the several vocational groups, and I mean no disrespect when I say that if these amendments are enacted, they will not have had the mature consideration which you gentlemen, I am satisfied, would like to have them receive. So I think that when you are dealing with a scientific or technical proposition like this one, precipitate or even any action at this session would be unwise and bring about a reopening of all the other schedules, not only those relating to vegetable and animal oils, but such action will inevitably result in raids upon the entire tariff structure and on practically every schedule.

Senator King. You forgot to say that it may give the Democrats an opportunity to exceed the Republicans in imposing tariff legislation.

Mr. Lozier. I think so. My good friend, Senator Bailey, for whose robust intellectuality I have a profound respect, and while I am not intimately acquainted with him personally, I am not unmindful of his vigorous and exceptional qualities of mind and heart. He has argued from the beginning that one of the reasons why these amendments should be adopted was to give the American market to the domestic producers of vegetable and animal oils and fats. Now, let us see what would result if the Connally, Bailey, and Gillette amendments were adopted. If we should conclude to apply an embargo and if this Congress should announce that hereafter all foreign vegetable and animal oils are to be excluded what would be the result?

Such action would be predicated on the policy that we want to preserve our American market for American products—and I am in full accord with that principle as far as it is practical and attainable, and insofar as it can be accomplished, but while I don't know much about economics, I know too much to believe for one minute that the cotton-oil problem, that the cotton problem of the South, or the soybean-oil problem or the dairy problem, will ever be settled or substantially benefited by the proposed legislation.

And now let us see what would happen if we would adopt the policy that would exclude foreign vegetable and animal oils. What would it mean? It would mean that the American people would be either deprived of a very substantial part of the vegetable and animal oils that they desire, need, and must have, or it would mean that we must increase our production in the United States to a point where we would have to produce annually a quantity of vegetable and animal oils comparable with that which we are now producing plus the amount that would be required to supply the deficiency if we closed the door to foreign imports.

Now, suppose we want to have cottonseed and soybean oils, insofar as it is possible, supply the demands which are now being met by some of these foreign oils. In 1938, as I said, we imported 1,900,000,000 pounds of animal and vegetable oils. If we embargo those importations, if we shut our doors against these products—and these amendments would, as to some of these oils, have that effect—we would have to find, that is, produce, in the United States an additional 1,900,000,000 pounds of vegetable and animal oils to supply that deficiency. Some of my friends from the South, from the land of cotton, to which someone has referred as the land upon which Providence smiled so generously, but upon which man has frowned so hideously—the land so ably represented by the great chairman of this committee and by Senators Bailey, Connally, George, and other able and influential members of this committee. The South and their people have their very serious economic problems, and I would like to help settle them; and if I thought for one moment that the enactment of these amendments would accomplish the results that they seek, notwithstanding their very objectionable provisions, I might tolerate their enactment; but if enacted I am sure the results would be very disappointing. Suppose we set out to have, for instance, cottonseed oil furnish or supply the deficiency that is caused by the exclusion of 1,900,000,000 pounds of foreign oils.

Senator CONNALLY. May I ask you a question there?

Mr. LOZIER. Yes, sir.

Senator CONNALLY. Where is there in these amendments that provides for the embargo or exclusion of all of these oils?

Mr. LOZIER. Under present conditions——

Senator CONNALLY (interposing). You are assuming that we want to shut out every one of these other oils.

Mr. LOZIER. Hasn't that been the argument?

Senator CONNALLY. I am not talking about the argument; I am talking about the facts.

Mr. LOZIER. I say, Senator, that that is the effect of these amendments.

Senator CONNALLY. All right.

Now, let me ask you another question while you are answering that question. Is it not a fact that in 1931, when we had no tax on coconut oil at all, that we imported less coconut oil than we did in 1938 with a 3-cent tax?

Mr. LOZIER. What year was that?

Senator CONNALLY. 1931.

Mr. LOZIER. 325,000,000 pounds.

Senator CONNALLY. How many did we import in 1938?

Mr. LOZIER. 363,000,000 pounds.

Senator CONNALLY. Did that 3 cents shut that all out?

Mr. LOZIER. No; it did not shut it out, but——

Senator CONNALLY (interposing). We are not going to shut it out now.

Mr. LOZIER. I say that the importation of coconut oil in 1938 was practically on a par with the importation since 1929. For instance, in 1929, before we had any tax, 412 million pounds of coconut oil came in. In 1930 and 1931, 317 million and 325 million respectively; in 1932, 249 million. In other words, you cannot take one year in a given period and get the whole picture. Why, Senator, does it stand to reason that because within a 12-months period 363 million pounds of coconut oil comes into the United States, that all of it will be milled in that 12 months? Don't the mills accumulate stocks of materials? Don't they have stocks in their warehouses?

Why, gentlemen, you take copra. Copra in San Francisco is selling at 1.7 cents a pound, or $34 a ton. When the excise tax on coconut oil became effective copra was worth $110 a ton. It fell to $90, and the mills thought that was the limit. It fell to $70 and $50 and $40, and now it is down to $34 a ton, and c. i. f. West coast, which includes the cost, insurance, and freight from the Philippine Islands.

And coconut oil on the West coast is only worth 2¾ cents a pound.

Let us see whether this is an embargo on coconut oil. I assert that it is, theoretically, unless there is a very substantial upswing in prices. Coconut oil on the West coast is worth 2¾ cents a pound. The oil yield of copra is 63 percent. In a ton of copra there would be 1,260 pounds of oil.

At 2¾ cents per pound, without the tax, the oil in a ton of copra is worth $34, and the cake yield of copra is 35 percent or 700 pounds per ton, which is worth now, for ready sale, about $7. The gross proceeds of a ton of copra therefore are $34.85 for the oil, $7 for the meal, or a total of $41.65. Let us see what that ton of copra costs the miller: The cost of 1 ton of copra at 1.7 cents a pound is $34; the proposed processing tax, 5 cents a pound, on 1,260 pounds would be $63; the tax on 740 pounds of cake at 0.3 of a cent a pound, $2.22; total outlay on a ton of copra of $99.22. The total income, $41.65. The outlay over receipts is $57.57, and that does not include any charge for processing tax or milling and other charges, which would be at least $7 a ton.

Senator BAILEY. Now, on that point, will you tell us how many cakes of soap, bars of soap, that a ton of copra makes?

Mr. LOZIER. I cannot tell you that. I do not speak for the soap industry and I have made no study of it.

Senator BAILEY. Would that not be the real test as to the list in the price?

Mr. LOZIER. I could not attempt to pass upon that matter, the soap proposition.

Senator BAILEY. You said it was a scientific proposition.

Mr. LOZIER. I want to get back now, if the committee will indulge me.

In 1938, we imported fats and oils to the extent of 1,900,000,000 pounds. Had the foreign oils been excluded and we had supplied the deficiency by increased domestic oils—say, for instance, cottonseed oil domestically grown—we would have been compelled—and I want you to listen to this—we would have been compelled to have produced in 1938, 12,673,000,000 additional pounds of cottonseed. Practically 13,000,000,000 pounds of cottonseed in addition to what we did produce in 1938 would have been required to be produced by the southern cotton growers from which to mill this additional 1,901,000,000 pounds of oil, because the oil yield of the cottonseed is approximately 14 or 15 percent—we will call it 15 percent. So, if we are going to add now—if we are going to reach out to the producers of domestic oils and fats in this country to get a supply that will answer the demands of the American people and supply the deficiency which would result from these amendments, and the spirit which is abroad in our land to exclude all foreign oils and fats, the southern cotton group would have to enlarge its plantings, would have had to produce in 1938 twelve and a half billion pounds of cottonseed more than they did produce. In 1938, with 1,900,000,000 pounds of foreign oil coming in, the southern cotton growers produced 1,683,000,000 pounds of cottonseed oil. If they had had to produce 1,900,000,000 pounds more to take the place of these excluded oils, they would have been compelled to produce, in 1938, 3,584,000,000 pounds of cottonseed oil, an amount double the production in the record year of 1938 and equal to the combined cottonseed oil produced in 1937 and 1938.

Senator BAILEY. Are you not creating a very great demand for cottonseed?

Mr. LOZIER. I am answering, Senator, your very sincere argument in respect of this legislation that a way should be provided by which these foreign oils, which are now consumed in the United States, would be replaced with domestic oil, and you, sir, very properly have emphasized the serious and exceedingly regretable situation of the southern producer of cotton and cottonseed oil, and you are seeking to bring about his relief. It would not be any relief to the southern cotton grower to exclude these oils.

Senator BAILEY. Would it not be a great relief to create so large a demand for the seed? The seed would then out sell the bale.

Mr. LOZIER. Do you believe that the doctrine of scarcity should be applied to a point where 2,000,000,000 pounds of vegetable and animal oils that the American people want because of their properties, want because of some of the properties that cottonseed oil and these other domestically produced oils do not have?

Senator BAILEY. You have asked me a question and I am going to answer you. There is no doctrine of scarcity here, and it strikes me that in your argument you have entirely overlooked the bulletin of the Department of Agriculture, on page 11, which states that we have the largest stock on hand of oils and oil equivalents in the history of the country, and it comes to 2,953,000,000. We start with that.

Mr. LOZIER. I have not overlooked it, Senator. I am familiar with it, and I may say that in addition to those figures, the Department of Commerce calls attention to the fact that in addition to the present stocks of cottonseed oil, about 690,000,000 on December 31, 1938, calls attention to the fact that the potential supply in 1938's crop that has not yet been milled will bring the potential supply of cottonseed oil in this country up to 1⅓ billion pounds.

Senator BAILEY. So there is not a doctrine of scarcity that we are dealing with. We are dealing with the doctrine of an actual surplus and a reduced price.

Mr. LOZIER. Yes. Let us see what would happen if we could by some legislative legerdemain——

Senator CONNALLY (interrupting). Right there I want to ask you a question. You are getting right on the point. You are assuming for the sake of your argument that this duty would exclude all oils, and then you show that if that happened there would be such a tremendous shortage here that it could not be adequately filled by any domestic production. If that were so, is it not a fact that by reason of that shortage the domestic price would go up so high as to immediately admit foreign oils, and we would get just as much oil as we did before? I appeal now to your fairness and to your reason on that.

Mr. LOZIER. I do not believe so, because I know that a lot of these oils were excluded by the Revenue Act of 1936.

Senator CONNALLY. Wait a minute. Let me ask you this. You say it was excluded. I want to put this in the record, Mr. Chairman.

Here are the statistics from the Tariff Commission: The imports of coconut oil from the Philippines, 1928, 524,000,000—I won't give the total figures, but they can go in the record—1929, 607,000,000; 1930, 529,000,000.

Mr. LOZIER. The Bureau of Foreign and Domestic Commerce release of August 15, 1937, gives 1929 as 411,000,000.

Senator CONNALLY. I have got this one. It is supposed to be the Tariff Commission report, No. 118, foreign commerce. I notice here that the record from the Agricultural Department varies slightly from these figures.

Mr. LOZIER. We get our statistics from the Department of Agriculture, the Department of Commerce, and the Bureau of Foreign and Domestic Commerce.

Senator CONNALLY. Sometimes they vary slightly. But the point I am making now is that from 1934 on—this tax went on in 1934, did it not?

Mr. LOZIER. Yes, sir.

Senator CONNALLY. All right. In 1934, we were importing from the Philippines coconut oil and equivalent copra, 527,000,000. You say it would shut it out?

Mr. LOZIER. No, I do not say that.

Senator CONNALLY. You say it would shut out some of it. I want to show what part of it is shut out. In 1934, we were bringing in 527,000,000; in 1935, we went up to 631,000,000; in 1936, 546,000,000; in 1937, 634,000,000; in 1938, 673,000,000—climbing right on up with the tax on. The point I make is that if in enacting this legislation or any other kind of legislation we should create such a shortage in America that the domestic fats would not be sufficient, it would inevitably raise the price automatically and would thereby admit the importation of these oils.

Mr. LOZIER. Well, I will tell you. You can carry that formula to unlimited extremes——

Senator CONNALLY (interrupting). I am not carrying it any further than your extreme when you assume that it will shut it all out.

Mr. LOZIER. I say this, if you take sesame, hemp, rape, and a number of other vegetable oils they will be absolutely excluded by these amendments unless there is a very substantial upswing in the prices, which, of course, none of us can prophesy.

Senator CONNALLY. That is what we are trying to do, make that upswing in the price here so they will continue to come in.

Mr. LOZIER. In the limited time that I have, let me finish this proposition. If we have got to produce enough oil in the United States to make up for those 1,000,000,000 pounds that our suppositions case would exclude, there has got to be, there must be a very substantial increase of cottonseed oil, soybean oil, or some other domestic oil. We only have five domestic plants, sources of vegetable oil in the United States, of any large volumes. It would mean that we would have to produce in the South practically every year double the amount of cotton that we are now producing.

Senator CONNALLY. How about soybeans all over the United States?

Mr. LOZIER. The rule is just the same as to soybeans.

Senator CONNALLY. Don't put it all down in the South. Everybody can raise soybeans, and everybody can raise hogs, and everybody can raise beef.

Mr. LOZIER. Yes, but I am merely using that as an illustration and saying that my argument would apply with equal force to the production of soybeans.

Senator BAILEY. Wouldn't it apply to peanuts?

Mr. LOZIER. Yes. That little insignificant nut, a native of Brazil, carried to Africa by slave ships, carried by slave ships to Virginia, and in 1889 an Episcopal missionary returning from a furlough in Virginia took 4 quarts of Virginia peanuts to China, and as a result of those 4 quarts of peanuts carried to China by a missionary, China is now producing 5 and 6 billion pounds of peanuts a year.

Senator BAILEY. And made a basic commodity in the A. A. A. by an amendment introduced by Carter Glass. I think that that will complete the history of the peanut.

Mr. LOZIER. Now, let me get back to this proposition. We cannot produce this extra amount of cottonseed oil or soybean oil or some other domestic oil to take the place of the foreign oil you seek to exclude without tremendously increasing the production of soybeans or cottonseed and other domestic oil-bearing commodities. When we do that, what is the result? Cottonseed oil is a byproduct. Cottonseed-cake meal is a byproduct. In the soybeans, the meal and cake is a byproduct. You cannot increase the quantity of cottonseed oil or soybean oil without increasing the quantity of cottonseed—

Senator BAILEY. Let me ask you a question——

Mr. LOZIER (interposing). Just let me finish this sentence. You cannot increase the quantity of cottonseed without increasing the quantity of cotton.

Senator CONNALLY. Just right there, I am glad to tell the Congressmen that recently they developed in my State, the Agricultural and Mechanical College have developed, a type of cotton that is practically all seed, just a great cluster of seed, so that even if this should exclude all of this oil that you are talking about, we would be most happy to quit raising so much lint and go into the seed business.

Mr. LOZIER. Then I suggest that this committee defer action upon these amendments until the newly developed Texas plant has been brought to perfection and fruition, and whenever you develop cotton that is all seed, I will withdraw my opposition to these amendments.

Senator CONNALLY. I will tell you why we are not going to wait until that time, because even with the little dab of seed we produce now, we cannot sell it at a profit because the companies that you represent are more interested in the Philippines than they are in the United States, but we are not going to raise more seed until we get more money for what we are raising. As soon as this tremendous shortage that we are going to bring about by this bill comes about, we are going to do it, but not until then.

Mr. LOZIER. If the committee will permit, I hold no brief for the cottonseed millers of the South——

Senator CONNALLY. Evidently you do not from your argument. That is perfectly clear.

Mr. LOZIER. I will say in defense of the cotton mills of the South that they did what Faure and other English authorities on fats and oils say was done in England. They anticipated an upswing of the market, bought heavily, paid high prices for cottonseed, and lost plenty of money. The cotton mills of the South in like manner paid more for seed than subsequent conditions warranted. The result is that many of the southern mills are in straitened financial circumstances. I think explanation is due them. The distress of the southern cotton mills is not because of coconut oil, it is because too many of the cottonseed mills in the South speculated, and they anticipated——

Senator BAILEY (interposing). What would you say as to the consequence of the importation of 8 or 9 million pounds of cottonseed from abroad? How would that affect our mills?

Mr. LOZIER. Cottonseed from abroad?

Senator BAILEY. Yes.

Mr. LOZIER. It is not coming in, Senator. Very little cottonseed is coming in.

Senator BAILEY. Here is a statement from the Department as to imports. That is all that I am going by.

Mr. LOZIER. There is some coming in from Mexico.

Senator BAILEY. That is just as much abroad as anywhere else, as far as I am concerned. I think I can give you the statement.

Mr. LOZIER. We are receiving imports of cottonseed, but quantities are very negligible, because the Department of Agriculture administers the sanitation laws so vigorously as to exclude these foreign cottonseed lest they bring additional pests to the cotton industry——

Senator BAILEY. Imports of cottonseed oil in 1930 totaled 83,000,000 pounds, as compared with 200,000,000 pounds in 1937.

Mr. LOZIER. Yes; that is true. That is cottonseed oil. That is not the seed, and I never could understand, Senator, how the southern cotton grower could so vigorously protest against the importation of coconut oil, perilla oil, sesame oil, and other fats and oils, and yet be abslutely quiescent and permit, as in 1932, 200,000,000 pounds of foreign cottonseed oil from Brazil and Egypt to enter our ports on a 3-cent per pound tax.

You are talking about competition? That is competition 100 percent when that oil is admitted to our ports, and when it goes into the kettle it is absolutely impossible to distinguish the foreign cotton oil from domestic cotton oil, and yet this bill does not deal with foreign cottonseed oil, which is 100 percent competition with domestic cottonseed oil. That is, the admission of 200,000,000 pounds of oil identical in property and in price to the domestic cottonseed oil. And that simply illustrates this proposition, that all our oil schedules in our tariff law and in our revenue laws are simply a hodge podge of inconsistent provisions, and I think, in all seriousness, that if this bill were passed, the time would come when the American soybean oil producer and the American cotton oil producer, in order to meet this increased demand, will have to increase their acreage and their production. You cannot dispose of the present production of cotton, you cannot dispose of the cottonseed cake that you have now, nor of the present soybean oil and soybean cake production. Take the soybean, from 18,000,000 bushels a few years ago to 45,000,000 bushels in 1935 and 58,000,000 bushels in 1938. In other words, gentlemen, I have taken too much of your time, and I thank you for your indulgence——

The CHAIRMAN (interrupting). Take as much time as you want. I will say that we have to hear those who are for this legislation. All the others have been the other way. We are holding up the salary-tax bill until we finish these hearings.

Mr. LOZIER. I am closing now.

Senator BAILEY. Before you start to close, I would like to make a suggestion.

Mr. LOZIER. Yes, Senator.

Senator BAILEY. You have made a very eloquent and persuasive argument for embargo——

Mr. LOZIER. Thank you. I had a good cause—did you say for an embargo?

Senator BAILEY. Yes, on cottonseed oil. You did that, didn't you?

Mr. LOZIER. I suggested that consistency, which we have been taught from our childhood, is a jewel, would suggest that this amendment should not be more severe on coconut oil than on cottonseed oil. I fail to understand the political philosophy or economic thought——

Senator BAILEY (interrupting). I agree with you on that about consistency being a jewel, in view of the fact that a certain Senator is not present. But now let us go ahead with that. And you think we ought to embargo all the cottonseed. You said you were amazed that we southern Senators sat here and permitted that.

Mr. LOZIER. That you keep silent as to foreign cottonseed oil while complaining of these other foreign oils. In other words, I cannot understand why if the southern cotton grower or cottonseed producer starts out to exclude foreign oils that he does not begin with foreign cottonseed oil.

Senator BAILEY. Well, the question I wanted to ask you in view of that statement is, should not we be equally insistent against substitutes for cottonseed and substitutes for fish oils that may come in in the same way?

Mr. LOZIER. Well, I will not discuss the fish oil proposition. I think there are a few substitutes for fish oil; fish oil is a negligible factor in our fats and oils equation.

Senator BAILEY. We should oppose the foreign fish oil just as we should oppose the foreign cottonseed oil; that is your argument, isn't it?

Mr. LOZIER. That assumes that you should oppose the entrance of all foreign oils.

Senator BAILEY. I may have misunderstood you and if I did I would be glad to have it stricken out. I thought you said you were amazed that we southern Senators sat here and did not resist the importation of 200 million pounds of cottonseed oil. I thought you said that. I was very much taken with your eloquence——

Mr. LOZIER (interrupting). I expressed surprise that those who started out to exclude foreign oils did not mention cottonseed oil, the oil which is not only competitive but identically the same as the southern cottonseed oil. I do not believe in the doctrine of extreme nationalism. I realize that we must trade with the world.

Senator CONNALLY. Let me ask you right there. You say that this cottonseed oil that comes in bears a 3-cent tax?

Mr. LOZIER. Yes.

Senator CONNALLY. Do you think that is too low?

Mr. LOZIER. No; I would not say it is too low, but I would say it is high enough.

Senator CONNALLY. Then you have no complaint about what the southerners do if we have got the right tariff on it now. I am asking you now if 3 cents on cottonseed oil is just, and in your view it is not high enough, it shows that it did not shut it out. According to your thesis, as I understand it, we ought to, if we are going to tax cottonseed oil above 3 cents, we ought to raise the coconut and the other foreign oils.

Mr. LOZIER. I think it is a false political and economic philosophy that when we get hard up in any vocation that we should run to Congress and ask for remedial legislation. Senator, I have a profound respect for your ability, and I know that your motives are patriotic, but I want to register here this solemn declaration that if these amendments are adopted, that the Senator from Texas and the Senator from North Carolina will be confronted by a situation which means and which will spell increased cotton production.

Senator BAILEY. Well, we can increase soybean oils, and we can raise some of Senator Connally's special cottonseed.

Mr. LOZIER. And you will be confronted with the same situation, because the soybean people, the peanut-oil people, the cottonseed-oil people, all—you cannot in America increase the amount of domestically produced vegetable oils to meet the rapidly increasing demand of the American people without increasing the amount of cotton, soybeans, and other domestic oil-bearing commodities, which means doubling the amount of cotton meal, peanut meal, and soybean meal. You have to increase the amount of cotton, cottonseed meal, soybean meal, and peanut meal, when the present production is excessive.

I read just the other day a message from Atlanta, Ga., calling attention to the stubborn competition between the producers of peanut meal and cottonseed meal. It said that the peanut meal is being offered at $21 a pound, while the cottonseed meal of 8 per cent ammonia grade is offered from $21 to $23.50. And in the same paper, the National Drug, Paint, and Oil Reporter, was a dispatch from Minneapolis to the effect that there was a very great competition between soybean meal and cake and cottonseed meal and cake, in other words, gentlemen, it seems to me logical that you cannot get this relief by this method of high taxes, even if they are not embargoes, they are approaching embargo conditions, and the trouble is not, Senator, with cottonseed oil and it is not with coconut oil. What is the competitor of cottonseed oil? The soybean oil is displacing it, it is going in margarine and going in compounds and vegetables. There is an irrepressible conflict between cottonseed oil and soybean oil.

Senator BAILEY. You have just now been arguing, my friend, that we would have to fill a great gap and there would be room for that oil, and in that event there would be no competition. I am not at all persuaded that we cannot produce all of the vegetable oils in the South that this country could need, cottonseed and soybeans and peanuts, all of which can be produced on every foot of land from the Virginia line—anywhere from up above the Virginia line right out through Texas. My State produces 250,000,000 pounds of peanuts a year, and we could produce 500,000,000 pounds just as easily.

Mr. LOZIER. That is the trouble about it. You are already producing more than you can sell.

Senator BAILEY. There is this great gap to fill.

Mr. LOZIER. But when you fill that great gap on cottonseed oil or soybean oil, you cannot do it without increasing the production of soybeans and of cotton, soybean cake, and cottonseed cake, and you cannot dispose of your present supplies of cotton or these cakes. In other words, here is your formula on what this is, in conclusion: In order to stimulate the price of cottonseed and soybean oil, we will produce more of it, and in order to produce more of it, we have got to double the amount of soybeans and cotton that are produced in the United States, which would mean doubling the amount of cottonseed meal and soybean meal; we would have to produce double the amount of cottonseed in the United States which would mean not only doubling of the amount of cotton, but a doubling of the amount of cottonseed meal, and cake, so as a matter of fact in order to correct a small defect, you are imposing on the major industry, the major vocation, a burden that is staggering. And I say this, that I think the time is coming when there will be less hostility between the vocational groups. If anybody has a reason to complain of cottonseed oil, it is the western farmer. I recall the time when all of the shortenings and the compounds and all of the salads and salad dressings of the dairy and the lard products were produced by the western farmer. What has happened in the last 25 years? Cottonseed oil has moved in until it has produced nearly 2,000,000,000 pounds some years. Soybean oil production growing by leaps and bounds, 58,000,000 bushels this year, and the market of the western lard, of the western hog producer is thereby menaced; and if anyone should complain of these vegetable oils in the United States, it is certainly the man out West who a few years ago was selling his lard not only into every family in the United States, but we were sending it in hundreds of millions of pounds to Europe. And what has happened? In Europe these vegetable oils are coming in there to displace American lard and to displace American vegetable oils.

The 1938 soybean crop, 58,000,000 bushels, will produce a supply of soybean cake that will bog down the cake and meal maker and spell still lower prices.

As a matter of fact, I think that this committee would be rendering a very great disservice to the cotton industry and to the soybean industry, and to the processors and growers and producers of vegetable oils in the United States if these amendments were adopted.

The CHAIRMAN. Before you close, Mr. Lozier, I want to ask you a question, because you have got me in a state of confusion about these importations of cottonseed.

Mr. LOZIER. I am sorry, Senator.

The CHAIRMAN. What is the difference between crude and refined cottonseed oil?

Mr. LOZIER. Most of the cottonseed oil that is imported—we saw in 1937 the preliminary report showed 197 million pounds, but I believe the final report as Senator Bailey has said, showed 200 million pounds.

The CHAIRMAN. What is the difference between the two.

Mr. LOZIER. One is refined. You lose considerable weight in refining it; in other words, it is purified. Just as you can pick up the market paper and see the quotations on crude oil, Southeast mills, and then you will see a quotation on refined cottonseed oil, New York or Chicago at a much higher price. It means that they have processed it.

The CHAIRMAN. Where do they do most of that processing?

Mr. LOZIER. Of this foreign oil, I don't know. I would say to you frankly, that I do not know.

The CHAIRMAN. I am trying to get some information because I do not know.

Mr. LOZIER. All I know is that cottonseed oil to the extent of about 200 million pounds came in in 1937. There was a falling off in 1938, just as there was a falling off in 1938 of 92 percent in the importation of palm-kernel oil in the United States.

The CHAIRMAN. But, Mr. Lozier, what I am trying to get at, because I do no understand it—I am trying to get some information here about it—is this: There was brought in in 1938, crude cottonseed oil, 39,000 pounds.

Mr. LOZIER. Yes.

The CHAIRMAN. That was of the value of $1,000. There was some refined oil which came in that was of the value of $3,410,000.

Mr. LOZIER. I will explain that.

The CHAIRMAN. I have a considerable interest down South, too, in this question of cotton and cottonseed and in the cotton farmers, and I did not know about this refined cottonseed oil.

Mr. LOZIER. Here is the situation. The duty on cottonseed is 3 cents a pound. The foreigners know that crude cottonseed oil weighs more and it loses a lot in refining, so he refines the crude cottonseed abroad and he sends it in in the refined condition.

Senator BAILEY. He refines the oil?

Mr. LOZIER. He refines the oil abroad because he pays more duty on it than he would pay on the dirty, crude oil. Consequently, when this 200 million pounds of cottonseed oil comes in from abroad it is defined and ready for the market and it goes into the markets, walks down the street, and it meets the refined domestic oil that is produced in the United States and refined in the United States.

Senator BAILEY. And in addition to that, we admit the importation of cottonseed in the raw state only at the port of New York in this country, but it does come in in the seed at that port.

Mr. LOZIER. You see, the cottonseed—the South has had a series of pests which has afflicted, almost ruined the cotton growers of the South.

Senator BAILEY. All I am pointing out is that we do import the seed itself.

Mr. LOZIER. But we have sanitary regulations which the Department of Agriculture very vigorously and, I think, very wisely, enforces very rigidly; consequently very little cottonseed comes in except from Mexico because of these regulations.

The CHAIRMAN. Thank you, very much.

Mr. LOZIER. I thank the committee for its indulgence.

Senator CONNALLY. Judge Lozier, without naming them all over, this organization that you represent—what, in general, is their business?

Mr. LOZIER. They are crushers of imported and domestic oils. For instance, one of my clients is one of the two greatest producers of linseed oil in the United States. They process probably 30 or 40 percent of all that is processed in the United States; my clients process linseed oil, perilla oil, copra, sesame oil, hemp oil, and castor beans, and cottonseed oil also. I have put the names and addresses of my clients on the record.

I desire to submit the following tables in connection with my statement:

*Domestic production of soybeans and their products*

Soybean production:

| | |
|---|---|
| 1932-36 (5-year average) | 18 million bushels, or 1,080,000,000 pounds |
| 1937 | 45 million bushels, or 2,700,000,000 pounds |
| 1938 | 58 million bushels, or 3,480,000,000 pounds |

NOTE.—The 1938 production was an increase of 27 percent over the previous record crop of 45,000,000 in 1937, and a 60-percent increase over the average annual production of the 5-year period of 1932-36.

*Potential oil and oil-cake yield of the soybean crops for the above-mentioned years*

| | Oil yield | Oil-cake yield |
|---|---|---|
| | *Million pounds* | |
| 1932-36 (5-year average) | 102 | 918 million pounds, or 459,000, tons. |
| 1937 | 405 | 2,293 million pounds, or 1,147,000 tons. |
| 1938 | 522 | 2,958 million pounds, or 1,479,000 tons. |

*Production of domestic soybean oil 1931 to 1938, inclusive*

| | *Million pounds* |
|---|---|
| 1931-35 (5-year average) | 49 |
| 1935 | 105 |
| 1936 | 225 |
| 1937 | 194 |
| 1938 | 322 |

NOTE.—The 1938 soybean oil production in 1938 was 66 percent over the 194,000,000-pound production in 1937, and 274 percent over the 5-year 1932-36 average of 86,000,000 pounds.

NOTE.—If the entire 1938 crop had been milled it would have yielded 522,000,000 pounds of oil and 1,479,000 tons of oil cake.

WHAT WOULD HAPPEN IF BY EXCESSIVE INCREASE OF TARIFFS OR TAXES, WE SHOULD EXCLUDE ALL FOREIGN OILS?

In 1938 we imported 1,001,000,000 pounds of foreign fats and oils. If these foreign oils had been excluded by embargo, or by taxes so high as to practically effect an embargo, a deficiency of 1,001,000,000 pounds of oils and fats would have resulted, and if we had supplied this deficiency by increasing our domestic production, the additional supply would have come largely from soybean, cottonseed, peanuts, linseed (flaxseed), and corn. Now, the market prices for all these commodities are exceedingly low, and the problem of marketing these surpluses has not yet been solved. Corn, cotton-seed, soybean, and peanuts produce oils which are utilized for both edible and inedible purposes, while linseed (flaxseed) oil is exclusively used in the drying-oil industry.

While the domestic oil deficiency would probably be met by increased production of additional supplies of cottonseed oil, soybean oil, peanut oil, and corn oil, for purpose of illustrating the disastrous effects of these proposed increases, I will take soybeans and cottonseed as examples:

*Effect of increasing production of cottonseed oil.*—If the 1,001,000,000 pounds of foreign oils and fats imported in 1938 had been excluded and the deficiency supplied by increased production of cottonseed oil, we would have been compelled to produce additional cottonseed to the extent of 12,073,761,500 pounds.

This additional 12,073,761,500 pounds of cottonseed would have yielded 1,001,000,000 pounds of cottonseed oil, a volume equal to the deficiency which would have been caused, had foreign fats and oils been excluded in 1938. This enormous increase in cottonseed oil would have in like manner resulted in the production of an additional supply of cottonseed cake or meal approximating 5,384,750 tons.

In 1938 (with 1,001,064,244 pounds of foreign oil coming in) we produced domestic cottonseed oil amounting to 1,083,000,000 pounds. The policy of exclusion would have necessitated an additional production of 1,001,000,000 pounds, or a total in 1938 of 3,584,000,000. This is double the 1938 production of domestic cottonseed oil and in excess of the combined cottonseed-oil production of the 2 record years of 1937 and 1938.

Now, we cannot double our production of cottonseed oil unless we double our production of cottonseed; and this cannot be done unless we double our production of cotton and cottonseed meal. Under this proposed embargo program (under the guise of increased taxes), to supply the demand resulting from the exclusion of foreign oils, we would be compelled to double the annual production of cotton and cottonseed meal and cake. We now have serious trouble in finding a market for cotton, cottonseed oil, and cottonseed meal and cake at prices which will return even the bare cost of production, and in order to create a better market for cottonseed oil, we would be compelled to produce increased quantities of cotton and cottonseed meal, when the present production finds no profitable market. Cottonseed oil and cottonseed meal and cake are byproducts of cotton and we cannot substantially increase our production of either one of these commodities without to the same degree increasing our producion of the others.

If we cannot profitably market our present annual production of cotton and cottonseed cake, how could the economic condition of the cotton industry be improved by doubling annual production of all of these commodities? The same results will follow if we should attempt to supply this deficiency with additional soybean oil or other domestic oils, as for instance, take:

*Soybeans.*—The 1938 domestic production of soybeans was 58,000,000 bushels. To supply the 1,001,000,000 pounds of soybean oil to take the place of the 1,001,000,000 pounds of foreign oils and fats (had all foreign oils and fats been excluded in 1938) we would have had to increase the 1938 domestic soybean production from 58,000,000 bushels to 269,000,000 bushels. The potential oil yield of the 58,000,000-bushel soybean crop of 1938 was 522,000,000 pounds.

If we had excluded all foreign oils in 1938 and attempted to supply the deficiency by an increased production of soybean oil, the soybean oil crop of 1938 would have been 2,423,000,000 pounds, or approximately five times the actual 1938 production.

The 1938 soybean crop (58,000,000 bushels) had a cake yield of 2,958,000,000 pounds, or 1,479,000 tons.

If we had excluded all foreign oils and fats in 1938 and supplies the deficiency with domestically produced soybean oil (assuming that soybean oil could take the place, 100 percent of these excluded foreign oils) the cake yield incident to the suggested increase in all domestic soybean oil production would have been in 1938, 6,805,000,000 tons.

This enormous increase in soybean oil and cake is graphically illustrated by the following table:

| | Soybeans | Soybean oil | Soybean oil cake | Soybean oil cake |
|---|---|---|---|---|
| | *Million bushels* | *Million pounds* | *Million pounds* | *Tons* |
| Actual 1938 soybean crop | 58 | 522 | 2,958 or | 1,479,000 |
| If all foreign fats and oils had been excluded in 1938 and we had attempted to supply the deficiency caused by such exclusion by increased domestic production of soybean oil, the additional 1938 production of oil and oil cake would have been | 211 | 1,901 | 10,761 or | 5,380,000 |
| Total | 269 | 2,423 | 13,719 or | 6,859,000 |

If we should attempt to exclude foreign oils and fats and supply the deficiency by production of additional supplies of peanut oil, the disastrous effect would be the same. Or, if we attempt to supply such deficiency by apportioning the increase among the several domestic oil-producing commodities, the effect would be no less fatal, as in any event a substantial increase in our production of domestic oils will tremendously increase our production of cotton, cottonseed cake, soybean cake, peanut cake, etc., glutting the market and driving prices to unprecedented low levels. The Connally, Bailey, and Gillette amends, if enacted, would afford no release to our producers of domestic fats and oils.

I thank you for your courtesy and long time that you gave me.

The CHAIRMAN. The next witness is Mr. F. M. Barnes.

## STATEMENT OF F. M. BARNES, VICE PRESIDENT, THE PROCTER & GAMBLE CO., CINCINNATI, OHIO, REPRESENTING THE AMERICAN LAUNDRY SOAP MANUFACTURERS

Mr. BARNES. Mr. Chairman and gentlemen, you asked a question as to whether the soap people were against these amendments. We are in the position, that we feel that our interests and the consumers' interest is one, and anything that adds to our costs and builds up a higher price to the consumer reaches a point where it affects consumption. The soap business has lost about 8 percent of their tonnage since 1929. That is in a period when the standard of living has been kept very high in this country. It is also in a period when we have had a change in conditions, in the soap business, and in which both chemical and mechanical developments have changed the character of the soap that is being used. It has also been a period when because of the chemical development—we in the soap business do not know where that may go in the way of the development of detergents containing no fats and oils.

Some countries have already made remarkable progress along that line. There have been any number of inventions and patents taken out in this country in the last 2 years, and it only requires something like these Connally-Bailey amendments to force up the level of values to a point that will bring those soap substitutes into being.

Senator BAILEY. You mean, bring in new inventions?

Mr. BARNES. Yes; you have the question of getting fatty acids from petroleum, which has already passed the experimental stage. Of course, there is an endless supply of that, so we would never have to worry about our raw materials in that respect; and there are other chemicals that are coming out that will take the place to a large extent of part of organic fatty acids.

Senator BAILEY. Could it take the place of coconut oil?

Mr. BARNES. Coconut oil is yet a question, and a big question, and it makes no difference as far as we are concerned in the soap business what is done here in the way of this action except as it affects the consumer; in other words, we are going to use just as much coconut oil as long as we are using coconut oil and making these grades of soap.

Senator BAILEY. Can you give us a break-down that would indicate just how much the price of a bar of soap or a pound of soap would be increased by the passage of these amendments?

Mr. BARNES. I can only give it if I assume that certain facts are going to come about, which I do not believe myself. What I mean by that is that I do not believe that the 2 cents a pound added to the 3, and with 5 cents a pound put on these fats, will all come into the soap-makers' costs. Some of it will come out of the producers.

Senator CONNALLY. You would not change the price of your soap? You would make just a smaller bar, wouldn't you?

Mr. BARNES. That is not always possible. There are bars of soap that have not been changed since they have been put on the market over a period of 50 years.

Senator CONNALLY. They could be, if necessary. You could just take off a little slice of the bar.

Mr. BARNES. That is a merchandising matter, and you do not fool the American housewife. She knows what she is getting and she knows what she is after.

Senator CONNALLY. Your idea, then, if this act is adopted, is that it will not stop the use of coconut oil?

Mr. BARNES. Absolutely.

Senator CONNALLY. All it will do will be to raise the price?

Mr. BARNES. Yes, sir.

Senator CONNALLY. I am awfully glad to hear you say that because that is exactly what we are trying to do.

Mr. BARNES. Absolutely; that is the way we feel about it in the soap business.

The CHAIRMAN. Is that what you did when the 3-cent tax was placed on coconut oil?

Mr. BARNES. Exactly. Prices advanced. In some cases the bar was reduced because the weight permitted it, but in the majority of cases the price was advanced. Of course, the 3-cents-per-pound tax did not all register in the price of the oils. Part of it came out of the foreign producers.

The CHAIRMAN. Mr. Barnes, let me ask you this: You belong to an association, and the soap people work pretty closely together through their association, large soap companies carry on their chemical researches, as I understood you to say?

Mr. BARNES. They all have their research departments.

The CHAIRMAN. It is desirable to use as much of the American raw product as possible to go into their finished product, isn't it?

Mr. BARNES. That is absolutely what we are doing.

The CHAIRMAN. What, if anything, are you doing in your association to promote that proposition and to try to take over as much of the domestic production of soybeans or cottonseed oil, or peanut oil, or what not, and harmonize your differences as far as you can and work cooperatively in this matter, because there is a great deal of conflict. It will probably arise in the future, too.

Mr. BARNES. We have always said before this committee, and I have repeated it several times, that there is one way to correct this fat situation so far as the imports of oils are concerned; that is, to denature the necessary oil for technical uses in the United States. This oil proposition is a very simple one. The whole matter was created here in 1934 and the production of lard went down 1,200,000,000 pounds and created a vacuum that made it absolutely essential for America to import and increase her importations 1,000,000,000 pounds in that same period.

Senator BAILEY. You do not think the drought had anything to do with that?

Mr. BARNES. I mean the drought. The drought of 1934 and the drought of 1936, and there were some other conditions in connection with it, but at any rate, the supply of hogs went down, the supply of edible fat went down, and was replaced by the importations of the foreign oils, and I have just laid out a chart there that gives you a picture, very graphically.

There was imported in 1938, 1,900,000,000 pounds of fat. The importations for 1939 will drop down by at least one-sixth, and of that amount, which is practically what came in prior to 1934, 85 percent will be oils used for technical purposes in the United States that are absolutely essential to the soap industry and other industries that cannot be produced here, and for which we have no substitutes. If there were a substitute, we would be using it.

These charts show the vacuum between the amount of oil available to the technical industries and the amount that they use.

If we go back to the situation here in America, it is not a foreign oil situation today, and I would not let that point pass without calling it to your attention. The trouble in America today is that the hog supply is coming back, and it is coming back very rapidly, and the fact that it is coming back has cost us money, because we operate our mills in the South just the same as a lot of the gentlemen here; we are in this position today—if we try to sell a cottonseed-oil compound, taking 6-cent oil as a base, it costs 9¼ cents a pound. I have bought hog lard myself within the last 2 weeks for shipment to Cuba, from 5½ to 6 cents a pound, loose. Lard is retailing right here in the city of Washington at 7 cents a pound. It is retailing in our city at 4 pounds for 29 cents, which is less than 7½ cents a pound. We have nothing relating to the question of soybean oil, which we have not as yet solved—the whole industry has not as yet solved except the technical and chemical factors in connection with the oil that prevent it from being a good keeping oil in compound.

Now we have three factors at work which regulate present day edible oils and fats markets in the United States: First there is cotton oil at 6 cents—that means 9¼-cent compound to the jobbing trade; second there is lard, selling to the consumer at 7½ cents a pound all through the large cities of the North; third we have soybean oil, the market price on which today is 5 cents per pound. It is a conflict, tremendous conflict of these three domestic factors, and I do not know the answer as to how to solve this question of internal competition but it certainly cannot be solved by raising the already too high taxes on imported oils.

The only thing that I do know is that we paid the farmers of the South this year $24 to $25 a ton for their cottonseed, and I am talking about the price to the farmer. That cottonseed cost us from $28 to $30 a ton, and we have a loss in every ton of it that we bought, but we do not say that this tariff is going to help us, because it is a question of internal competition here, and if we have another big corn crop this year, I don't know what we are going to do with the edible fat in the United States unless we develop more export outlets.

So it is a condition that has been brought about by the fact that we were exporting lard to the extent of 900,000,000 pounds a year. That must be absorbed here unless we develop our export market.

The CHAIRMAN. Do you have cottonseed mills?

Mr. BARNES. We have mills all over the South.

The CHAIRMAN. Whom are you speaking for when you say "we"?

Mr. BARNES. Procter & Gamble Co. I am the vice president of the Procter & Gamble Co., also I am vice president of the Buckeye Cotton Oil Co.

The CHAIRMAN. They have how many mills in the South?

Mr. BARNES. Twelve mills. I mention it because it is interesting along the same line. One thing, as I said before, that would solve this situation so far as the soap industry is concerned is denaturing the oils and fats intended for industrial usage. We need certain fats; the paint industry needs certain oils; others of the technical lines need certain fats, such as rapeseed oil, that are not produced here. If we could arrive at some basis that would let us have the fats that we need in a denatured way, it would automatically have some control on the amount of oils that come in here.

Senator CONNALLY. Let me ask you right there. Do you mean by that—a while ago you said that you would use just as much coconut oil in making soap regardless of this tax.

You also said that some of these other oils were not suited for the soap-making business?

Mr. BARNES. That is right.

Senator CONNALLY. But a lot of these oils that do come in, while they are good for soap making, yet they are competitive with other oils because of chemical treatments and they are competitive, are they not?

Mr. BARNES. They do not come in for soap.

Senator CONNALLY. No; they do not come in for soap. But they can be treated chemically and are competitive with other oils. Is that true?

Mr. BARNES. No oils that we use.

Senator CONNALLY. I thought that was the reason for your wanting them denatured, so that they would not compete.

Mr. BARNES. I want them denatured so that we will be taken out of this mess that arises every time that the question of taxes on edible vegetable oils are up, and the soap industry is attacked by people who do not know that we cannot get along without certain imported oils.

Senator CONNALLY. To denature them so that they would not be competitive with edible oils?

Mr. BARNES. The chief oils we are interested in are the palm and palm kernel and coconut.

Senator CONNALLY. Unless they are denatured, they are competitive with other oils for other needs rather than soap, isn't that true?

Mr. BARNES. That is right.

Senator CONNALLY. That is what I was driving at.

Mr. BARNES. And they will come in probably in no larger quantities than they would come in under the present condition.

Senator KING. May I ask you for information? Perhaps it is not germane to the discussion. Are oils of any kind or character used, vegetable or other oils, used in the manufacture of various plastics now being manufactured in various parts of the United States?

Mr. BARNES. That I don't know anything about. The soap industry is practically constant in raw materials that they use. In 1937 we used practically the same amount of coconut oil, the same amount of palm oil, and the same amount of tallow and grease that we did in 1929.

Senator CONNALLY. So that the act of 1934 did not have any effect on the soap industry except to raise the cost of the oil that you imported?

Mr. BARNES. That is right. That will be the effect of this; how much that effect will be I do not know.

Senator KING. Where the margin of profit is very small, particularly with small manufacturers, it would have considerable effect, would it not?

Mr. BARNES. Yes; it would. I wanted to make one statement. I believe Senator King asked a question; and I will try to answer it for you.

Senator KING. With relation to plastics?

Mr. BARNES. No; but soap. There are 22 pounds of fat in an average box of soap. There is 40 percent of coconut oil. That is 8.8 pounds.

Senator BAILEY. What does the box weigh?

Mr. BARNES. About 50 pounds.

Senator KING. You do not mean that every manufacturer uses the same formula?

Mr. BARNES. No; this is a sort of an average formula for the whole country.

Senator KING. Some manufacturers use more and some use less of coconut oil?

Mr. BARNES. In certain States; yes.

Senator CONNALLY. May I ask you a question? Do you know to what extent the foreign oils are also competitive with the making of compounds and oil substitutes? Are not a great many used in this country to aid in making compounds?

Mr. BARNES. There may be a little being done, Senator, but it is only because there is a lap-over in the deliveries on purchases which were made 5 or 6 months back; in other words, there is not a foreign oil today—that I know of, and I think I know the world situation on fats—there is not a foreign oil today that can be imported with the 3-cent tax that is now against it, and converted into edible products in competition with our edible products here in this country, such as cottonseed oil, peanut, corn, and soybean oil, and the result is that the movement is stopped for edible purposes so far as new purchases is concerned.

Senator CONNALLY. You are talking about lard substitutes? Cooking compounds and things like that?

Mr. BARNES. Yes. The foreign markets are higher than our markets here. There is that situation. That is due to a shortage in several directions and it will probably continue for some time to come.

Senator KING. That is largely due to increased demands made by Germany, is it not?

Mr. BARNES. No; it is due to practically the failure of crops such as the olive crop in the Mediterrannean basin. There is a shortage of 300,000 tons there. There is a shortage of 100,000 tons in whaling production; there is some shortage in the African cotton crop, and factors of that kind; in other words, every one of their crops have been shrinking probably to some extent in the Far East countries due to the war conditions. There is rebellion and war in some producing countries, such as Spain and China, so that there are a lot of factors involved in it.

Senator BAILEY. I have made a figure here. I would like for you to check with me. Twenty-two pounds and 8.8 of copra, and with 50 pounds to the box, increasing the tariff 2 cents, the excise tax would come to 0.3 of 1 cent.

Mr. BARNES. It figures out about 17.16 cents a box on the coconut oil.

Senator BAILEY. 17.16 cents?

Mr. BARNES. Plus the jobber's profit and plus the retailer's profit.

Senator BAILEY. If a box weighs 50 pounds and 50 pounds in 17 will bring you 0.3.

Mr. BARNES. It would be about 25 cents a box.

Senator BAILEY. You said 17, and now you say 25. If you take 25, it would be exactly one-half a cent a pound.

Mr. BARNES. The jobber and the retailer must enter into the picture also.

Senator CONNALLY. How many bars is 100 pounds of soap?

Senator BAILEY. I was figuring how it would be reflected in a pound. It appears to me, from your statement, that it is 0.35 of 1 cent—about one-third of a cent.

Mr. BARNES. I am assuming, of course, and you are assuming, too, that 2 cents a pound is not going to raise the whole level of values. If I do that, I have got to take the entire quantity of 22 pounds. I only gave you the coconut oil.

Senator BAILEY. I may be wrong, but on the figures you gave me, it appears to me that a pound of soap would cost, with this tax on, 0.35 of 1 cent, call it one-third of a cent a pound—on the figures you gave me. I would like for you to check that and put it in the record.

Mr. BARNES. I will be glad to do that. We can only assume what is going to happen.

(In response to the request of Senator Bailey, Mr. Barnes submitted the following:)

If the added tax does not raise the price of domestic fats and oils, but merely those specifically taxed, the price to the consumer would be raised by approximately one-half cent per pound.

Fat in 100 pounds of soap is 54.7 pounds.

At a rise in price of 2 cents a pound, 54.7 times \$0.02, \$1.094.

Add 10 percent jobber profit, 1.10 times \$1.094 equals \$1.203.

Add 10 percent retailer profit, 1.10 times \$1.203 equals \$1.3237.

Coconut oil in 100 pounds of soap, 22 pounds.

At a rise of 2 cents per pound increase is \$0.44.

Add 10 percent jobber profit equals \$0.484.

Add 10 percent retailer profit equals \$0.5324.

On the average, 100 pounds of laundry soap contains 54.7 pounds of fat, of which 22 pounds is coconut oil.

If an additional tax of 2 cents per pound is levied on coconut or equivalent oils, and if it raises the price of all fats (as the proponents contend it will do), the cost to the manufacturer will be increased by \$1.10 per 100 pounds.

By the time this reaches the consumer, with the jobber and retailer each taking a 10-percent mark-up on this \$1.10, it would equal \$1.32 per 100 pounds, or 1⅓ cents per pound.

Senator BAILEY. There has been the argument that you build up a consumer resistance and lose sales if you add to the cost. A housewife may buy a big bar of Ivory soap and break it in two, like Mrs. Bailey does.

Mr. BARNES. Yes, sir; we have a great variation.

Senator BAILEY. I use it, but I have never bought it.

Mr. BARNES. I guess very few of we men buy anything. The housewife does the buying.

The CHAIRMAN. Are there any further questions Mr. Barnes?

(No response.)

The CHAIRMAN. Mr. Wrisley.

## STATEMENT OF GEORGE WRISLEY, VICE PRESIDENT AND GENERAL MANAGER OF THE WRISLEY SOAP CO., CHICAGO, ILL.

Mr. WRISLEY. My name is George Wrisley. I am vice president and general manager of the Wrisley Soap Co. in Chicago. Our company would probably be considered as one of the medium- to small-sized soapers, in our industry, and as such, of course, I speak from their viewpoint. I have just three thoughts that I would like to present.

In the first place, coconut oil is a necessary ingredient to the small soap manufacturer. He cannot get away from it. He has got to have it. He has got to have it in substantially the same percentage that he has been buying it. There is no domestic fat or oil which will take its place in any way, shape, or form.

In the second place, these higher excise taxes on coconut oil in particular are extra tough on the smaller soapers, because he has to have the coconut oil, and therefore it has got to go into his cost. As has been explained, this has got to be passed along to the consumer in due course, but it does take time to pass it along and there is a transition period that is mighty tough for we small soapers to handle.

In addition to that the smaller soaper is, generally speaking, in the more competitive type of the soap business where he does not have the volume procured with extensive advertising, and so forth, or the branded name where the people have got to have this product. He is on a very, very competitive basis. Consequently these increased taxes give him a real problem.

The other thought that I wanted to express is that by the denaturing of the coconut oil, that is making it unfit for human consumption, we could have the practical solution as far as the small manufacturer is concerned.

Thank you.

The CHAIRMAN. Gentlemen, we will begin in the morning at 10 o'clock in the Finance Committee room in the Senate Office Building.

Before we recess I wish to insert in the record a brief submitted by the Corn Industries Research Foundation, located in Washington, D. C.

(The matter referred to is as follows:)

BRIEF OF THE CORN INDUSTRIES RESEARCH FOUNDATION

In behalf of its membership, the Corn Industries Research Foundation approves the amendment proposed by Senator Gillette to the bill (H. R. 8790) relating to the taxation of the compensation of public officers and employees.

The membership of the Corn Indusries Research Foundation includes all manufacturers who mill corn by the "wet process"—a method which accomplishes the separation of the major portions of the corn kernel—starch, germ, fiber, and protein—by the use of water as a suspension medium. These manufacturers, commonly referred to as corn refiners, are collectively the largest single industrial consumer of cash corn. In the 5-year period, 1933-37, the corn refiners purchased and processed 31 percent of the cash corn received at the primary Corn Belt markets.

The main product the "pig iron" of the corn refining industry is corn starch. In the early stages of starch manufacture, the corn germ is separated from the rest of the kernel. Corn oil is expressed from the germ, leaving a residue called corn-oil cake. While corn oil is also obtained from the germs removed in the manufacture of degerminated grits, the corn refiners are by far the principal source of the domestic supply.

Corn is not produced or processed merely to obtain oil.[1] About one and one-half pounds of corn oil are obtained by the corn refiners from a bushel of corn of 56 pounds. The annual "grind" of 14 plants ranges from 58,000,000 to 87,000,000 bushels. The amount of corn processed depends on the nature of the parket for the main products, which in turn depends on the extent of

[1] Report to the Congress on Certain Vegetable Oils, Whale Oil, and Copra, Report No. 41, second series, United States Tariff Commission, p. 10.

business activity, amount of national income, the price of the principal raw material, corn, and a multitude of minor causes.

Broadly speaking, corn oil sells in direct competition with many fats and oils. Corn oil is used extensively as a salad and cooking oil and in the manufacture of miscellaneous food products other than shortening.[3] Prices of corn oil vary in close conformity with those of cottonseed oil and other competing food oils.[3]

The imports of corn oil in recent years have increased materially. Imports of corn oil in 1933 (the first year separate statistics are available), and in 1934 averaged nearly 10,000,000 pounds or about 7.8 percent of the apparent domestic disappearance. However, in the 4 years 1935–38, the imports averaged over 27,000,000 pounds annually, or about 18.4 percent of the apparent domestic disappearance (table 1). The increased imports were principally from the European countries, Netherlands, United Kingdom, Belgium, and France (table 2). Factory and warehouse stocks at the close of 1938 were of near-record proportions.

The present duty on corn oil is 20 percent ad valorem, according to paragraph 53 of the Tariff Act of 1930. No change has been made in the rate since the passage of this act.

Summarizing, corn oil is one of the numerous valuable products of the corn-refining industry. It sells in competition with other fats and oils. Because maintenance and conservation of the home market for the processors of American farm crops and surpluses is of paramount consideration, therefore, speaking in behalf of the corn refining industry, the Corn Industries Research Foundation wishes to express its approval of the Gillette amendment and urges its acceptance.

TABLE 1.—*Corn oil, crude: Production, trade, stocks, and apparent disappearance, 1919–38*

| Year | Factory production | Imports [1] | Exports | Net exports or net imports | Stocks, end of period | Apparent disappearance |
|---|---|---|---|---|---|---|
| | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* |
| 1919 | 97,400 | | 6,415 | −6,415 | 18,642 | 90,985 |
| 1920 | 98,619 | | 12,059 | −12,059 | 18,033 | 87,169 |
| 1921 | 87,481 | | 4,400 | −4,400 | 27,834 | 73,280 |
| 1922 | 111,508 | | 5,733 | −5,733 | 18,521 | 115,088 |
| 1923 | 111,343 | | 4,361 | −4,361 | 16,635 | 108,868 |
| 1924 | 117,065 | | 3,679 | −3,679 | 14,713 | 115,308 |
| 1925 | 104,153 | | 3,847 | −3,847 | 16,378 | 98,641 |
| 1926 | 120,041 | | 1,324 | −1,324 | 19,686 | 115,409 |
| 1927 | 117,441 | | 310 | −310 | 25,206 | 111,611 |
| 1928 | 124,327 | | 337 | −337 | 28,609 | 120,587 |
| 1929 | 133,680 | | 315 | −315 | 24,777 | 137,197 |
| 1930 | 120,747 | | 613 | −613 | 17,432 | 127,479 |
| 1931 | 113,145 | | 776 | −776 | 21,226 | 108,575 |
| 1932 | 106,406 | | 960 | −960 | 22,870 | 103,802 |
| 1933 | 128,616 | 9,169 | 1,026 | 8,143 | 36,345 | 123,384 |
| 1934 | 114,610 | 10,769 | 1,314 | 9,455 | 27,992 | 132,418 |
| 1935 | 99,788 | 25,746 | 833 | 24,913 | 21,203 | 131,490 |
| 1936 | 127,171 | 28,672 | 929 | 27,743 | 25,507 | 150,610 |
| 1937 | 127,466 | 32,926 | 444 | 32,482 | 18,471 | 166,984 |
| 1938 [2] | 134,875 | 22,242 | 113 | 22,129 | 27,962 | 147,513 |

[1] No reexports reported; imports for consumption beginning January 1934; no imports separately reported prior to 1933.
[2] Preliminary.

Compiled as follows:
Production and stocks: Bureau of the Census, Animal and Vegetable Fats and Oils. Production of crude oil, and stocks of crude plus refined converted to crude (using 0.93).
Trade figures: Foreign Commerce and Navigation of the United States. Imports reported as edible; exports reported as crude and refined not separately stated, used as crude.
Apparent disappearance computed from table.

[3] The Fats and Oils Situation, U. S. Department of Agriculture, June 14, 1938, p. 5.

TABLE 2.—*Corn-oil imports into the United States, by countries, 1933–38*

| Country of origin | 1933 [1] | 1934 | 1935 | 1936 | 1937 | 1938 [2] |
|---|---|---|---|---|---|---|
| | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* | *1,000 pounds* |
| Europe: | | | | | | |
| Netherlands | 2,423 | 2,652 | 5,815 | 6,505 | 10,144 | 8,262 |
| United Kingdom | 1,480 | 2,144 | 4,890 | 5,120 | 7,353 | 3,228 |
| Belgium | 439 | 1,030 | 6,250 | 6,565 | 5,431 | 5,824 |
| France | 1,070 | 736 | 3,759 | 2,343 | 3,741 | 1,091 |
| Germany | 2,325 | 1,003 | 2,415 | 4,576 | 3,613 | 1,079 |
| Czechoslovakia | ---------- | ---------- | 312 | 94 | ---------- | 502 |
| Japan | 1,432 | 1,046 | 1,747 | 2,612 | 1,905 | 1,302 |
| Other [3] | ---------- | 58 | 1,058 | 707 | 739 | 204 |
| Total | 9,169 | 10,769 | 25,746 | 28,672 | 32,926 | 22,242 |

[1] General imports, 1933; beginning 1934, imports for consumption. Not separately reported prior to 1933
[2] Preliminary.
[3] Includes Mexico, Canada, Argentina, and Brazil.

Source: Compiled from Foreign Commerce and Navigation of the United States.

The CHAIRMAN. I am also inserting in the record a telegram from Mr. George H. Brown, secretary, Rome Manufacturing Co., Rome, N. Y., in opposition to the amendments offered by Senators Connally and Bailey.

(The telegram referred to follows:)

ROME, N. Y., *March 6, 1939.*

Hon. PAT HARRISON,
*Chairman, Senate Finance Committee, Washington, D. C.:*

Present processing tax, 3 cents per pound on palm, coconut, and palm-kernel oils, a hardship to small soap manufacturers. Because of poor business and excessive competition, tax cannot be included in soap prices, thereby passed on to consumers.

Soap profit not large enough to absorb tax, consequently slowly smothering small companies like ourselves, to advantage of larger competitors.

Increasing tax to 5 cents per pound, 66 percent, Connally and Bailey amendments to H. R. 3790, unfair and not in accordance with your attitude or that of the President and Congress to give business relief by not increasing taxes. Our industry should not be pushed to help cotton-oil and other domestic fat producers.

No domestic oil can be used in its entirety as a substitute for these imported oils.

Instead of increasing this tax, it should be decreased to relieve our already heavy burden.

Please consider this protest; would appear at hearing but am ill.

GEO. H. BROWN,
*Secretary, Rome Manufacturing Co.*

(Whereupon, at 4:40 p. m., a recess was taken until Wednesday, March 8, 1939, at 10 a. m., in the hearing room of the Finance Committee, in the Senate Office Building.)

# TAXES ON FATS AND OILS

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**WEDNESDAY, MARCH 8, 1939**

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

The committee met, pursuant to recess, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will be in order.

## STATEMENT OF CHARLES B. HEINEMANN, JR., SPECIAL REPRESENTATIVE, UNITED STATES LIVE STOCK ASSOCIATION

Mr. HEINEMANN. My name is Charles B. Heinemann, Jr., and I reside at 2600 K Street NW., Washington, D. C.

I am appearing here as a special representative of the United States Livestock Association under an emergency telegraphic request. Mr. D. M. Hildebrand, president, and Mr. Glenn T. Stebbins, executive secretary, of the association, fully intended to enter an appearance at this hearing, but they have found it impossible to attend. Because of this, the association has authorized me to appear and make a presentation on its behalf.

The United States Live Stock Association is a nonprofit noncommercial association representing approximately 85,000 producers in 17 States. The majority of the members are situated in the feeding and finishing sections of the United States, generally in that section known as the Corn Belt. The association has many members in the range States, but our interest and our membership is primarily located in the area east of the range territory.

The United States Live Stock Association desires to indicate its support of the proposed increase in the excise tax on imported oils and fats as proposed by the three amendments to H. R. 3790.

Quite naturally we favor the development of the usage of domestic fats and oils in preference to foreign oils, our particular interest being in the fats from domestic animals.

The American livestock producers have been under a constant economic strain for many years. Not only have they had to conduct operations under American standards, but they have been required to market their finished animals in a market frequently demoralized by the influx of foreign meats, fats, and oils.

We consider our request a reasonable one, and respectfully ask the support of every Member of the Congress to the end that American livestock producers and the communities and States in which they reside and conduct their operations may receive whatever benefits may flow from the proposal.

## STATEMENT OF JOHN B. GORDON, SECRETARY, BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES, WASHINGTON, D. C.

Mr. Chairman, I desire to submit a brief for the Bureau of Raw Materials for American Vegetable Oils and Fats Industries.

BRIEF OF THE BUREAU OF RAW MATERIALS FOR AMERICAN OILS AND FATS INDUSTRIES

The Revenue Act of 1934 levied a processing tax of 3 cents per pound (a tax in excess of 100 percent ad valorem) on the principal imported soap-making oils, viz., coconut, palm, and palm kernel. Senator Connally, of Texas, now proposes to increase this tax to 5 cents per pound by means of an amendment which he offers as a rider to the bill, H. R. 3790, relating to the taxation of the compensation of public officers and employees. His amendment reads as follows:

"SEC. 301. Section 2470 (a) (1) of the Internal Revenue Code (relating to the processing tax on certain vegetable oils) is amended by striking out '3 cents per pound' and inserting in lieu thereof '5 cents per pound.' Except as provided in section 302, the amendment made by this section shall be effective with respect to processing occurring after the date of enactment of this act.

"SEC. 302. No tax, or increase in the rate of a tax provided for in this title shall become effective so long as it is in conflict with the provisions of any foreign-trade agreement heretofore entered into under authority of section 350 of the Tariff Act of 1934, as amended; but such tax or increase shall become effective as soon as it no longer is in conflict with the provisions of any such agreement. Any such agreement which contains provisions in conflict with any tax, or increase in the rate of a tax, provided for in this title shall be modified so as to eliminate such provisions, or shall be terminated, at the earliest date possible in accordance with the terms of such agreement. No foreign-trade agreement entered into under such section after the date of enactment of this act shall contain any provision in conflict with any tax, or any increase in the rate of a tax, provided for in this title."

The Connally amendment, in effect, proposes, to increase the processing tax on palm, palm kernel, and coconut oils, which is now 3 cents per pound, or in excess of 100 percent ad valorem, to 5 cents per pound. The amendment, if passed, would affect 51.1 percent of all imports of oils and fats which entered the United States in the year 1938. When offered in its original form it would have immediately contravened the British and Netherlands trade agreements. In offering it in its present form, it is surmised that it is anticipated that the 5 percent per pound processing tax provided in the amendment would become immediately applicable against Philippine and domestically crushed coconut oil and subsequently applicable against palm and palm-kernel oils. It could not affect palm oil prior to January 1, 1940. It could not apply to palm-kernel oil prior to January 1, 1942.

In view of the fact that copra, the raw material from which coconut oil is made, is bound on the free list under the terms of the commercial treaty between Great Britain and the United States, it would seem that it could not affect coconut oil prior to January 1, 1942. The general provisions of that treaty guarantee the two parties to the agreement against increases in the rate of internal taxation on articles bound. Since the Connally amendment will increase the rate of processing tax applicable to coconut oil of British origin by 2 cents per pound, making an amazing total tax of 7 cents per pound on an oil selling at 8 cents per pound, it is apparent that passage of the Connally amendment would result in a violation of the British trade agreement. Obviously, it would be an empty gesture to bind copra on the free list and then to increase an internal tax applicable to the chief product of value manufactured therefrom.

If it should be held that the binding of copra on the free list in the British trade agreement does not prevent the immediate application of the increased processing tax of 2 cents per pound proposed in the Connally amendment, then its passage would mean the further violation of the agreement accorded the Philippines in the Tydings-McDuffie Act, whereby they are permitted to ship 200,000 long tons of coconut oil to the United States free of duty until the year

1940. The immediate application of the 5-cent proposed tax to Philippine coconut oil would mean the immediate complete stoppage of all coconut-oil shipments to the United States in favor of palm-kernel oil supplied by British, Netherlands, and German crushers, which stoppage would continue until the 2-cent increase became effective against palm-kernel oil on the expiration of the British trade agreement in 1942.

Palm-kernel oil is almost identical to coconut oil in chemical composition and fulfills the same function in soap, its chief outlet, in that its lauric-acid content supplies the free lathering qualities to soap which makes both oils equally valuable to soap makers. The world production of palm-kernel oil is in excess of 300,000 long tons per annum, or enough to supply all of the needs of America for oils of the coconut-palm kernel classification. The normal requirements of the United States for coconut oil in the form of oil and copra expressed in terms of oils are 293,000 long tons.

Babassu oil, bound in the Brazilian trade agreement until January 1, 1940, is likewise practically identical to palm kernel and coconut oils. It is produced in an annual volume of 50,000 long tons at present and can be produced in far larger volume if required, because of the large supplies in babassu tree areas not now accessible because of lack of roads in Brazil. Thus it can be seen that the supply of palm-kernel and babassu-kernel oils is far more than sufficient to meet America's needs for lauric acid-containing oils.

The placing of a 2-cent per pound higher processing tax on Philippine coconut oil than applies to palm-kernel oil would merely mean that all areas of the world consuming palm-kernel and babassu oils would, with alacrity, surrender their supplies to the United States, replacing same with coconut oil at the lower price level, which would prevail in international markets because of the inability of coconut oil either in the form of oil per se or as copra to enter the American market, now its largest outlet.

It is obvious from the foregoing that the passage of the Connally amendment could, in no wise, immediate benefit to domestic oils and fats producers, granting that it could confer any benefit at all, because its effect could not be felt until 3 years hence, until the expiration of the British trade agreement in 1942. Its only effect up to that time would be to destroy the domestic copra crushing industry with an investment of $7,000,000, and to further impoverish the coconut-oil producers of the Philippines, already a non-self-sustaining unit of Philippine economic life, because of the burden of the existing 3-cent processing tax on coconut oil in the United States. The business of the five crushers of copra on the Pacific coast and the three eastern crushers would be destroyed for the reason that they could not compete with palm-kernel oil taxed at 2 cents per pound less than coconut oil.

*The readiness with which the proponents of the 2-cent increase in excise-tax rates accept Senator Connally's revised amendment is a challenge to their sincerity. They came to Washington pleading that an emergency existed from which immediate relief must be granted. They now announce their willingness to accept a revised amendment which could not come into fruition until 3 years hence. They thus refute their own claims to an emergency.*

### TRADE AGREEMENTS ARRIVED AT BY EXCHANGE OF CONCESSIONS—NOT POSSIBLE TO CHANGE SINGLE ITEM WITHOUT RENEGOTIATION

Passage of the Connally-Bailey amendments would, in all probability, mean the necessity of renegotiating the British, Netherlands, and Brazil trade agreements in their entirety, not merely the cancelation of concessions granted the United States. These concessions were granted to the United States in return for important concessions on the part of the three nations. Since we would propose to keep these concessions there is no question but that the foreign nations involved would throw open the entire three treaties to renegotiation because of the great importance of the items involved.

Babassu oil and kernels are of great importance to Brazil. Palm oil is of tremendous concern to the Netherland East Indies, and palm kernels are of large importance to Great Britain's West African possessions.

While all Members of the Senate have not been in accord with the reciprocal trade-agreement law, the sanctity of our obligations under treaties written in conformance with the law has been meticulously upheld at all times by the Senate. Only by virtue of the confidence which foreigners have entertained in the willingness of every arm of the American Government to abide by our treaty obligations, have many nations been encouraged to enter into commercial treaties with the United States.

While we believe it exceedingly unlikely that the United States Senate will now risk violating the sanctity of three of the most important trade agreements in effect, i. e. the British trade agreement in which copra and palm-kernel oil is bound; the Netherlands, in which palm oil is bound; and the Brazilian, in which babassu oil is bound, we wish to show in the remainder of this brief, by the presentation of factual material, that passage of the Connally amendment would, in addition to constituting treaty violation, be an entirely futile procedure insofar as the consummation of the announced objective of the amendment is concerned.

COTTON FARMERS PROCURE HIGHEST PERCENTAGE OF PARITY FOR COTTONSEED OF ANY CROP MARKETED WITH EXCEPTION OF CERTAIN KINDS OF TOBACCO

Before presenting data to show the futility of the Connally amendment, we wish to show that its introduction is not warranted. In a press statement issued by Senator Connally at the time of the introduction of his amendment, he stated that he expected to increase the price of cottonseed oil. Since the producers of cottonseed oil, i. e. the cottonseed crushers, are merely in the position of converters, it has never been argued that they required protective taxation (the processing taxes on imported vegetable oils are a form of "protection") on their own behalf. It has always been insisted that the protection was required by the cotton farmer in the sale of his cottonseed. It is, therefore, pertinent to show the relative returns received by cotton farmers for their cottonseed as compared to returns received by other farmers for their crops.

Practically all cottonseed is marketed by the producers in the South by January 15. The Bureau of Agricultural Economics in the United States Department of Agriculture shows that cotton farmers obtained a higher percentage of parity for the cottonseed marketed from the 1938 crop than that received for any other farm crop, with the exception of tobacco. The total number of crops for which comparative data is given is 16. Cottonseed brought 81 percent of parity in October; in November, 83 percent; in December, 84 percent; and in January 1939, cottonseed brought 83 percent of parity. For the same period, the highest percentage of parity for wheat was 40 percent; corn, 54 percent; rice, 61 percent; potatoes, 72 percent; apples, 75 percent; and rye, 36 percent.

According to other data published by the Bureau of Agricultural Economics, the farm price of cottonseed for the entire year of 1938 was 97 percent of normal, the base period being August 1909 to July 1914. *It is not apparent from the foregoing showing that there is warrant for the introduction of the amendment in behalf of cotton growers insofar as their returns from cottonseed are concerned.*

DOMESTIC OVERPRODUCTION OF OILS AND FATS AND LACK OF NORMAL VOLUME OF EXPORTS RESPONSIBLE FOR PRESENT-DAY PRICE LEVELS

Present-day prices obtained for domestic oils and fats are in the middle range. They are not especially low nor, of course, are they as high as the range during the years when the heaviest droughts in history created great gaps in the domestic supply, necessitating heavier than usual importations. *The Oil, Paint and Drug Reporter, chief trade paper of the oils and fats field, shows the price index number of the 28 oils and fats sold in the United States market for the week of February 20 to be 98.4 of normal.*

The years 1934, 1935, 1936, and 1937 were years in which production of purely domestic oils and fats fell far short of supplying the country's needs. It is evidently the hope of Senator Connally's cottonseed-oil producing constituents that they can go on through normal production periods getting the same high prices for cottonseed oil as obtained during the drought years. They cannot do this even though they erect a Chinese wall against imports, because the United States again has an exportable surplus of oils and fats, and world price levels must ultimately be faced by domestic edible oil and fat producers.

The year 1938 was a year of overproduction of oils and fats from domestic raw materials insofar as domestic demand was concerned. Domestic production for the 6-year period prior to the beginning of the drought cycle, 1928 to 1933, averaged 7,808,000,000 pounds per annum. Exports of oils and fats during this same period averaged 900,000,000 pounds per annum, of which edible oils and fats constituted by far the larger proportion.

The United States production of oils and fats from domestic materials in 1938 totaled 7,968,000,000 pounds and exceeded the 6-year average for the predought period (1928-33) by 75,000,000 pounds, yet exports for 1938 were only 260,000,000 pounds, or 640,000,000 pounds below the average exports for the predrought period.

It can be seen that production of a normal volume of oils and fats in the United States in the absence of a normal volume of exports is the reason present-day oil and fat prices can range no higher, no matter how high a barrier we erect against imported vegetable oils. We cannot hide from the competitive impact of international prices behind these barriers. We must ultimately export a normal volume of oils and fats and meet it head on.

The members of the Finance Committee are, of course, well aware that the United States is already on an export basis as applies to lard. The committee may not realize that we are on an exportable basis as to soybeans and have to date exported 155,000,000 bushels or 77,000 tons from the 1938 crop. What better evidence could be had that the present plea for higher import taxes on the part of an exporting group is just another effort to lift themselves by their own bootstraps than the following Associated Press market report from the Washington Post of March 12, 1939:

"SOY BEANS JUMP 2 CENTS IN PIT TRADING—SECOND DAY'S ADVANCE—WHEAT PRICES STEADY—CORN FUTURES DIP

"(By the Associated Press)

"CHICAGO, March 11.—An advance of almost 2 cents in soybeans featured trading on the board of trade today for the second consecutive session.

"Commission house and export interests buying boosted prices to their highest level since last summer. May reached 88 cents, up 1¾ from the previous, before weight of offerings was felt. The close was 1¼ up or slightly better than 5 cents above the price a week ago. July and October beans finished a cent higher. Short covering and good demand for products of the bean were factors in the advance. The meal has been in particular demand by feeders inasmuch as it is underselling competing feedstuffs."

It is obvious from the above that if our edible soybean oil and our soybean meal were not below the world level of price, we could not export soybeans and that as long as we are exporters it is fantastic to attempt to raise domestic price levels by elevating the already too high import restrictions. It is as though a man who had a fence, which was already too high by a foot for his neighbors to see over, proposed to add 2 more feet to its height to prevent his neighbors from peeping in.

IMPORTS IN 1938 ONLY 159,000,000 POUNDS HIGHER THAN NORMAL

Normal imports of oils and fats principally for nonedible usage, in years of normal production average about 1,750,000,000 pounds per annum. For the 6-year average for the predrought period from 1928 to 1933, imports in the form of oils and fats per se and the oil equivalent of imported oil-bearing materials were 1,747,000,000 pounds. Imports of oils and fats and oil-bearing raw materials figured in terms of oil in 1938 were 1,906,000,000 pounds, or only 159,000,000 pounds above the 6-year average for a normal period of domestic production and imports.

WORLD MARKET VALUES OF OILS AND FATS WILL BE TOO HIGH THROUGHOUT 1939 TO PERMIT COMPETITION IN DOMESTIC EDIBLE FAT AND OIL MARKETS

Imports of oils and fats and oil-bearing materials expressed in terms of oil for the current year, 1939, will probably not exceed 1,600,000,000 pounds, because the minimum amount will be used for edible purposes. Having a surplus of edible oils and fats on hand there will be no incentive to bring in oils for edible usage, other than that which enters regardless of tax barriers, such as olive oil. The prices of foreign vegetable oils which enter into the manufacture of edible products in the United States will be too high in relation to the domestic price level throughout 1939 to enter this country over the high tariff and excise import barriers which are already in effect against each and every one of these oils which are of any importance in international markets. No foreign-produced edible oils and fats can offer a threat of competition to our domestic price levels of values, except as may result from their competition in export markets.

More than 85 percent of the imports which will enter in 1939 will be imported regardless of tax barriers, because they are required for essential purposes in the manufacture of industrial products, such as soap, paint, varnish, tin plate, tanners' oils, marine engine lubricants, linoleum, oilcloth, printers' ink, and a variety of other technical usages. There is either no domestic production or an inadequate domestic production and they must be imported. Oils of this category include coconut, palm kernel, and palm oils for soap making, linseed oil for paint and linoleum, tung oil for varnish, sulphur olive oil for textile soaps and oils, etc. Additional taxes on these oils will not serve to raise the price level of domestic oils and fats a fraction of a cent per pound.

TO THE EXTENT THAT ADDITIONAL TAXES SHOULD EXCLUDE IMPORTED OILS, INCREASED COMPETITION WILL BE OFFERED TO AMERICAN LARD EXPORTERS IN EUROPEAN MARKETS

Should increased taxes be levied on palm, palm kernel, and coconut oils, such proportion of these foreign oils and fats as is excluded must find a market somewhere. That market is naturally in Europe, where we must look for a market for our rapidly increasing exportable surplus of lard. Since the price of lard controls the price of cottonseed oil, soybean oil, and other domestic edible vegetable oils, it is futile for domestic edible oil and fat producers to attempt to escape foreign competition. They will meet it on an intensified basis in our European export markets.

With the corn-hog ratio 16 to 1, there is every incentive for our hog raisers to produce hogs and to put weight on the animals. The internal competition between domestic vegetable oils, such as cottonseed and soybean oil, with domestic animal fats is going to become greater as the year progresses. The United States market cannot absorb the increasing lard production. It must find export markets. Of what benefit will it be to our lard exporters to shut additional quantities of oils and fats out of the United States if the excluded supplies encounter our lard abroad at price levels depreciated by the necessity of selling a larger volume to a smaller circle of buyers?

WHY TAXES ON SOAP OILS DO NOT BENEFIT AMERICAN AGRICULTURE

The American farmer has not benefited appreciably from the taxation of oils and fats used in soap manufacture.

Soap makers paid in 1937 (the last year of record) $15,153,000 in processing taxes on palm, palm kernel, and coconut oils. Soap makers paid the taxes even though, when added to the price of the oils, they caused the cost of the imported oils to exceed the price of domestic oils and fats, which is sufficient proof that the imported oils were used only because they fulfilled an essential function in the soap formula which domestic oils and fats could not supply.

The only domestic oils and fats of agricultural origin available to the soap maker in other than inconsequential quantities are inedible tallow, greases, and cottonseed "foots." All other oils and fats of purely domestic farm origin, constituting 88 percent of the total domestic production, are used in edible products or in industrial products other than soap, such as paint, varnish, linoleum, etc. In no instance can a higher price for domestic oils and fats used in the soap kettle stimulate increased production because the oils and fats so utilized are byproducts produced as an incident to the production of a considerably more valuable major product. No part, or no substantial part, of such increased price as might be obtained for the domestic oils and fats used in the soap kettle could redound to the benefit of the American farmer.

COTTONSEED FOOTS

Prime cottonseed oil is not used in the manufacture of soap for the reason that 99 percent of the production is employed in edible channels, in the manufacture of lard substitutes, oleomargarine, salad oils, cooking oils, etc. For these purposes it brings far higher prices than would be obtainable for it as a soap ingredient. Cottonseed oil is not a good soap-making oil because of its high linolic acid content, which allows it to become rancid when used in soap manufacture, but it is one of the most valuable edible oils produced in nature. Cottonseed oil has, for some months, sold at about one-half cent per pound below the price of coconut and palm oils, plus the processing tax of 3 cents, yet none of it has entered the soap kettle.

In the refining of cottonseed oil to produce therefrom an edible product, the free fatty acids are removed by the addition of a solution of caustic soda to the oil. The combination of free fatty acids and the caustic is known as both soap stock and foots. In the year 1937 about 100,000,000 pounds of these foots were used in the soap kettle and the average value was 2¼ cents per pound. The total value of the foots used in soap production was then $2,250,000 in the year 1937, when all soap-making raw materials brought especially high prices. Ordinarily, the value of cottonseed foots is about 1½ cents per pound, and it is the custom of the refiner of cottonseed oil to credit whatever return he secures from the sale of foots against the cost of refined cottonseed oil. Hence, the value of the foots has little bearing on the price paid for crude cottonseed oil. The total value of the 1937–38 cotton crop was $931,337,000, according to the Bureau of the Census.

In addition to the 10,000,000 pounds of foots used in soap, 8,414,000 pounds of off-grade cottonseed oil, out of a total production of 1,061,485,000 pounds made from the seed obtained from the 1937–38 cotton crop, found its way into the soap kettle. This off-grade cottonseed oil was valued at about $500,000. The combined value of the cottonseed foots and the off-grade cottonseed oil used in the soap kettle in the year 1937 equalled $2,780,000 or 0.29 percent of the total value of the cotton crop. It can be seen that it would be exceedingly difficult to transmit any benefit to farmers who grow cotton by increasing the excise taxes applicable to imported soap-making oils.

## INEDIBLE TALLOW

Approximately 37 percent of all ingredients used in the manufacture of soap in the United States in the year 1937 consisted of inedible tallow. Thirty percent of this tallow was of packing-house origin and the remainder was produced from the scraps or shop fats collected from the hotels, restaurants, boarding houses, chain stores, etc., in the larger cities. For all of it the farmer received the meat price when he sold the beef steer to the packer on the hoof. The packer in turn received the meat price for the tallow on the dressed carcass when he sold it to the retail butcher, except for about 5½ pounds, according to average packing-house yields, this being tallow on some portion of the dressed carcass which was not salable as a part of the carcass. The chain store or other meat retailer, in turn, in selling the meat to the customer charged him the meat price for all of the fat on the cut of meat. After the cut had been weighed out, however, the retailer removed from it some of the excess tallow, selling same as it collected to the tallow renderers.

Similarly, scraps of tallow which accumulate in the hotels, restaurants, and other eating establishments are sold to the tallow renderers. Thus, it can be seen that beginning with the packer and extending down to the final consumer, the farmer receives the meat price for every pound of tallow which he produces. No greater return from this tallow can ensue to the farmer from any increases which might occur in the price of tallow as the result of the levying of import taxes on supposedly competing materials because in obtaining the meat price, he has obtained the highest price procurable.

The 5½ pounds of inedible tallow procured in the dressing of the average beef carcass in the packing houses at the present market prices represent a value of about 30 cents. The total consumption of inedible tallow in the United States in the year 1937 was 670,000,000 pounds. The total value of this production was $50,000,000. Since 30 percent of this production was of packing-house origin, the value of the portion originating in the 1,160 packing houses in the United States was $15,000,000. The total value of all packing-house products in the year 1937 was $2,787,357,000. Thus, it is apparent that the value of the inedible tallow produced in packing houses was 0.54 percent of the total value of packing-house products. It is hardly likely that if the value of a product amounting to only about one-half of 1 percent of the total value of all packing-house products were increased, that any part of this increase would be passed back to the farmer who grows beef cattle, as it would be too small an increment to divide among the thousands of farmers sending beef cattle to the market.

In respect to the tallow produced by the renderers of tallow, it should be stated that these renderers have no contact whatsoever with agriculture. Any slight increase in price, which an increase in the price of tallow would bring about in shop facts, i. e., the scraps collected from the restaurants, hotels, chain stores, etc. (the current price paid is 1¾ cents per pound), could not possibly be transmitted back to the farmer. Indeed, it is likely that the hotels, restaurants, etc., pay out more in increased prices of soap when tallow prices increase than they could possibly gain from any increased price of shop fats which they sell to the renderers.

*The Secretary of Agriculture has had the following to say, in a memorandum submitted to the Department of State on March 26, 1934, on inedible tallow and greases, such as are produced by tallow renderers: "At existing prices there is a considerable potential supply of waste animal fats which are not now recovered, but it is extremely improbable that a greater recovery would at all affect livestock prices."*

GREASES

In the calendar year 1937, 5.6 percent of the total oil and fat ingredients used in the manufacture of soap consisted of grease. The total amount of grease consumed in the United States in the year 1937 was 215,651,000 pounds, valued at about $14,000,000. About 50 percent of this grease was produced in the packing houses, and an equal quantity was produced by tallow renderers from the scraps collected from restaurants, hotels, boarding houses, etc.

According to The Packers' Encyclopedia, the packing houses secure 3.12 pounds of grease per hog slaughtered. Grease from the average-weight hog of 200 pounds, at a price of 8 cents per pound, would, therefore, be worth 25 cents while the hog was worth $20.

Dividing the total production of grease equally between packing houses and tallow renderers, the value of that produced by the packing houses would be around seven million dollars. This figure is one-fourth of 1 percent of the total value of packing-house products in the year 1937.

Such increase in the value of greases as might occur from an increase in the excise taxes on oils and fats would represent too small an item in packing-house accounting for the 1,160 packing houses to pass it back to producers of hogs. As for the renderers, there would be no means whereby they could pass back to the farmers an increase in the price of grease which they sell, as there is no point of contact between the restaurants, hotels, boarding houses, and so forth, from which they secure the refuse materials to make grease, and the farmer.

THE BURDEN OF PROCESSING TAXES ONLY ADD TO THE COST, WITHOUT DIMINISHING THE USE OF OILS THAT HAVE NO DOMESTIC SUBSTITUTE

Twenty-three and six-tenths percent of all oils and fats employed in the United States for the manufacture of soap in the year 1937 consisted of the two lauric-acid containing oils, viz., coconut and palm kernel, and their derivatives. The Revenue Act of 1934, which placed an excise tax of 3 cents per pound on palm-kernel oil and an equal tax on Philippine coconut oil, did not cause an appreciable reduction in the volume of usage of these oils so taxed in the soap kettle. This is conclusive proof that soap makers must have lauric-acid containing oils with which to produce the type of soap which consumers demand.

The average annual consumption of coconut oil and palm-kernel oil and their derivatives in the soap kettle in the calendar years 1931, 1932, and 1933, which constituted the 3-year period prior to the passage of the excise tax, was 362,314,000 pounds. The consumption of the two lauric-acid containing oils, coconut and palm kernel, and their derivatives, in the manufacture of soap in the years 1935, 1936, and 1937, constituting the 3-year period immediately following the imposition of the excise tax, averaged 362,430,000 pounds per annum. This quantity, for all practical purposes, equals in volume the amount used prior to the imposition of the tax.

Soap makers require lauric-acid containing oils in order that the soap which they manufacture may possess the necessary lathering properties, and since it has been proven that they will utilize no lesser volume of those oils with the tax in effect, it is difficult to ascertain how any domestic producer of oils and fats could have benefited from the imposition of the tax. There is no oil or fat produced in the United States from domestic materials, which contains lauric acid.

Coconut-oil soap has the power of emulsifying petroleum products. It gains this attribute from its lauric-acid content. This usefulness of coconut-oil soap to emulsify petroleum products has become of particular importance within the last 25 years with automobiles dripping lubricating oils on the street and the exhaust blowing out soot, which products combine with the dust on the streets and are caught in the clothing of the public. Coconut-oil soap excels other kinds of soap in the ability to remove this kind of soil from clothing. If clothes soiled in this manner are washed with tallow or soap made of other oleaginous material, they cannot be made white but come out of the washing machines of the home and the power laundry gray and streaked.

Coconut-oil soap has the ability to attain its maximum detergent properties at as low a temperature as 100° F.

Thus fragile garments which are washed in coconut-oil suds will greatly outlast those washed in suds produced by tallow soaps, which require a temperature of 180° F. to reach their maximum degree of detergency.

It would be impossible to operate electric washing machines in the home if coconut-oil soaps were not available. It would be exceedingly difficult to wash clothing in water containing any degree of hardness if coconut-oil soap were not available, and there is no oil which will produce a suitable marine soap, for use in salt water, other than coconut and palm-kernel oils. Palm-kernel oil, of course, has the same properties as coconut oil and can be used in the same manner by the soap manufacturer. Hence, it would seem to be an entirely useless procedure to attempt, by the imposition of additional taxes, to prevent soap makers from securing these necessary raw materials, which are required to make a properly lathering soap.

The United States Department of Commerce, in a publication entitled "Fats and Oils: Their Adapatability and Uses." has the following statement to make in regard to coconut oil as compared to tallow:

"Inedible tallow, a slow latherer, is by far the leading saponifying material, with a yearly volume twice as large as the quick-lathering coconut oil. Both of these products are adaptable for soap manufacture, but they are not completely interchangeable. Most soaps are made of a combination of coconut oil and tallow, because this combination possesses the advantages of rapid solubility and lasting lather."

An additional quotation from the above publication of the Department of Commerce is as follows:

"Because of the lauric-acid content, coconut oil, palm-kernel oil ,and babassu oil make a quick-lathering soap for use in the extensive hard-water regions, and they are almost a necessity for use in salt water. None of the domestic oils contain this lauric acid."

It has been stated that the consumption of coconut oil and palm-kernel oil and their derivatives in soap for the 3 post-excise-tax years of which the Bureau of the Census has a record did not decline. The striking thing about this circumstance can be visualized from the following table of prices for these 3 years and the year 1938.

*Comparative average annual prices, 1935–38*

[Cents per pound]

| | Coconut oil, crude, New York, plus 3 cents per pound processing tax | Palm kernel oil, denatured, New York, plus 3 cents per pound processing tax | Inedible tallow f. o. b. New York | Cottonseed oil crude f. o. b. mills, Southeast | Soybean oil crude f. o. b. mills |
|---|---|---|---|---|---|
| 1935 | 7.70 | 7.50 | 6.50 | 9.26 | 8.10 |
| 1936 | 8.30 | 8.10 | 6.13 | 8.58 | 7.50 |
| 1937 | 9.30 | 8.09 | 7.70 | 8.07 | 8.13 |
| 1938 | 6.44 | 6.91 | 5.00 | 6.76 | 5.59 |

Would soap makers have used coconut and palm-kernel oil at the above prices if tallow or other domestic material could have filled the same function?

It is true that coconut oil is employed in making oleomargarine. Eighty-nine and a half million pounds were so used in 1938, but the consumption in soap was more than four times as great. Edible usage for coconut oil, outside of oleomargarine manufacture, is now limited to the baking and confectionery trades. The volume used is small. The minor use of coconut oil in edible channels under the present-day condition of excess supplies of edible oils and fats, such as lard, cottonseed, corn, and soybean oils, and the disproportionate tax borne by coconut oil, wil lmake it impossible for this oil to affect edible oil and fat values in the United States market throughout 1939.

UNITED STATES TREASURY GETS NO REVENUE FROM COCONUT-OIL PROCESSING TAX

Since the imposition of the processing taxes on coconut oil, palm oil, and palm-kernel oil on May 10, 1934, $123,000,000 has been collected from the consumers of products made from these oils in the United States. Only 39 percent of the revenue collected on these processing taxes has accrued to the United States Treasury. The remaining 61 percent, amount to $75,000,000, has been turned over to the Philippine government, which, under the terms of the Revenue Act of 1934, must receive all of the returns from the processing tax on Philippine coconut oil.

An increase in the present processing taxes would not result in increased revenue, first, because the bulk of the funds now being collected under the existing processing taxes of 3 cents per pound are being remitted to the Philippine treasury. Secondly, the 3-cents-per-pound processing tax in effect on palm oil is equivalent to a 100-percent ad valorem tariff. It is hardly likely that an increase could be made in the 3-cents-per-pound processing tax without there being brought about a partial stoppage of such revenue as now accumulates from this source. This stoppage would, in large measure, offset any revenue gain from an increase in the tax.

VOLUME OF PALM OIL USED BY SOAP MAKERS, DESPITE TAX EQUAL TO VALUE OF OIL, SHOWS ESSENTIAL NATURE OF THIS RAW MATERIAL

Soap makers in the year 1937 (the last year for which factory-consumption figures are available, these figures being collected by the Bureau of the Census) use 172,000,000 pounds of palm oil and its derivatives, as compared to an average annual usage in pre-excise-tax years of 185,000,000 pounds. This palm oil cost soap manufacturers an average price throughout the year 1937 of 5 cents per pound, and the addition of the excise tax made this palm oil cost the soap manufacturers an average price of 8 cents per pound. Cottonseed oil, on the other hand, sold at an average price for the year 1937 of 8.07 cents per pound. The average price of inedible tallow, throughout the year 1937, was 7.7 cents per pound. Inedible greases sold in the United States averaged 7.36 cents per pound in 1937. Soybean oil sold at an average price of 9.07 cents per pound through the year 1937. Neither cottonseed oil nor soybean oil would be usable in soap for the same purposes as palm oil is employed. If utilized in soap making, they would have to be hydrogenated, and in this form would serve as tallow substitutes, but it would cost from 1 to 1½ cents per pound to hydrogenate them to the point where they could be employed in lieu of tallow, hence they are always salable at far higher prices in edible channels than they could be as tallow substitutes.

Textile manufacturers both in the southern and northern textile-manufacturing areas of the United States use large quantities of palm oil in the production of their textiles. These textile manufacturers have been able in nowise to reduce their requirements of palm-oil soaps for the simple reason that no other soap is suitable for usage in the manufacture of textiles. Textile manufacturers have recently had their protection reduced in connection with the negotiation of the reciprocal trade agreement with Great Britain. It would be of considerable concern to them if, in addition to having their protective rate on textiles reduced, they should now be obliged to pay out a largely increased price for palm-oil soaps, which they must of necessity employ.

Much soap which is sold in the United States for household and industrial usage is advertised as being made from palm oil. Obviously, it is impossible for these manufacturers to give up the use of palm oil, for to do so would destroy their brand. It would certainly be a useless imposition of the taxing power to increase the price of palm oil to these manufacturers and to the textile-soap manufacturers, who can employ no other ingredient.

Palm oil, during the shortages occasioned by the drought years of 1934, 1935, and 1936 (the effects of the 1936 drought continued through 1937), was consumed in considerable quantities in edible channels. With the return of normal domestic supplies of all domestic oils and fats, other than hog lard, and the gradually increasing supplies of hog lard, the incentive to use palm oil for edible purposes in the United States is practically a minus factor. The edible usage of palm oil throughout 1939 will continue at an extremely low ebb. It would be futile to raise tax barriers to protect domestic edible oils from its competition because the competition is now, and will continue to be, practically nonexistent.

### AMENDMENT OF SENATOR BAILEY, OF NORTH CAROLINA, TO H. R. 3790 PROPOSES TO INCREASE EXCISE TAXES ON ANIMAL, MARINE ANIMAL, AND FISH OILS, TAXABLE IMPORTS OF WHICH HAVE PRACTICALLY CEASED

Since the passage of the Revenue Acts of 1934 and 1936, carrying an amendment sponsored by Senators Connally, of Texas, and Bailey, of North Carolina, to section 601 (c) (8) (A) of the Revenue Act of 1932, levying an excise tax of 3 cents per pound on practically all imported animal, marine animal, and fish oils, inclusive of inedible tallow, whale oil, seal oil, etc., imports of these oils and fats so taxed have been commercial curiosities. This importation into the United States in the year 1938 accounted for only 0.95 percent of all oils and fats imports expressed in terms of oil. Imports of the chief oils taxed in 1938 were as follows:

*Taxable imports of oils and fats, on which amendment of Senator Bailey proposes to increase import excise tax to 5 cents per pound*

| | 1935 | 1936 | 1937 | 1938 |
|---|---|---|---|---|
| Whale oil | 20,793,006 | 17,601,583 | 41,350,200 | 12,896,495 |
| Seal oil | | 4,173 | 94,000 | |
| Miscellaneous fish oils | 45,552 | 800,820 | 1,25[illegible],000 | 531,000 |
| Tallow, inedible | | [1] 1,944,430 | 3,851,000 | 1,299,000 |
| Wool grease | | [1] 351,127 | 4,694,000 | 1,786,000 |
| Stearic acid | | [1] 216,220 | 788,000 | 1,465,000 |
| Total | 20,838,558 | 20,918,350 | 55,035,200 | 17,977,495 |

[1] Aug 20 to Dec. 31.

The pitiful remnant remaining of a once large commerce in these foreign oils and fats of animal, marine animal, and fish origin, which came from Australia, New Zealand, the Argentine, Norway, Newfoundland, and other countries with little else to sell the United States, other than oils and fats, has no power to affect the oil and fat values in a country such as the United States, where the annual consumption of oils and fats exceeds 9,000,000,000 pounds per annum. Notwithstanding the moribund condition of imports of these oils, fats, and greases, Senator Bailey of North Carolina introduced under date of February 27 an amendment to increase the import excise tax to 5 cents per pound.

To pass Senator Bailey's amendment to H. R. 3790 would violate the trade agreements with Canada and Great Britain on three items contained in section 601 (c) (8) (A) of the Revenue Act of 1932. These items are shark and dogfish liver oils in the Canadian agreement, and wool grease and stearic acid in the British trade agreement.

Though the amount of the total annual imports of the articles affected by Senator Bailey's amendment to H. R. 3790 could not keep a soap plant busy for more than a few days, yet we believe that the risk of offending one of our largest foreign customers through violation of a trade agreement will convince the most avid advocate of protection of fish oil of the inadvisability of such a move.

### VALUE OF ATLANTIC COAST FISH-OIL PRODUCTION INSIGNIFICANT

Inasmuch as Senator Bailey's amendment is presumably in the interest of menhaden fish-oil producers, the only fish oil produced in the State of North Carolina and other Atlantic Coast and Gulf States, with the exception of Massachusetts where a very small amount of cod-liver oil is produced (not affected by Senator Bailey's amendment), the following table is of interest:

*Value of fish oil produced on Atlantic seaboard, with exception of Massachusetts production of cod oil, 1937*

| | Number of plants | Gallons | Value | |
|---|---|---|---|---|
| | | | Total | Average per plant |
| New York, New Jersey, Delaware, Georgia | [1] 6 | 1,543,680 | $582,829 | $97,138 |
| Virginia | 11 | 1,361,181 | 522,476 | 47,498 |
| North Carolina | 10 | 839,598 | 294,443 | 29,444 |
| Florida | 5 | 146,806 | 55,803 | 11,161 |
| Total, United States | 32 | 3,891,265 | 1,455,551 | [2] 45,486 |

[1] New York, 1; New Jersey, 2; Delaware, 2; Georgia, 1.
[2] Average value of production of all menhaden plants in the United States.

Source of data: Statistical Bulletin No. 1280, Bureau of Fisheries, U. S. Department of Commerce.

Whatever effect such an additional tax burden might have on the large producers who manufacture or distribute an extensive line of products—fats, soaps, other cleansers, etc.—there can be doubt of the effect on the little man of the industry, who must supply employment, compete, and make ends meet on the profit of the soap kettle. It would seem bad economics to put more such factors out of business in the United States in the interest of a small group of manhaden plants whose main interest lies in the production of fish meal for sale as fertilizer, cattle and poultry feed, and who have such an insignificant production of fish oil that it is less than four-tenths of 1 percent of the annual consumption of oils and fats in the United States.

HIGHER PROCESSING TAXES CAN ONLY ENCOURAGE SUBSTITUTION THAT WOULD DECREASE THE USE OF ORGANIC OILS AND FATS IN SOAP PRODUCTION

Soap production in the year 1937, the last year for which census figures are obtainable, was only 24.6 pounds per capita. As far back as the year 1923, the per capita production was 25.1 pounds. The maximum production of soap in the United States was in the year 1929, when 27.2 pounds per capita was produced. The total soap production of the United States in 1937 was 3,181,000,000 pounds.

The total value was $271,500,000. Yet this industry in a single year paid out the sum of $15,000,000 in the form of processing taxes on three of its raw materials. In other words, the soap industry which is in every sense an essential industry because of its relation to the national health, is forced to pay a tax on its principal imported raw materials amounting to 100 percent ad valorem, and it is now proposed to increase this tax by 150 percent.

These facts have a direct relation to the rapidly rising production in the United States of synthetic fatty acids for use in soap manufacture, made from petroleum. They are already being produced on a very large scale in Germany.

The decline in the production of soap in the United States is of concern from the viewpoint of national defense because soap is the source of glycerine, one of the most cherished ingredients of munitions of all nations in time of war, as evidenced by the fact that glycerine, during the World War, sold at the unbelievable price of 70 cents per pound as contrasted to a normal price of 10 or 15 cents per pound. At the present time soap makers in the United States are producing more glycerine per pound of soap than at any time previously, yet the total production of glycerine in the year 1938 was only about 160,000,000 pounds. When it is considered that artillery pieces must have glycerine shock absorbers to protect same from damage from the impact of the explosion; automobiles and Army trucks must have glycerine in their shock absorbers; and that it is the best propellant for projectiles procurable, its value as a munitions material is recognizable.

Further, glycerine is required in the preservation of certain types of canned foods, and no war could be fought without canned foods. Glycerine is necessary in the production of the lacquer which lines the inside of the tin cans used for the packaging of foods. If soapless detergents replace soap, then there is no means of obtaining the glycerine from oils and fats, as practically the entire glycerine production of the United States is in the nature of a byproduct from the manufacture of soap.

Not only have tariff and excise taxes levied on soap makers decreased soap production and encouraged the use of soapless detergents, they have caused a decrease in the number of soap manufacturers. Soap factories in the United States in 1929 numbered 262. In 1937 there were only 232 plants in operation, a decrease of 21.3 percent of the number of plants in operation.

THE GILLETTE AMENDMENT WOULD NOT ONLY CONTRAVENE BRAZILIAN AND BRITISH TRADE AGREEMENTS, BUT WOULD DESTROY DOMESTIC IMPORTED OILSEEDS-CRUSHING INDUSTRY

The amendment introduced by Senator Gillette of Iowa would violate the Brazilian trade agreement in respect to babassu oil and nuts. It would violate the British trade agreement, which binds copra on the free list, by placing a processing tax of three-tenths cent per pound on copra cake and meal. This same tax would shut out exports of copra cake and meal from the Philippine Islands, the only section of the world from which our imports come, and again we would impinge upon the agreement embodied in the Tydings-McDuffie Act, which levied no import restrictions on Philippine copra cake and meal. These imports move to the west coast of the United States, where is a deficiency of high protein concentrates, and are badly needed by the dairymen and other users of mixed feeds. No worthwhile compensatory benefit would ensue from their exclusion.

The Gillette amendment would destroy the entire imported oilseeds-crushing industry on the Pacific coast, as it establishes no differential in favor of domestic crushers. It merely levies a processing tax of 5 cents per pound upon the oils which they produce, viz, perilla, hemp, kapok, rape, sesame, etc., without distinguishing between imported and domestically produced oils. Such domestic demand for these oils as survived the tax, would be filled by foreign crushers.

All oils and fats contained in the Gillette amendment are largely of the type which must be imported, regardless of tax burdens, being employed in a variety of industries, such as paint, varnish, linoleum, lubricating, sulphonating, and the soap industries. Its capacity to work grave injury to many branches of the vegetable-oil industries cannot be overestimated. It cannot be discussed in a brief space, hence detailed discussion should be left to the 10 or more industries affected.

SOLUTION TO PERENNIAL ARGUMENT OVER ENTRY OF VEGETABLE OILS IS TO PROVIDE FOR DUTY-FREE ENTRY OF OILS AND FATS INTENDED FOR INDUSTRIAL USAGE IN DENATURED FORM

Since the passage of the Tariff Act of 1909 there has appeared in this and succeeding tariff acts, inclusive of the Tariff Act of 1930, the following provision in the free list:

"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."

Under the above provision there has been accorded free entry to certain vegetable oils required by manufacturers of industrial products, such as soap, textile oil, and the lubricating oil manufacturers. The most important oils so treated at the port of entry since 1930 have been palm-kernel, olive, and rapeseed oils. According to the Treasury Department there has never been a fraud or violation committed under this provision. The oils at time of entry are treated with brucine alkaloid (an intensely bitter substance) or other equally potent destroyer of the edible qualities of the oil, and they are thereby rendered useless except for industrial usage.

The present clamor for an increased tariff on oils and fats comes chiefly from edible oil and fat producers. Yet the usage of the oils imported is mainly in the soap kettle under present-day conditions, and this will continue to be the case unless there is a repetition of the unparalleled droughts of 1934 and 1936. Now that the drought cycle is past history, little concern is manifested by edible-oil users in the United States as to the proposed tax increase. They see no need to import edible oils and fats except in inconsequential volume for special usage, under present-day conditions of supply and demand in edible oil and fat markets, the domestic production being adequate to meet all needs, and such importation as may now be taking place is as the result of purchases made at least 6 months back, during the year 1938.

Since soap consumers would be greatly injured by any increase in the excise taxes and there appears to be no reasonable basis of expectation on the part of any group of domestic producers that they could profit from this injury to domestic soap consumers through the increased cost of soap which would result from higher levies on imported soap ingredients, it would seem that now is the logical time for Congress to consider the question of a compromise to settle a perennial argument. This compromise, if evolved along constructive lines, would permit of the duty-free and excise-import tax-free entry of soap-making oils and fats into the United States if denatured in accordance with paragraph 1732 of the free list of the Tariff Act of 1930. Such treatment of the oils imported for soap making would reassure domestic edible oil and fat producers. They would know that the imports which were entering the United States were not going into edible channels and would realize that since the importations were made for the manufacture of soap, that it would be impossible for them in their denatured form to enter into competition with edible domestic oils and fats, such as cottonseed, soybean, corn oil, and peanut oil.

Mr. Chairman, I desire to submit for the record a table of the Bureau of Agricultural Economics showing that the cotton farmers of the South received the highest percentage of parity for their cottonseed marketed from the 1938 crop of any farm crop marketed in the United States last fall with the exception of certain kinds of tobacco.

(The matter referred to follows:)

*United States prices received by farmers, percentage of parity*

[U. S. Department of Agriculture, Bureau of Agricultural Economics]

| Commodity | July 15, 1938 | Aug. 15, 1938 | Sept. 15, 1938 | Oct. 15, 1938 | Nov. 15, 1938 | Dec. 15, 1938 |
|---|---|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| Wheat | 54 | 45 | 47 | 47 | 47 | 49 |
| Corn | 65 | 60 | 59 | 52 | 49 | 54 |
| Oats | 47 | 40 | 43 | 44 | 45 | 49 |
| Barley | 49 | 44 | 45 | 46 | 44 | 47 |
| Rye | 45 | 35 | 35 | 30 | 35 | 36 |
| Buckwheat | 70 | 71 | 65 | 59 | 58 | 58 |
| Flaxseed | 74 | 72 | 75 | 76 | 75 | 78 |
| Rice | 60 | 61 | 55 | 57 | 61 | 61 |
| Cotton | 53 | 52 | 53 | 54 | 55 | 53 |
| Cottonseed | 75 | 76 | 70 | 81 | 83 | 84 |
| Potatoes | 75 | 61 | 55 | 59 | 63 | 72 |
| Sweetpotatoes | 79 | 78 | 66 | 57 | 54 | 59 |
| Peanuts | 57 | 56 | 53 | 53 | 55 | 55 |
| Apples | 66 | 62 | 65 | 60 | 71 | 75 |
| Butterfat | 77 | 77 | 75 | 73 | 71 | 75 |

I desire to submit for the record the prices of cottonseed oil, corn oil, soybean oil, lard, and inedible tallow, showing that present-day prices are not low prices, and that, in fact, they are of the middle range of prices. Present-day prices of cottonseed oil are 96.2 percent of the 10-year average from 1929 to 1938.

| | Cottonseed oil, crude, southeastern (tanks) | Corn oil, crude, midwest (tanks) | Soybean oil, crude, domestic (tanks) | Lard, middle western (tierces) | Tallow, inedible, New York (loose) |
|---|---|---|---|---|---|
| | *Cts. per lb.* | *Cts. per lb.* | *Cts. per lb.* | *Cts. per lb.* | *Cts. per lb.* |
| 1921 | 6.26 | (1) | (1) | 11.22 | 5.60 |
| 1922 | 8.56 | (1) | (1) | 11.57 | 6.65 |
| 1923 | 9.77 | (1) | (1) | 12.20 | 7.71 |
| 1924 | 9.18 | 10.30 | (1) | 13.19 | 8.12 |
| 1925 | 9.25 | 9.90 | (1) | 16.66 | 9.40 |
| 1926 | 9.91 | 9.91 | (1) | 15.12 | 8.40 |
| 1927 | 8.24 | 8.39 | (1) | 12.81 | 7.80 |
| 1928 | 8.23 | 8.80 | (1) | 12.17 | 8.45 |
| 1929 | 8.05 | 8.83 | 10.33 | 11.85 | 7.01 |
| 1930 | 6.82 | 7.35 | 9.28 | 10.82 | 5.53 |
| 1931 | 5.37 | 5.75 | 5.88 | 8.08 | 3.32 |
| 1932 | 3.00 | 3.43 | 3.68 | 5.06 | 2.68 |
| 1933 | 3.62 | 4.20 | 5.89 | 5.62 | 2.98 |
| 1934 | 5.45 | 5.91 | 6.55 | 6.32 | 3.97 |
| 1935 | 9.20 | 9.61 | 8.79 | 13.13 | 6.50 |
| 1936 | 8.58 | 9.00 | 8.28 | 11.45 | 6.13 |
| 1937 | 8.07 | 8.50 | 9.07 | 11.75 | 7.70 |
| 1938 | 6.76 | 7.17 | 6.38 | 8.64 | 5.00 |
| 10-year average, 1929-38 | 6.51 | 6.93 | 7.41 | 9.27 | 5.18 |
| Mar. 3, 1939 | 6.25 | 6.13 | 5.18 | 7.55 | 5.38 |
| Percent Mar. 3, 1939, of 10-year average, 1929-38 | 96.2 | 88.5 | 70.0 | 81.4 | 103.9 |

[1] Tank-car quotations not available.

NOTE.—Latest Bureau of Labor Statistics index shows wholesale prices all commodities sold in United States to be only 76.9 percent of normal.

I desire to submit for the record a table showing the production of oils and fats from domestic raw materials, showing that the 6-year average production from 1928 to 1933 (normal in all respects in that we had no droughts or crop failures) amount to 7,893,000,000 pounds, whereas the production in 1938 amounted to 7,968,000,000 pounds. This table shows that the present-day reason for the failure of fats and oils to sell at high prices, rather than the middle-range of prices, is due to a normal production of domestic oils and fats, whereas for some years we have had a subnormal production.

[Data in millions of pounds]

| | Production of fats and oils from domestic raw materials, including lard and butter | Production of lard (factory and farm) | | Production of fats and oils from domestic raw materials, including lard and butter | Production of lard (factory and farm) |
|---|---|---|---|---|---|
| 1923 | 7,312 | 2,783 | 1931 | 7,779 | 2,385 |
| 1924 | 7,678 | 2,740 | 1932 | 7,840 | 2,463 |
| 1925 | 6,638 | 2,223 | 1933 | 7,952 | 2,569 |
| 1926 | 7,028 | 2,324 | 1934 | 7,436 | 2,163 |
| 1927 | 7,970 | 2,356 | 1935 | 6,146 | 1,312 |
| 1928 | 7,909 | 2,594 | 1936 | 7,144 | 1,673 |
| 1929 | 8,112 | 2,598 | 1937 | 7,117 | 1,434 |
| 1930 | 7,767 | 2,844 | 1938 | 7,968 | 1,730 |

6-year average production of all fats and oils from domestic raw materials, 1928-33 (millions of pounds), 7,893.

I desire to submit for the record the break-down of the production of all oils and fats in the United States for the year 1938.

*Production of fats and oils from domestic raw materials 1938*

| | *Millions of pounds* |
|---|---|
| Cottonseed oil | 1,683 |
| Soybean oil | 322 |
| Corn oil | 135 |
| Peanut oil | 77 |
| Linseed oil | 157 |
| Butter | 2,297 |
| Lard | 1,730 |
| Tallow, inedible | 762 |
| Grease | 322 |
| Marine animal and fish oils | 243 |
| Edible fat [1] | 231 |
| Inedible fat [2] | 9 |
| | 7,968 |

[1] Oleo oil, oleostearine, oleo stock, and edible tallow.
[2] Wool grease and neat's-foot oil.

I next desire to submit for the record a table of imports of oils and fats showing the 6-year average from 1928 to 1933 of imports and the 1937–38 imports. This table shows that the imports in 1938 were only slightly above normal, thus showing that there is no emergency in respect to volume of importations.

*Imports of oils and fats*

[Imports in thousands of pounds]

| | 6-year average 1928–33 | 1937 | 1938 |
|---|---|---|---|
| Soap oils: | | | |
| Coconut oil | 658,873 | 676,158 | 687,142 |
| Olive oil, inedible | 12,174 | 4,870 | 5,444 |
| Olive oil foots | 46,251 | 22,101 | 22,350 |
| Palm kernel oil | 40,656 | 169,134 | 13,522 |
| Palm | 246,889 | 412,112 | 271,325 |
| Babassu | ........ | 32,165 | 35,562 |
| Tallow, inedible | 5,023 | 3,851 | 1,229 |
| Grease | 13,309 | 1,780 | 4,694 |
| Marine animal oils | 57,203 | 54,771 | 22,072 |
| Fish oils | 62,840 | 67,778 | 62,605 |
| Subtotal | 1,143,887 | 1,444,726 | 1,125,951 |
| Cottonseed oil | 33 | 104,008 | 77,500 |
| Peanut oil | ........ | 57,090 | 15,553 |
| Corn oil | 1,527 | 32,920 | 22,242 |
| Soybean oil | 8,083 | 29,802 | 20,519 |
| Olive oil, edible | 79,487 | 48,342 | 71,086 |
| Rapeseed oil | 18,132 | 8,017 | 9,164 |
| Linseed oil | 281,410 | 534,127 | 202,045 |
| Chinawood oil | 94,888 | 174,885 | 107,450 |
| Perilla oil | 11,550 | 43,591 | 31,821 |
| Castor oil | 50,702 | 66,064 | 51,333 |
| Sesame oil | 27,053 | 44,221 | 10,244 |
| Hempseed oil | 1,216 | 115 | 123 |
| Sunflower seed oil | 11,520 | 475 | 76 |
| Other vegetable oils | 16,026 | 100,057 | 57,090 |
| Edible animal fats | 1,582 | 10,017 | 4,606 |
| Subtotal | 603,818 | 1,363,636 | 780,548 |
| Total | 1,747,705 | 2,808,362 | 1,906,499 |

NOTE.—The above figures include not only the imports of oil per se, but also the oil equivalent of imported raw materials.

I desire to submit for the record a table showing the exports of oils and fats from the United States for the 6-year average, 1928 to 1933, and for the years 1937–38. This table is introduced into the record to show that the reason high prices are not obtainable for oils and fats in lieu of the present middle range of prices is that the exports from the United States are less than normal and must be enlarged.

*Exports of oils and fats*

[Data in thousands of pounds]

| | 6-year average 1928–33 | 1937 | 1938 |
|---|---|---|---|
| Animal oils and fats, edible: | | | |
| Oleo oil | 51,831 | 5,711 | 5,360 |
| Oleo stock | 7,715 | 2,650 | 2,874 |
| Tallow | 4,110 | 267 | 260 |
| Lard, including neutral lard | 667,024 | 136,778 | 204,603 |
| Oleo stearin | 5,599 | 601 | 181 |
| Lard compounds containing animal oils | 2,254 | | |
| Margarine | 593 | 163 | 235 |
| Subtotal | 739,126 | 146,170 | 213,513 |
| Animal oils and greases, inedible: | | | |
| Neat's foot oil | 1,134 | 907 | 845 |
| Other inedible animal oils | 1,313 | 771 | 505 |
| Fish oils | 2,001 | 1,949 | 2,677 |
| Grease stearin | 2,096 | 384 | 891 |
| Oleic acid or red oil | 2,527 | 182 | 194 |
| Stearic acid | 905 | 391 | 294 |
| Tallow, inedible | (1) | 883 | 469 |
| Other animal greases and fats | 64,703 | 3,415 | 1,899 |
| Subtotal | 74,709 | 8,882 | 7,774 |
| Vegetable oils and fats, edible: | | | |
| Coconut oil, edible | 933 | 1,777 | 2,277 |
| Cottonseed oil, refined | 10,385 | 4,524 | 4,133 |
| Soybean oil | 4,806 | [2] 16,984 | [2] 30,215 |
| Corn oil | 671 | 444 | 113 |
| Cocoa butter | 1,109 | 1,460 | 2,647 |
| Cooking fats, other than lard | 4,622 | 1,723 | 2,275 |
| Other vegetable oils and fats | 2,908 | 2,755 | 3,863 |
| Subtotal | 25,434 | 29,667 | 45,503 |
| Vegetable oils and fats, inedible: | | | |
| Coconut oil, inedible | 23,588 | 7,133 | 4,813 |
| Cottonseed oil, crude | 26,257 | 2,726 | 428 |
| Linseed oil | 1,422 | 887 | 890 |
| Vegetable soap stock | 15,053 | 10,303 | 8,560 |
| Other expressed oils and fats | 4,642 | 2,077 | 2,023 |
| Subtotal | 71,502 | 23,286 | 17,614 |
| Oil equivalent of oil-seeds other than soybeans | | 6,252 | 1,720 |
| Total | 910,891 | 214,263 | 286,124 |

[1] Included in "Other animal greases and fats, inedible."
[2] Includes the oil equivalent of soybeans exported.

I desire to submit for the record a table showing average annual prices of coconut, palm, and palm-kernel oils over a period of years. Since 1934 the excise tax has been added, in the right hand column of prices applying to the individual oil.

| | Coconut oil, crude, New York | | Palm oil, crude, New York | | Palm-kernel oil, New York, denatured | |
|---|---|---|---|---|---|---|
| | Without tax | Plus 3-cent processing tax | Without tax | Plus 3-cent processing tax | Without tax | Plus 3-cent processing tax |
| 1930 | | | [1] 6.47 | | [1] 6.81 | |
| 1931 | | | [1] 4.74 | | [1] 5.51 | |
| 1932 | 3.5 | | [1] 3.78 | | [1] 4.82 | |
| 1933 | 3.2 | | [1] 3.83 | | [1] 4.28 | |
| 1934 | 2.8 | | [1] 3.10 | | [1] 3.70 | |
| 1935 | 4.7 | 7.7 | [1] 4.70 | 7.70 | 4.80 | 7.80 |
| 1936 | 5.3 | 8.3 | 4.31 | 7.31 | 5.13 | 8.13 |
| 1937 | 6.3 | 9.3 | 4.04 | 7.04 | 6.00 | 9.00 |
| 1938 | 3.44 | 6.44 | 3.06 | 6.06 | 3.91 | 6.91 |
| Prices on Mar. 3, 1939 | 3⅛ | 6⅛ | 2⅞ | 5⅞ | 3.25 | 6.25 |

[1] These quotations are barrel prices, since bulk or tank-car prices are not available. Other quotations are bulk prices. Barrel prices are about a cent higher on an average than bulk prices.

## Brief of the American Institute of Laundering, Joliet, Ill., in Opposition to Connally-Bailey-Gillette Amendments to H. R. 8790

AMERICAN INSTITUTE OF LAUNDERING,
*Joliet, Ill., March 8, 1939.*

Senator PAT HARRISON,
*Chairman, Senate Finance Committee, Washington, D. C.*

DEAR MR. CHAIRMAN: There has been collected on the processing tax levied on soap-making oils on May 10, 1934, the amazing sum of $123,000,000 from May 10, 1934, to December 31, 1938, according to the records of the Bureau of Internal Revenue. While the consumers of soap did not pay this entire $123,000,000, it is unquestionably true that the bulk of it was paid by them, as the soap manufacturers are the largest consumers of imported coconut, palm, and palm-kernel oils.

Sixty-one percent of the revenue which has been collected from these excise taxes has been turned over to the treasury of the Philippine Islands Government, this being the proceeds of the excise tax on coconut oil. The soap consumers of the United States, therefore, do not even have the consolation of knowing that the money which has been wrung from them, has been used for the purposes of supporting their own Government. It is impossible for anyone to figure out how a tax of this kind could possibly help American producers, farmers, or any other class of American citizenry. It certainly does not help the American laundry owner.

Since the imposition of the excise tax in 1934 there has been consumed in the United States by soap makers approximately the same quantity of palm, palm kernel, and coconut oils as was employed by them in years prior to the imposition of the tax. Since, in order to continue this usage without diminishment of volume of these oils, they had to exact 3 cents per pound from the consumer of soap, which is not as easy a task as one might suppose, it must be obvious that the soap manufacturers of the United States must require palm, palm kernel, and coconut oils in the manufacture of their soap, or they would not insist on importing these oils in the face of taxes equal in amount to the value of the oils. Again, we reiterate that it is impossible to see how this tax could have benefited anyone in view of the fact that soap makers did not diminish their usage of imported soap-making oils.

Soap which laundry owners use is composed of 88 to 92 percent saponified fatty acids. In other words, in order to make this soap there must be used 100 pounds of soap-making oils to every hundred pounds of soap. We mention this to show that the increased tax of 2 cents per pound proposed in the Connally-Bailey-Gillette amendments on soap-making oils and fats would register with its full impact on the type of soap used in laundering clothes.

We will leave to the manufacturers of soap the statement as to what this increase in tax would cost the consumers of soap, but on our own behalf we wish to state emphatically that it is our belief that the tax will be paid 100 percent by the 6,000 power laundries of the United States and other consumers of soap. Unfortunately, in the case of the laundry owners, it is going to be exceedingly difficult, if not impossible, for us to pass the increased price of soap on to the users of laundry service. The tendency during the past 3 years has been to reduce the price of laundry service, and in the face of this trend it will be all the harder to charge an increased price to the housewife, who is at all times our potential competitor. If we charge her more than she thinks she should pay, she will have the laundry done in her home. Laundry owners, therefore, are apt to be forced to take from their own meager, and too frequently almost nonexistent profits, any increased cost of soap which would result from the passage of the Connally-Bailey-Gillette amendments.

We call to your attention that various types of garments and household linens, etc., must be washed in divergent manners. For instance, silks, rayons, etc., cannot be washed in the same manner as can cotton fabrics. Woolen blankets cannot be washed with the same kind of soap as are cotton sheets or linen napkins. The soap manufacturer supplies laundry owners with special kinds of soaps for various kinds of laundry usages. These various kinds of soap must naturally be made from different kinds of ingredients. If it is a soap which is to be used to wash garments which cannot stand a high temperature, then the soap will be made largely from coconut and olive oils. A tallow soap could not supplant it because its maximum detergent properties are procurable only at a temperature which, in all probability, would ruin the garment. The average laundry owner must keep on hand several different kinds of soap, the raw material ingredients of which include, in varying proportions, tallow, palm oil, palm-kernel oil, coconut oil, and olive oil. Therefore, anything which would increase the price of these oils and fats would be of the gravest concern to laundry owners in the United States, and we urge that the Senate Finance Committee vote to reject the Connally-Bailey-Gillette amendments as riders to H. R. 3790.

Respectfully submitted.

GEORGE H. JOHNSON,
*General Manager.*

## STATEMENT OF MRS. J. AUSTIN STONE, REPRESENTING THE NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA

Mrs. STONE. I represent not only my own organization, the Women's Trade Union League, but there are four national women's organizations who have endorsed the trade-agreement program and are working together cooperating on the work for it. These are the National Board of the Young Women's Christian Association, the National Council of Jewish Women, the National League of Women Voters, and the National Women's Trade Union League of America. There is one other organization, the General Federation of Women's Clubs which has also endorsed it, but their national officers were out of town and I could not get their signatures. The others have actually endorsed their particular policy.

These four women's organizations desire to go on record as opposed to the proposed legislation now pending before your committee which would greatly increase the high taxes already in effect on a wide range of oils and fats. (Amendments of Senators Bailey, Connally, and Gillettee to H. R. 3790.)

These organizations have endorsed and are actively supporting the reciprocal-trade-agreements program. One of the main reasons for this support is the undeniable fact that the program is definitely in the interest of all the people of this country as consumers. When tariff rates are forced up to exorbitant and excessive levels, not only do business, industry, agriculture, and labor suffer from the trade paralysis which follows, but, in addition, people of all walks of life are forced to pay a heavy toll as consumers. Proposals such as those now pending before your committee run counter to the main objectives of the trade-agreements program and are therefore, on these broad grounds, opposed to the interests of consumers.

The direct effect of this particular legislation upon the consumer would be to increase the cost of many of the articles in which these imported oils are used. One of the chief industries affected is the soap industry; and since we all use soap, this would lay a heavy burden upon our people as a whole. In addition to increased cost, manufacturers of soap and other products in which imported oils are used would be compelled to use inferior substitutes for these imported oils, and the consumer would suffer on two counts, increased price and an inferior article.

We earnestly hope that Congress will reject the amendments to H. R. 3790, not only for the reasons given above but also because of our conviction that the trade-agreements program is a constructive effort to correct economic conditions which contribute to world unrest and therefore tends to promote the cause of peace.

The CHAIRMAN. Does anyone in the audience want to place anything in the record without making a statement? If they do, they will have that privilege now, so that it may be printed in the record.

(No response.)

The CHAIRMAN. I presume there are none.

## STATEMENT OF E. F. JOHNSON, PRESIDENT, DOMESTIC FATS AND OILS CONFERENCE, ST. LOUIS, MO.

Mr. JOHNSON. Mr. Chairman, I wish first to read into the record a wire addressed to Hon. Tom Connally, which reads as follows:

BATON ROUGE, LA., *March 6, 1939.*

Regret that I cannot be present and express my approval of amendment by you, Senators Bailey and Gillette, increasing tax on imported oils to 5 cents. I am sure I express the sentiment and endorsement of every southern commissioner of agriculture when I say that said amendment will be of great benefit to the producers of cottonseed, peanuts, soybeans, and livestock. With the restriction of production of American agriculture, we expect and are entitled to proper protection from foreign products that compete and cause ruinous low prices. Would appreciate this wire being read into the records.

HARRY D. WILSON, *Commissioner.*

Senator CONNALLY. He is the State commissioner of agriculture of Louisiana?

Mr. JOHNSON. That is right.

Mr. Chairman, I am appearing here as president of the Domestic Fats and Oils Conference. This conference is an affiliation of many groups, some of which are represented here today and will appear before you later. Our membership includes the following:

American Soybean Association, a national association of most prominent soybean growers in 27 States. These progressive farmers are represented by Mr. McIlroy, president of their association, who will speak for them later.

American Fisheries Association Cooperative, an organization of manufacturers of fish oil and fishmeal, including about 90 percent of the domestic production, represented by Mr. W. S. Snow.

Association American Producers Domestic Inedible Fats, a national association of manufacturers of tallows and greases.

Corn Industries Research Foundation, an organization of producers of corn oil and related products.

Cotton Oil Producers, represented here by J. I. Morgan, of Farmville, N. C.

Kansas Live Stock Association, a State organization of leading livestock producers and feeders.

National Dairy Union, a voluntary organization of dairy farmers and creamery-butter manufacturers in 17 States, represented here by A. M. Loomis.

Soybean Processing Industry, an affiliation of 22 processing companies, representing 85 percent of the total soybean-crushing capacity in the United States, for whom I am spokesman.

United States Livestock Association, a national organization with 85,000 livestock producers and feeders in 17 States, represented here by C. B. Heinemann, Jr., who has filed a brief for that association.

As a part of this record, I should like to file a list of the soybean-processing companies that are represented. I simply want to call attention to one of these companies.

(The list referred to follows:)

SOYBEAN PROCESSING PLANTS AFFILIATED WITH DOMESTIC FATS AND OILS CONFERENCE

E. F. Johnson, principal
I. C. Bradley, alternate

Archer-Daniels-Midland Co., P. O. box 603, Milwaukee, Wis.; Whitney Eastman.
A. E. Staley Manufacturing Co., Decatur, Ill.; H. W. Galley.
Central Soya Co., Inc., Fort Wayne, Ind.; Roy Hall.
Allied Mills, Inc., Board of Trade Building, Chicago, Ill.; C. F. Marshall, Chicago, I. C. Bradley, Peoria, Ill.
Larrowe Milling Co., box 68, North End Station, Detroit, Mich.; Searle Mowat.
I. F. Laucks, Inc., 314 Maritime Building, Seattle, Wash., I. F. Laucks.
Standard Soybean Mills, Centerville, Iowa, H. R. Schultz.
Clinton Co., Clinton, Iowa, E. W. Meyers.
Cairo Meal & Cake Co., Cairo, Ill., A. T. Madra.
Iowa Milling Co., Cedar Rapids, Iowa, Joe Sinaiko.
Illinois Soy Products Co., Springfield, Ill., I. D. Sinaiko.
American Soya Products Corporation, Evansville, Ind., W. N. Larson.
Galesburg Processing Co., Galesburg, Ill., Max Albert.
Funk Bros. Seed Co., Bloomington, Ill., E. D. Funk, Jr.
Soy Bean Processing Co., Waterloo, Iowa, W. E. Flumerfelt.
Ralston Purina Co., St. Louis, Mo., E. F. Johnson.
Hoosier Soybean Mills, Inc., Marion, Ind., John Caldwell, Jr.
Old Fort Mills, Inc., Marion, Ohio, P. Turner.
John W. Eshelman & Sons, Circleville, Ohio, R. D. Musser.
Plymouth Processing Mills, Fort Dodge, Iowa, C. J. Simmons.
Ralph Wells & Co., Monmouth, Ill., Ralph Wells.

The above represents 85 percent of the total crushing capacity of the United States.

Mr. JOHNSON. I wish to especially call attention to the Archer-Daniels-Midland Co., of Milwaukee, Wis., who I think many of you Senators know. This company is probably the largest processor of fats, oils, and seeds in the United States. They have plants on both coasts and will probably be in a position to judge fairly the effects of the proposed amendments. You gentlemen have their hearty and complete support of the three amendments.

I know you at once realize that to bring together groups with such widely different interests, a very definite and worth-while aim and purpose would be necessary. We have such a goal "To protect and further the production of domestic fats and oils until such production reaches our domestic requirements," a purpose that is both economic and American.

Our conference has considered all matters carefully. We have no thought of asking for violations of existing contracts. We realize that when these various trade agreements were drawn, that the makers of them realized that changes would be necessary, otherwise there would have been no reason to provide so definitely for such amendments and alterations. Changing world conditions must result in changing relationships. Matters of national defense, agricultural surpluses, idle acres and idle men, increased costs of production, combined to make it imperative that this provision for changing these agreements be now used. As I review existing trade agreements, I find that each and every one of them have very definitely provided for adjustments. We intend to prove to this committee that now is the time to start these changes for the adjustment of fats and oil rates.

I wish to call to your attention the fact that both the Brazilian and the Netherlands trade agreements have reached the end of the period at which 6 months' notice may be given by either party. Each of these treaties involve between 1,000 and 1,500 commodities. We feel it is very inconsistent to say that the notification of a change of one commodity will result in either a cancelation of the agreement or can be considered as opposed to the provisions of reciprocal agreements.

Senator CONNALLY. May I unterrupt you there?

Mr. JOHNSON. Yes.

Senator CONNALLY. Your view is, as I understand it, that since these agreements can be terminated on 6 months' notice, that we could very properly advise these nations that we want to modify this particular item of vegetable oils; and if they do not agree to some modification, we can then, within 6 months, terminate it?

Mr. JOHNSON. That is right.

Senator CONNALLY. As I understand it, you have no objection to that course of procedure?

Mr. JOHNSON. Absolutely none.

Senator CONNALLY. Of so modifying the agreements as to conform thereto; is that correct?

Mr. JOHNSON. That is so. I have practically stated the same thing in my next two sentences.

Senator TOWNSEND. I came in late. May I ask whom you represent?

Mr. JOHNSON. I am E. F. Johnson, representing some 12 groups, some of which are appearing here personally. But as president of the Domestic Fats and Oils Conference I am attempting to outline the general thesis, leaving the specific grounds to others. We have done that to save as much time as possible.

As I say, we feel it is very inconsistent to say that notification of change of one commodity will result in either a cancelation of the agreement or can be considered as opposed to the principle of reciprocal agreements. We think a mountain has been made out of a molehill. The increase asked will not cause a stoppage of the imports of foreign fats and oils, as the millions of fat producers that I represent would not be demanding this legislation if they did not feel absolutely sure that it would increase the domestic price of fats and oils. True, we expect a gradual decline in these imports, for in no other way can the completion of our goal be possible.

Mr. Chairman, it is inconceivable to think that any group of people, regardless of how brilliant and learned they might be, could anticipate 3 years in advance the correct duties or taxes on thousands of commodities without making one single error. We wish to insist that both this committee and the State Department not impose upon us the theories of reciprocal agreements, but give consideration to the fact that in the last 4 years there has been over a 50-percent increase in our imports of foreign fats and oil over the preceding 4 years, due in the main to the effect of new legislation that could not possibly have been anticipated at the time of the signing of the trade agreement.

New social legislation is only one of the changed conditions that force adjustments.

I am taking the liberty of assuming that all the members of this committee are fully cognizant of the general oils and fats situation in the United States, namely, that at this time we are importing about 2,000,000,000 pounds a year to supply shortage of domestic production, and that the prices of such imports control to a large degree prices of domestic fats and oils. Also that the foreign fats and oils can be and are being sold in the United States at prices of which the price of 2.68 cents per pound of coconut oil is typical.

I wish to present to you arguments on the three basic points:

1. With the imperative need of removing surplus acres from the production of cotton, corn, and wheat, and to stop the increased unemployment which such restrictions cause, we must provide other cash crops that can be grown to utilize these idle acres, crops that can be grown with profit and consumed as far as possible in our own markets.

2. Recent legislation shows that Congress is determined to improve our national defense. Germany lost the war of 1918 by fat starvation. Is it logical for us to proceed on a program of spending millions for battleships, airplanes, guns, with no consideration for stimulating our domestic production of fats and oils? With over 40 percent of our peacetime requirements coming from far distant foreign lands, it is natural that our member groups have affiliated "to protect and further the production of domestic fats and oils until such production reaches our domestic requirements."

3. The first fundamental step to assure successful use of these surplus acres, and adequate production of these crops for both peacetime and emergency requirements, is immediate legislation that will increase the return from crops and livestock producing domestic fats and oils.

The Connally amendment increasing the processing tax on coconut, palm, and palm-kernel oils to 5 cents per pound is the fundamental step in this program.

Senator BAILEY. On that point, I would like for you to explain and answer the testimony that was given yesterday by two gentlemen who appeared and testified that copra and coconut oil were not competitive with our domestic oils as they were essential in the making of soap, and that under any circumstances they would have to be used. Can you make a good soap without coconut oil?

Senator CONNALLY. He also said, Senator, if I may interject, that it would raise the price of domestic fats and oils, because we would still import them and pay a higher price for them.

Senator BAILEY. He said there really is no substitute for coconut oil in making good soap.

The CHAIRMAN. I wish to make a statement to the committee. This is off the record.

(Statement off the record regarding necessity for adjournment until 1:30 p. m., to resume at the District of Columbia Committee Room at the Capitol.)

Senator BAILEY. I requested from the Treasury a statement of the revenue received during the past 2 years from the taxes on fats and oils under the 1936 Revenue Act. I have received this information, and I request that the letter containing it be inserted in the record.

The CHAIRMAN. Without objection, it will be inserted.

(The letter referred to follows:)

TREASURY DEPARTMENT,
BUREAU OF CUSTOMS,
*Washington, March 6, 1939.*

Hon. JOSIAH W. BAILEY,
*United States Senate, Washington, D. C.*

MY DEAR SENATOR: I have your letter of February 23 addressed to the Treasury Department, which was on February 28 referred to this Bureau for reply.

You request a statement of the revenue received during the past two fiscal years from the import excise taxes on fats and oils imposed under the Revenue Act of 1936. Although the exact amounts so received are not compiled by this Bureau, a computation of the amount, prepared from the import statistics compiled by the Department of Commerce, is as follows:

| | Fiscal year 1937 | Fiscal year 1938 |
|---|---|---|
| Oil seeds and vegetable oils | $1,154,514 | $2,405,414 |
| Animal and fish oils, etc. | 646,655 | 302,075 |
| Total | 1,801,169 | 2,707,489 |

Very truly yours,

J. H. MOYLE, *Commissioner of Customs.*

The CHAIRMAN. The committee will recess until 1:30 p. m.

(Whereupon, at 10:30 a. m., a recess was taken until 1:30 p. m., at the District of Columbia Committee room at the Capitol.)

## AFTERNOON SESSION

(The hearing reconvened at 1:30 p. m.)

The CHAIRMAN. The committee will be in order.

Mr. Johnson, you may proceed.

## STATEMENT OF E. F. JOHNSON—Resumed

Mr. JOHNSON. Mr. Chairman, you will recall that I entered into the record a telegram from Mr. H. D. Wilson, the commissioner of agriculture from Louisiana, and president of the Association of Southern Commissioners of Agriculture. I did not make it clear that this association represents 13 States; the commissioners of North Carolina, South Carolina, Georgia, Alabama, Florida, Louisiana, Mississippi, Tennessee, Arkansas, Oklahoma, Texas, Kentucky, and

Virginia. I would like to have that added on to the record in connection with the reading of that telegram.

The CHAIRMAN. Did they have a meeting?

Mr. JOHNSON. That is my understanding.

The CHAIRMAN. Where was that meeting?

Mr. JOHNSON. I am not in a position to answer that question, but I think I can find out. I believe that some of the people who will appear later on the program can answer that question specifically.

The CHAIRMAN. I was wondering whether or not if they did have a meeting at that time, although they have voiced the sentiment to increase the tax on these various oils, did they discuss the proposition as to whether it would violate three of the agreements, or did they know about that in their conference?

Mr. JOHNSON. I would have to come back to the original point; I do not know. This represents the cotton group of our conference.

I would like to call attention to one other matter in connection with the groups that I speak for. I am referring to that because it was, I think, mentioned twice in the testimony of the Secretary of State that he did not think that one small individual group should be asking for concessions. I think I am correct in stating that this is the largest delegation both of growers and industry that has appeared on any matter this year. When you consider the cotton interests, the soybean interests, the livestock interests, the milk interests, the fisheries interests, the dairy interests, all of those, you are taking in, I think, most of the producers and the processors of agricultural products in the United States.

The request was made, Mr. Chairman, that I back up and repeat a small portion of my previous testimony, since it correlates so closely with the rest of the material that follows in my manuscript. Will that be permissible?

The CHAIRMAN. Yes, indeed.

Mr. JOHNSON. I will begin now, then, just a little back of where I was forced to conclude by the adjournment this morning.

Our conference has considered all matters carefully. We have no thought of asking for violations of existing contracts. We realize that when these various trade agreements were drawn, that the makers of them realized that changes would be necessary, otherwise there would have been no reason to provide so definitely for such amendments and alterations. Changing world conditions must result in changing relationships. Matters of national defense, agricultural surpluses, idle acres and idle men, increased costs of production, combined to make it imperative that this provision for changing these agreements be now used. As I review existing trade agreements, I find that each and every one of them have very definitely provided for adjustments. We intend to prove to this committee that now is the time to start these changes for the adjustment of fats and oil rates.

I wish, Mr. Chairman, to call to your attention the fact that both the Brazilian and Netherlands reciprocal-trade agreements have reached the end of the 3-year period after which 6 months' notice may be given by either party. Each of these treaties involves 1,000 to 1,500 commodities. We feel it is very inconsistent to say that notification of change of one commodity will result in either a cancelation of the agreement or can be considered as opposed to the principles of reciprocal agreements. We think a mountain has been made out of a molehill. The increase asked will not cause a stoppage of the imports of foreign fats and oils as the millions of fat producers that I represent would not be demanding this legislation if they did not feel absolutely sure that it would increase the domestic price of fats and oils. True, we expect a gradual decline in these imports for in no other way can the completion of our goal be possible.

Mr. Chairman, it is inconceivable to think that any group of people, regardless of how brilliant and learned they might be, could anticipate 3 years in advance the correct duties or taxes on thousands of commodities without making one single error. We wish to insist that both this committee and the State Department not impose upon us the theories of reciprocal agreements but give consideration to the fact that in the last 4 years there has been over a 50-percent increase in our imports of foreign fats and oil over the preceding 4 years, due in the main to the effect of new legislation that could not possibly have been anticipated at the time of the signing of the trade agreement.

New social legislation is only one of the changed conditions that force adjustments.

I am taking the liberty of assuming that all the members of this committee are fully cognizant of the general oils and fats situation in the United States, namely, that at this time we are importing about 2,000,000,000 pounds a year to supply shortage of domestic production, and that the prices of such imports control to a large degree prices of domestic fats and oils. Also that the foreign fats and oils can be and are being sold in the United States at prices of which the price of 2.68 cents per pound of coconut oil is typical.

I wish to present to you arguments on the three basic points:

First. With the imperative need of removing surplus acres from the production of cotton, corn, and wheat, and to stop the increased unemployment which such restrictions cause, we must provide other cash crops that can be grown to utilize these idle acres; crops that can be grown with profit, and consumed as far as possible in our own markets.

Second. Recent legislation shows that Congress is determined to improve our national defense. Germany lost the war of 1918 by fat starvation. Is it logical for us to proceed on a program of spending millions for battleships, airplanes, guns, with no consideration for stimulating our domestic production of fats and oils? With over 40 percent of our peacetime requirements coming from far-distant foreign lands, it is natural that our member groups have affiliated "to protect and further the production of domestic fats and oils until such production reaches our domestic requirements."

Third. The first fundamental step to assure successful use of these surplus acres and adequate production of these crops for both peacetime and emergency requirements is immediate legislation that will increase the return from crops and livestock producing domestic fats and oils.

At that time, Mr. Chairman, Senator Bailey, who is not here now, interposed a question. I am not sure that I can repeat the question, and I am not sure that you would not prefer that I continue until a later point and answer the question when Senator Bailey is present.

The CHAIRMAN. He, no doubt, will ask the question when he comes back.

Mr. JOHNSON. So I will save time by not answering it at this time. Thank you.

The Connally amendment increasing the processing tax on coconut, palm, and palm-kernel oils to 5 cents per pound is the fundamental step in this program. Practically 100 percent of our imported coconut oil comes from the Philippines. I wish to consider this briefly. The average price of coconut oil for 1938, c. i. f. Pacific coast, was 3.14 cents per pound. The average price for January 1939 was 2.68 cents. The present 3-cent-per-pound processing tax which our Government collects is returned to the Philippine government. In other words, we paid the Philippines 3 cents per pound to send into the United States in 1938, 673,026,000 pounds of coconut oil or copra in terms of oil. Mr. Chairman, why not be consistent? Why don't we pay the Philippines $20,190,870 for not importing coconut oil? The Philippines would be much better off to leave these jungle nuts lie on the ground and collect the 3 cents for not producing coconut oil or copra to send to the United States. All their costs of collecting, processing, and shipping can be saved by simply following the same policy used in the United States—that is, accepting payments for not producing. Moreover, this would create a domestic outlet for 673,000,000 pounds of fats and oils that can be produced on acres not needed in cotton, corn, and wheat, and materially help our domestic markets and demand for butter, lard, and tallow.

When artificial regulations are imposed on any part of our national industries, adjustments of related factors are imperative. It may be debatable if I should increase or decrease the size of the wheels on my farm wagon; however, having changed one wheel to a different size, there is no possible argument as to the need of changing the other wheels if I expect the wagon to work.

Under normal operations of the laws of supply and demand, the production of cottonseed, soybeans, flax, and so forth, would move in response to the prices commanded for these products. When artificially the production of cotton is controlled, the supply of cottonseed and cottonseed oil and meal is correspondingly artificially regulated. The result of this is that in the past 4 years when efforts have been made to control the production of cotton we have had the greatest importation of foreign fats and oils ever known. During these 4 years our total imports of fats and oils have reached the enormous total of 9,606,000,000 pounds, or an average for the 4 years of 2,401,000,000 pounds, which is 830,000,000 per year more than the 4-year average immediately preceding this period, an increase of over 50 percent.

In other words, Mr. Chairman, the old standards by which attempts were made to determine correct and fair treatment of foreign fats and oils, have little value in solving our present problems. The first fundamental step to improve farm income and stimulate planting of our idle acres retired from surplus crops, is 5 cents per pound protection against foreign oils and fats.

Briefly I wish to consider the statement frequently made that inedible fats and oils should be given separate and special consideration. This so-called difference is a myth which ceased to exist with the present efficiency of modern chemistry. Even castor oil, the terror of our childhood days, can now be converted into a satisfactory drying oil for paint utilization by splitting off an H-O-H ion. Both whale oil and linseed oil can rather easily be converted into satisfactory food ingredients. Only a fraction of a cent difference in price will cause most of our fats and oils to move from one field of utilization to another. A great many of our fats and oils fall into a group that are frequently referred to as dual-purpose oils. These can equally satisfactorily be used in either field of utilization.

Establishing lower prices for the oils and fats going into inedible uses will immediately force all of these dual-purpose oils into the other field, breaking the prices of that group, to the low level of the inedible field.

Far more serious than this is our need for all of the market of these inedible oils for our own domestic production. With proper stimulation, castor beans can be produced in the United States; flax can be increased to replace perilla; soybean and peanut oil can fill the place of coconut, palm, and palm-kernel oils. However, to start this replacement, legislation, as now pending before this committee, must be passed.

From a national-defense standpoint, to differentiate between inedible and edible is suicidal. Shortages in our field of utilization will have the same cumulative effect on our national-defense system.

Mr Chairman, our position and request is absolutely fair. We have asked no special favor for any one group. We are firmly convinced that the farm income of cotton, soybean, peanut, milk, lard, and beef farmers must be increased. In no other way can increased consumption and employment be possible.

I know that you will give the amendments for increasing the processing taxes on fats and oils the same fair consideration that we have given American industries in asking fair and equal treatment for all.

The CHAIRMAN. Mr. Johnson, let me ask you one question, because I want to get it clearly. As I understood you, while you favor this increased tax and want it to apply to all without discrimination and so on, you do not desire to violate any agreement that has been made in carrying out the purposes of the law?

Mr. JOHNSON. That is right.

The CHAIRMAN. That is your position?

Mr. JOHNSON. That is correct, because as I mentioned, two of those reciprocal trade agreements have already reached the point where, by the conditions in those agreements, they can now be amended.

The CHAIRMAN. In other words, you want to obtain these increases through the rules of law as laid down.

Mr. JOHNSON. Absolutely correct.

The CHAIRMAN. Where the 3 years is up on the agreement and it provides for amendments or changes, you want it then to apply?

Mr. JOHNSON. That is exactly our position. We never at the start had any thought of making a breach of any contract. That is mainly why we have contended that practically all of the evidence that was presented on the first day does not apply to our case at all. Some of our groups are as favorable to reciprocal trade agreements as probably Secretary Hull himself is.

Mr. Chairman, to save time, although I am the spokesman for the 22 processing companies that I represent, I am going to conclude this time, if I may have the reservation that if questions come up at a later date in this hearing this afternoon, in which the possibility of a surplus of soybean oil, meal, and all the rest of those questions that pertain to the actual production and processing of soybeans, that I will be permitted to have the opportunity of answering those questions.

I would like to say that the question was raised yesterday very definitely by one of the groups that we would have a tremendous surplus of these meals. We have heard that same argument for 6 years. In 1933, when there were only 76,000 tons of soybean meal produced in the United States, the Bureau of Agricultural Economics and several other important agencies warned both the processors and the growers that they should go slow, and that any further increase would be disastrous. We have heard that same thing year after year since then, and this year, since the first of October, soybeans have been processed at the rate of 100,000 tons a month.

The report which, due to my connection with the processors, I received showed that there was less than 14,000 tons of soybean meal in the hands of the mills in all positions, which, divided up among the mills, put less than 2 days' operations on their floors.

I would like to inject that for the simple reason that the contention was made that we were getting into a position that would cause all kinds of calamity. But there is no reason to be concerned about that point.

Senator Bailey is now here. May I answer his question now?

Senator BAILEY. Yes; if you will.

Mr. JOHNSON. Since I had the opportunity, I thought that I could save time and that I would write out the answer.

I am neither a modern chemist nor a soap manufacturer, but I feel the answer to that question has great significance. It is very difficult to get soap manufacturers who must naturally wish to profit by using the cheapest foreign fats and oils to give damaging testimony as to how much soybean oil or other domestic oils they can and are using in soap production. Moreover, there are no authentic figures available on this issue, since each producer regards his particular formula as a trade secret. We realize that some producers have built up a demand for soap of a specific quality that requires certain amounts of coconut oil. We also know that a large percentage of the soaps can be made containing much higher percentages of domestic fats and oils if the relative price structure is favorable to the domestic fats and oils.

We have no thought or intent of preventing any soap manufacturer from using coconut oil. What we do object to is the fact that day after day the prices of these cheaper foreign fats and oils are setting the price of our domestic fats, and we would like to have them set on a higher level.

Senator BAILEY. You do not say that the soap manufacturers could get along without coconut oil and copra. I think the gentleman here, who is an officer of the Ivory soap people, Procter & Gamble, said that they use 17 percent of copra or coconut oil. Then the witness who preceded him said that the American housewife demanded a soap that was made of coconut oil. Now, I would like to know if that is true and to what extent coconut oil is necessary in the manufacture of soap.

Mr. JOHNSON. The soybean processing companies have spent thousands of dollars to promote the use of soybean products. In every case our chemists have brought back the same answer, that with most soaps a better soap can be made out of soybean oil, but it will cost more money.

The CHAIRMAN. Thank you very much, Mr. Johnson.

The next witness is Mr. J. I. Morgan, of Farmville, N. C.

## STATEMENT OF J. I. MORGAN, FARMVILLE, N. C.

The CHAIRMAN. Whom do you represent, Mr. Morgan?

Mr. MORGAN. I represent my own interests, which is the processing of cottonseed and peanuts, soybeans, and also farming and supplying farmers who do business in our territory.

The CHAIRMAN. Proceed.

Mr. MORGAN. In approaching this problem, which we all agree is tremendously complicated and difficult, a brief reference to some fundamentals may be helpful. Most of the fats and oils used in commerce are, to a large extent, interchangeable. While they cannot, in all instances, completely replace one another because of chemical differences, they can generally be substituted for one another, at least up to a certain percentage and often completely.

The oils and fats are sometimes classified as "edible" and "inedible." This distinction is by no means clear. For example, coconut oil, palm oil, and palm-kernel oil may be used in soap, but they may also be used in shortening and margarine, two edible products of which cottonseed oil is the chief ingredient. As another example, take linseed oil, which is generally regarded as an "inedible" oil, and has, on one occasion, been used for food products in this country. When the price of linseed oil is high the paint manufacturer finds it advantageous to mix linseed oil and soybean oil in certain types of paints. When the price of linseed oil is low the same manufacturer will reduce the percentage of soybean oil so used, and perhaps eliminate it altogether. The soybean oil thus displaced can be used in edible products, such as shortening and margarine, where it competes with cottonseed oil and all other "edible" oils. In this manner the price of a so-called inedible oil, such as linseed can and does affect the prices of "edible" oils.

Interchangeability of use makes for a close relationship between the prices of all oils and fats, that is, there is severe price competition between them. At the present time the prices of fats and oils in this country are extremely low. During the month of February the price of cottonseed oil, to take an example with which I am most familiar, reached the lowest point since July 1934, and, with the exception of the severe depression of 1931-34, the lowest point since before the World War.

Senator TOWNSEND. What was that price?

Mr. MORGAN. The lowest price was about 5½ cents a pound, I believe, in February.

Furthermore, the price of cottonseed oil during February was 15.4 percent below the general level of commodity prices, as reported by the Bureau of Labor Statistics. To state this fact another way, the purchasing power of cottonseed oil—what it will buy—was only 84.6 percent of that of all other commodities. This obviously means a serious loss of real income on the part of producers.

We believe that one of the most important reasons for this serious situation is the large importations of foreign oils during the past few years. We do not claim this is the only reason—there are others—but we sincerely believe it to be most important.

Following the enactment of the Revenue Act of 1934, which imposed excise or processing taxes on imported coconut oil, palm oil, palm-kernel oil and other foreign-produced oils and fats, there was an immediate advance in the market prices of domestic fats and oils, such as cottonseed oil, peanut oil, and soybean oil, as well as beef tallow and hog lard. This general advance was fully 3 cents per pound—3 cents being the full amount of the processing and excise taxes imposed in the act. This advance in the market prices of domestically produced oils and fats was fully reflected in the prices paid farmers for cottonseed. Cottonseed yield about 300 pounds of oil per ton of seed. Therefore, an increase of 3 cents per pound of oil would mean $9 increase per ton of seed.

Reports of the United States Department of Agriculture show that the price paid farmers for cottonseed in December 1933, before the request for an excise tax was made, was $15.35 per ton. Between January and May 1934, while these taxes were being considered, the price paid to farmers for cottonseed advanced from $16.18 to $22.23 per ton. The law imposing the tax of 3 cents per pound on imported oils was enacted in May 1934. The prices paid for cottonseed from June 1934 through January 1935 were as follows:

| | | | |
|---|---|---|---|
| June 1934 | $21.72 | October 1934 | $35.62 |
| July 1934 | 22.30 | November 1934 | 37.08 |
| August 1934 | 25.40 | December 1934 | 39.90 |
| September 1934 | 31.54 | January 1935 | 40.27 |

It will be observed that the price paid farmers for seed increased from $22.23 in May 1934 to $40.27 in January 1935, a difference of $18 per ton. Admittedly, much of this increase in price was due to the cotton plow-up campaign, the pig-killing program, and the drought, as well as other limitations on crop production.

The CHAIRMAN. Have you the figures right on through the other years, 1935, 1936, and 1937, and so on?

Mr. MORGAN. I have not those handy. I would be glad to get those and put them in the record.

The CHAIRMAN. I wish you would do that and give it month by month if you can.

Mr. MORGAN. I will be glad to supply that.

(Subsequently Mr. Morgan submitted the following:)

SUPPLEMENTARY STATEMENT TO TESTIMONY OF J. I. MORGAN

Following is a tabulation of the monthly prices received by farmers for cottonseed from August 1933 to December 1938:

*Prices received by farmers for cottonseed (by crop years) (dollars per ton)*

| | 1933-34 | 1934-35 | 1935-36 | 1936-37 | 1937-38 | 1938-39 |
|---|---|---|---|---|---|---|
| August | 15.60 | 25.46 | 29.22 | 31.66 | 26.59 | 21.36 |
| September | 12.11 | 31.54 | 27.65 | 33.15 | 19.25 | 21.16 |
| October | 12.58 | 35.62 | 32.00 | 33.23 | 18.29 | 22.42 |
| November | 13.67 | 37.08 | 33.27 | 33.28 | 18.76 | 23.08 |
| December | 15.35 | 39.90 | 32.95 | 34.87 | 18.68 | 23.04 |
| January | 16.18 | 40.27 | 31.72 | 36.82 | 18.89 | |
| February | 18.90 | 40.81 | 31.08 | 37.70 | 19.63 | |
| March | 20.84 | 40.08 | 30.95 | 38.13 | 20.35 | |
| April | 21.88 | 39.47 | 31.28 | 38.81 | 20.93 | |
| May | 22.23 | 39.36 | 30.67 | 38.52 | 21.93 | |
| June | 21.59 | 37.16 | 29.01 | 36.81 | 21.67 | |
| July | 22.18 | 34.53 | 30.42 | 34.53 | 21.00 | |

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.

As stated in my original testimony, the price of cottonseed advanced from $22.23 in May, 1934, the month in which the excise tax was passed, to $40.27 in January, 1935. Admittedly, part of this increase was caused by drought and reduced production under the Federal farm program. We can, however, trace $9 of this increase to the excise tax. This is equivalent to 3 cents per pound on 330 pounds of oil per ton of seed. During the 10 years (1924–1933) prior to the enactment of the tax, the price of cottonseed oil exceeded the price of coconut oil by 0.5 cents per pound. In the 5 years since passage of the tax, the price of cottonseed oil has exceeded the price of coconut oil by 3.4 cents per pound, showing that cottonseed oil has enjoyed the full benefit of the tax.

The price of cottonseed remained considerably higher than before the passage of the excise tax until August 1937. At that point it dropped sharply. The drop was in part caused by the large crop and in part by the greatest imports of foreign oils on record. Ordinarily, a large crop in this country would have resulted in small imports of 2,800,000,000 pounds of oil on top of our own large cottonseed crop, with increases in lard and soybean production, broke the market prices for oils and brought down the price of cottonseed. This price has never recovered because in 1938 consumption fell off and imports, while smaller than in 1937, were still large enough that they resulted in greater stocks on hand at the end of 1938 than at the end of 1937.

Mr. MORGAN (resuming). But with full allowance for these other factors, it is evident that the $9 increase in the value of the oil produced from a ton of seed was fully reflected in the price received by farmers for their cottonseed.

The CHAIRMAN. The price that you have given there, is that an average price?

Mr. MORGAN. An average, general price.

The CHAIRMAN. Is there any variation in the various sections in the price of cottonseed?

Mr. MORGAN. There is a considerable variation.

Senator TOWNSEND. Is that a variation due to the freight difference?

Mr. MORGAN. No; I would not say it is, generally speaking; but in some sections—for instance, cottonseed meal today in Memphis is quoted at around $22 a ton, and in North Carolina the same meal is quoted at $28 to $30 per ton, making a difference in the value.

Senator TOWNSEND. Can you give any reason for that?

Mr. MORGAN. The supply is short in the East, as the demand is good in the East.

The CHAIRMAN. The transportation rate does enter into it, does it not?

Mr. MORGAN. Yes, sir; it does.

After passage of these taxes, designed to protect American producers and processors of farm commodities, there were efforts to import certain foreign fats and oils without payment of tax. Some extension of the 1934 taxes, particularly as they apply to whale oil, were enacted in the Bailey amendment to the Revenue Act of 1936. These restrictions have not been fully effective because of technical interpretation of the law.

Since 1936 we have found that imports of oils covered by the taxes, particularly palm oil and coconut oil, have continued to come into this country in enormous quantities and at low prices. The importation of foreign oils and fats in 1937, as reported by the United States Department of Commerce, was 2,828,540,605 pounds. The heavy importation in 1937 occurred in spite of the fact that domestic production in that year was very large. The same source of information shows that factory and warehouse stocks of all oils and fats on December 31, 1937, was 2,957,773,000 pounds, approximately 500,000,000 pounds more than on the same date in 1936. The importation of foreign oils during 1938 was 1,900,000,000 pounds—somewhat smaller than in 1937 but little less than the 5-year average normal importation of 2,044,000,000 pounds. On December 31, 1938, the factory and warehouse stocks of fats and oils amounted to 3,118,132,000 pounds.

We believe these facts explain why the market prices of American oils have recently dropped about 40 percent below the 1936–37 level; and at the recent low level of 5 to 6 cents per pound for crude cotton oil and lard, keen disappointment has resulted regarding the expected benefits from our previous tax of 3 cents per pound.

Present farm policies greatly restrict the acreage that can be planted to cotton; and in spite of acreage restriction, the world price and the American price of cotton lint remain low. It is apparent, therefore, that the cotton farmers' income from cottonseed is of greater importance than in previous years. The only way we can hope to remedy this situation is to ask for an increase in the excise and processing taxes on all competing foreign oils and fats. Furthermore, we believe that the effectiveness of the tax imposed to reduce excessive imports at ruinous low prices, will depend on making the tax applicable on all foreign imported oils regardless from what source imported.

The United States is at present admitting free, because of treaty agreements, certain oils which should pay the processing tax or import tax just the same as is being paid on other oils. This preferential treatment is not only unfair, but discriminatory.

Senator BROWN. Do you refer to Philippine importations, or oils of another kind?

Mr. MORGAN. Well, of course, the Philippines are treated differently.

Senator BROWN. Are they the oils that you are talking about, that come in free?

Mr. MORGAN. There are some others.

Senator BROWN. What are those others?

Mr. MORGAN. Under the Brazilian treaty we have babassu oil coming in free. That is the chief one right now, except the Philippines. Of course, the Philippines are coming in under a tax, but it is remitted as was explained here yesterday.

At this point we desire to put in the record that we are not asking Congress to force the violation of any existing treaty agreements. In case the imposition of the tax herein requested should be in violation of existing treaty agreements, the proposed tax would necessarily be deferred until the existing treaty, or treaties, are modified to conform with enacted legislation. We do urgently request that immediate notice be given to countries with which we have treaties, of the termination of provisions found to be in conflict with laws enacted by Congress raising processing or import taxes.

We believe that anything less than an effective import tax of 5 cents per pound on all foreign competitive oils and fats will fail to serve the present urgent needs of our agricultural and livestock producers.

It would be easy to present an elaborate display of statistics extending back to pre-war days and discuss at length parity prices, but you are more interested and we are more interested in parity-income. In fact, we are interested in an adequate income for cotton farmers whose existence is necessary to our industry as processors of cottonseed; as well as being essential to the well-being of the entire Nation. You are interested in the conditions that exist today and now affect the income of cotton farmers as well as all the other domestic fats and oils producers. You are seeking a solution of a serious problem. So, we say to you that what we sorely need, in fact must have, if domestic fat producers are expected to survive as an industry, is the opportunity to produce in America the oils and fats needed by the people of the United States in times of peace as well as in times of war, and in normal times as well as in times of distress.

This opportunity to produce in America the oils and fats requirements of the American people and American industries will go far toward the utilization of the acres that might otherwise be made idle or nonproductive, because of the present farm policies.

This program of building up the domestic supply of oils and fats will not destroy or discourage foreign trade. In fact, the building up of the income of American agriculture may increase the purchase of many foreign goods now beyond the buying power of the great masses of American farmers.

There are hundreds of commodities and goods not produced at home but desired by American buyers that will support exchange operations. America will gladly accept coffee, tea, rubber, silk, and numerous other items that we do not, and cannot, produce at home.

We ask: Is it sound that our Government should fail or refuse to supply legislation needed to protect the growers and the processors of American fats and oils when it is recognized that an increase in the production of American fats and oils is of national importance from the standpoint of being less dependent on foreign sources in normal times, and more especially in times of war? The situation would be most serious if the United States should become involved in war, but even if the United States should not be involved, it is entirely possible that other wars might affect our supplies if too large a percentage of our normal requirements of fats came from foreign sources.

The increase in the production of American fats and oils is also of national importance, because acres that otherwise might be idle can be utilized to give employment to farm labor needed to plant, cultivate, and harvest the crops.

In addition to the increase in farm employment there will be an increase in labor employed in cotton gins, cotton-oil mills, and other processing plants crushing oilseeds.

The CHAIRMAN. Mr. Morgan, may I ask you this: You were in cooperation with others in the cotton-gin and cottonseed-oil business in 1934 when there was sponsored this 3-cent tax?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. You were in entire sympathy with that movement?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. And fixing the rate at 3 cents did not bring the desired effects, as I understand it?

Mr. MORGAN. It did not bring it as permanently as we had anticipated.

The CHAIRMAN. You did not ask for any more at that time, than that 3 cents?

Mr. MORGAN. Yes.

The CHAIRMAN. You were of the opinion, and your associates were also, that that would get you the results that you now desire?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. And now you desire a 2-cent increase because of the failure of the other to do that?

Mr. MORGAN. And changed conditions.

The CHAIRMAN. And I understood you that you are in agreement with Mr. Johnson, who preceded you. You heard his remarks?

Mr. MORGAN. Yes.

The CHAIRMAN. There is no desire upon your part, or upon the part of your associates, to violate any trade agreements that were made under the act of 1934?

Mr. MORGAN. No, sir.

The CHAIRMAN. But that you desire that notice be given under the law of certain changes when the time runs out on these agreements?

Mr. MORGAN. Yes, sir.

The CHAIRMAN. That is the position of you and your associates?

Mr. MORGAN. Very much.

Senator CONNALLY. Senator Harrison asked you about the effects of this tax in 1934. While it did not accomplish all that you hoped to accomplish, it did accomplish a rise in the price of vegetable oils produced here in America, did it not, cottonseed oil, soybean oil, and so forth?

Mr. MORGAN. Yes. It advanced the prices, as I have just stated.

Senator CONNALLY. On the other hand, when this new volume recited by Mr. Johnson, the increase in the importations, took place, some of these enhancements of price were then lost; is that not true? You say, temporarily?

Mr. MORGAN. Yes, sir.

Senator CONNALLY. But when a great volume of new oil began to come in, this price fell back somewhat?

Mr. MORGAN. Even at the present time I feel that the processing taxes which we have imposed and which are in effect are stabilizing the price at the level, but at an entirely too low level.

Senator CONNALLY. In other words, you mean if we did not have that, they would be still lower?

Mr. MORGAN. Yes. It is my firm conviction they would not be over 50 percent of what they are today.

Senator CONNALLY. That is all.

The CHAIRMAN. That is all. Thank you, Mr. Morgan.

The next witness is Mr. N. C. Williamson, of the American Cotton Cooperative Association, Lake Providence, La.

## STATEMENT OF N. C. WILLIAMSON, PRESIDENT, AMERICAN COTTON COOPERATIVE ASSOCIATION, LAKE PROVIDENCE, LA.

Mr. WILLIAMSON. My name is N. C. Williamson, Lake Providence, La., cotton farmer and president of the American Cotton Cooperative Association.

For the benefit of you gentlemen, I will state that the American Cotton Cooperative Association is a national selling agency for 14 State and regional cooperative associations, covering every cotton State, including California, and these affiliated member State associations have a farmer membership of approximately 250,000 cotton farmers.

I am appearing in favor of the amendments which propose to raise the excise processing tax on foreign oils. On behalf of the cotton growers interested in cottonseed oil, it affects us directly and very materially.

I shall not attempt to go into the technical question; it has been covered here. I am not competent to do it. My statement will only be a general statement as the farmers producing cotton and cottonseed see and feel the effect of these taxes and the competition of the foreign oils that are competing directly with our cottonseed oil.

We have felt the effect materially. We do not know just how much the increase in the price was due to the tax of 3 cents placed by the Congress of 1934, but we did have a very material rise in cottonseed prices after that tax was put on. It so happens that the producers of cottonseed oil are possibly more vitally interested than other groups, because we have been rather unfortunate in having special taxes levied upon us—I think the only food product produced on farms—I believe the only food product that has a Federal tax placed on it is cottonseed oil, put on by the Congress many years ago, and it is still there. It is true it is a small tax, but it amounts to something.

The cotton farmers are struggling under present conditions with cheap prices of cotton, cheap prices of seed, and possibly the purchasing power of the cotton grower now is not any greater than it was on a price basis in 1933. We have received benefits, it is true. We are in better financial condition, but at the present price of cotton and the present price of cottonseed, I think everybody will admit, even the economists, that the exchange value of our product is not any greater now than it was when cotton was 6 cents a pound and seed about $20, because of the higher cost of other things that we buy.

Of course, this controversy is always the same when the interests who are processing vegetable fats and oils want cheaper raw materials and the producers want higher prices. We have had the same fight over and over, every time the question has come up. It seems to us as cotton growers, that as between about 4,000,000 Filipinos—I believe as it was recited here yesterday—and about 10,000,000 people of the cotton farms in this country, we feel that if there is any preference or unusual consideration shown, that it should be to the 10,000,000 people living on the cotton farms rather than the 4,000,000 producers of the foreign oils in the Philippines.

Senator CONNALLY. And all of the other millions who are raising soybeans and dairy products, and so forth?

Mr. WILLIAMSON. I believe there are as many people on the dairy farms as on the cotton farms. I believe it is about the same. I don't know how many there are in the other industries, but I refer only to the cotton growers. Possibly there are 30,000,000 of these people altogether, roughly speaking, and it does appear to us as cotton growers that, while we are acting as godfather to the Filipino, that the first consideration should at least be given to our people, who are struggling equally as hard as those people in the Philippines to make a living.

We, like the other groups here—I don't know whether they have been as consistently supporters of the administration's trade agreement policy, but we cotton growers possible were more interested because we always sell our cotton abroad. We are exporters normally every year, and have been for many, many years, and we are naturally interested in any policy that is going to increase our trade between this country and the other nations of the world. We have publicly and privately given all the support that we possibly could to this policy of the Secretary of State. We think that he has done good work. It has not accomplished everything that we hoped, but we are for that policy. We feel that anything that increases trade gives us a little better chance to sell some more cotton, naturally.

We are losing that trade, I am sorry to say. We have had the smallest exports that we have had in 40 years of cotton—not due to the trade-agreements policy, but other conditions that have interfered materially with our exports of cotton; so we are vitally interested in anything that will increase the income of cotton growers, and this question of cottonseed oil is vital to us.

We do not, as some others have also stated, expect this Congress to violate these trade agreements entered into in good faith, to expect Congress to take action that would abrogate those agreements. Certainly not. We take it that in the ordinary legal processes, when the time arrives for notice to be given, that these matters can be taken up and adjusted. I do not know when the separate trade agreements expire, but as they do, we do earnestly hope that the proper notice will be given for consideration of this question of competing oils with our cottonseed oil. We as cotton growers not only compete with foreign nations, 52 cotton-producing nations of the world, in the selling of our cotton, but we compete here at home with foreign fibers that come in, such as jute, rayon, and other materials that have taken the place of our cotton, not only abroad but in our domestic markets, even.

So we are struggling all the time with cotton and cottonseed oil, and we certainly give our heartiest support to the amendments that have been offered here. We hope in due time they will be taken up in an orderly legal way and adjusted to our benefit.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Williamson.

The next witness is Mr. Charles W. Holman, secretary of the National Cooperative Milk Producers' Association.

Senator BROWN. Mr. Chairman, before Mr. Holman starts, may I ask a question? I must have been out of the room when the first witness announced that those interested in these amendments were not desirous of violating the reciprocal trade agreements. May I ask what is left of the amendments? Is that the view of the Senators from North Carolina and Texas?

The CHAIRMAN. That is the view of a certain group——

Senator CONNALLY (interposing). What is that?

Senator BROWN. I just asked the question if the two witnesses that I have heard express the views of those generally interested in these amendments to the effect that they do not desire to interfere with the reciprocal trade agreements; does that express the views of the Senator from Texas?

Senator CONNALLY. I will say, Mr. Chairman, that I have already had an amendment drafted which will carry that out, to provide that these duties shall become effective only when, under the trade agreements, they may be modified or terminated, expressing, however, the intention on the part of the Government that when a trade agreement is subject to modification or termination, that the Government shall then insist upon these modifications going into effect, and these gentlemen express the views, and I may say that Senator Bailey concurs in that view.

Senator BAILEY. I am concurring, because I feel that there is a moral barrier here that the Government cannot avoid. I had hoped that that was not so, but after hearing the Secretary of State and the Assistant Secretary, I question whether we can do it otherwise.

Senator BROWN. I am very glad to hear that from the two Senators, because it changes my views of this question.

Senator CONNALLY. Mr. Chairman, may I say when Senator Bailey and I introduced these amendments we did not at that time know all of the ramifications of these trade agreements and things of that kind. We are in harmony with the views of these gentlemen. Two of these agreements may be modified or terminated within 6 months' time, with the foreign countries. I have had the draftsman redraw my amendment in such a way as to meet that very situation.

The CHAIRMAN. I may say to the Senator from Texas that I did not know that it violated the agreements until the amendments were offered. They were submitted by the committee in the usual course to the Department to get their reaction, and I dare say that hardly anyone knew that we were tied in by these agreements. I think that the draftsman who proceeds with this matter—I wish that he would confer with Dr. Sayre to see if they can work it out in some way so that it will be in regular order.

Senator BAILEY. Senator, there is no legal barrier. The only point is a moral obligation under the treaty.

Senator CONNALLY. Mr. Chairman, I have here a tentative draft. At the end of the amendment that has already been prepared I add this section 302:

> No tax, or increase in the rate of a tax, provided for in this title shall become effective so long as it is in conflict with the provisions of any foreign trade agreement heretofore entered into under authority of section 350 of the Tariff Act of 1934, as amended; but such tax or increase shall become effective as soon as it no longer is in conflict with the provisions of any such agreement. Any such agreement which contains provisions in conflict with any tax, or increase in the rate of a tax, provided for in this title shall be modified so as to eliminate such provisions, or shall be terminated at the earliest date possible in accordance with the terms of such agreement. No foreign trade agreement entered into under such section after the date of enactment of this act shall contain any provision in conflict with any tax or any increase in the rate of a tax provided for in this title.

I think that meets it completely.

The CHAIRMAN. I would like for the Senator to leave that suggestion—that suggested amendment—with the committee.

Senator CONNALLY. Surely.

Senator BROWN. That amendment, as I understand it, Senator Connally, does not seek to use the so-called escape clause in these agreements?

Senator CONNALLY. No; because that escape clause is only predicated, as I understand it, on the fluctuation of exchange——

Senator BROWN (interposing). Or extraordinary conditions?

Senator CONNALLY. Yes.

Senator BROWN. But it becomes effective when by time limitation it expires. I am glad to have that, because it rather opens my mind on the question. It has been closed so far. I thought there was an attempt to do something here which should not, as a moral proposition, be done, and I am perfectly willing to consider it on the merits in view of this change in the situation.

Senator CONNALLY. I do not think the trade agreements had any business going into the matter of internal taxes. They seem to have had a slight authorization in the act. I do not think that any of us contemplated that they were going into internal taxes, but they did.

The CHAIRMAN. You cannot blame the State Department because of what they did. What they did was, they froze the tax that was put on by the Congress.

Senator CONNALLY. But Senator Bailey is right on the legal end of it. We did not give up the right to legislate. We can go along here tomorrow and pass a revenue act, but still I do not want to run into any such situation.

The CHAIRMAN. You may proceed now, Mr. Holman.

## STATEMENT OF CHARLES W. HOLMAN, SECRETARY, THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION

Mr. HOLMAN. Mr. Chairman, our organization is composed of 61 member units. They are all farmer-owned dairy cooperatives or central sales agencies, representing local cooperative cheese factories, creameries, and cooperatively owned evaporating milk plants. The farmers who own these organizations number about 350,000, and they reside in approximately 41 States. We are not only on the principal markets of the United States, the metropolitan centers, but within our own membership, we own over a thousand manufacturing plants ourselves. I believe that we are the pioneers among farm organizations in seeking duties on the competitive imported oils and fats. To my own knowledge, this federation has been on record since 1920 and has participated in every tariff struggle involving this problem since that date.

I am offering for the record a list of our member organizations.

The CHAIRMAN. Without objection, that may be inserted in the record at this point.

(The membership list is as follows:)

Berrien County (Mich.), Milk Producers' Association, Benton Harbor, Mich.
California Milk Producers' Association, 6022 South Gramercy Place, Los Angeles, Calif.
Cedar Rapids Cooperative Dairy Co., 560 Tenth Street, SW., Cedar Rapids, Iowa.
Challenge Cream and Butter Association, 925 East Second Street, Los Angeles, Calif.
Champaign County Milk Producers, 201 North Walnut Street, Champaign, Ill.
Chattanooga Area Milk Producers' Association, Chattanooga, Tenn.
Connecticut Milk Producers' Association, 900 Wethersfield, Avenue, Hartford, Conn.
Consolidated Badger Cooperative, Shawano, Wis.
Consolidated Milk Producers for San Francisco, 593 Market Street, San Francisco, Calif.
Cooperative Pure Milk Association of Cincinnati, Plum and Central Parkway, Cincinnati, Ohio.
Coos Bay Mutual Creamery Co., Marshfield, Oreg.
Dairy and Poultry Cooperative, Inc., 182 Duane St., New York, N. Y.
Dairymen's Cooperative Sales Association, 451 Century Building, Pittsburgh, Pa.
Dairymen's League Cooperative Association, Inc., 11 West Forty-second Street, New York, N. Y.
Des Moines Cooperative Dairy, 1035 Des Moines Street, Des Moines, Iowa.
Dubuque Cooperative Dairy Marketing Association, Inc., 1020 Central Avenue, Dubuque, Iowa.
Evansville Milk Producers' Association, Inc., 305 Boehne Building, Evansville, Ind.
Falls Cities Cooperative Milk Producers' Association, 220 Bourbon Stock Yards Building, Louisville, Ky.
Georgia Milk Producers' Confederation, 661 Whitehall Street SW., Atlanta, Ga.
Indiana Dairy Marketing Association, Muncie, Ind.
Indianapolis Dairymen's Cooperative, Inc., 720 Lemcke Building, Indianapolis, Ind.
Inland Empire Dairy Association, 1803 West Third Avenue, Spokane, Wash.
Interstate Associated Creameries, 1310 Southeast Twelfth Avenue, Portland, Oreg.
Inter-State Milk Producers' Cooperative, Inc., 401 North Broad Street, Philadelphia, Pa.
Knoxville Milk Producers' Association, Knoxville, Tenn.
Land O'Lakes Creameries, Inc., 2201 Kennedy St. NE., Minneapolis, Minn.
McLean County Milk Producers' Association, 411-413 North Center Street, Bloomington, Ill.
Madison Milk Producers' Cooperative Association, 29 Coyne Court, Madison, Wis.

Maryland and Virginia Milk Producers' Association, 932 Philadelphia Avenue, Silver Spring, Md.
Maryland Cooperative Milk Producers, Inc., 810 Fidelity Building, Baltimore, Md.
Miami Valley Cooperative Milk Producers' Association, 136-138 West Maple Street, Dayton, Ohio.
Michigan Milk Producers' Association, 406 Stephenson Building, Detroit, Mich.
Mid-West Producers' Creameries, Inc., 224 West Jefferson Street, South Bend, Ind.
Milk Producers' Association of San Diego County, 354 Eleventh Avenue, San Diego, Calif.
Milk Producers' Association of Summit County and Vicinity, 145 Beaver Street, kron, Ohio.
Milwaukee Cooperative Milk Producers, 1633 North Thirteenth Street, Milwaukee, Wis.
Nebraska-Iowa Non-Stock Cooperative Milk Association, 2506 Dodge Street, Omaha, Nebr.
New England Milk Producers' Association, 73 Cornhill, Boston, Mass.
Northwestern (Ohio) Cooperative Sales Co., 2221½ Detroit Avenue, Toledo, Ohio.
Ohio Farmers Cooperative Milk Association, 3068 West One Hundred and Sixth Street, Cleveland, Ohio.
O. K. Cooperative Milk Association, Inc., Oklahoma City, Okla.
Peoria Milk Producers, Inc., 216 East State Street, Peoria, Ill.
Pure Milk Association, 608 South Dearborn Street, Chicago, Ill.
Pure Milk Producers' Association, 853 Live Stock Exchange Building, Kansas City, Mo.
Pure Milk Products Cooperative, 111 King Street, Madison, Wis.
Richmond Cooperative Milk Producers' Association, 516 Lyric Building, Richmond, Va.
St. Joseph (Mo.) Milk Producers' Association, Inc., 308 Ballinger Building, St. Joseph, Mo.
Salt Lake Milk Producers' Association, 1069 South State Street, Salt Lake City, Utah.
Sanitary Milk Producers, room 609, Chamber of Commerce Building, 511 Locust Street, St. Louis, Mo.
Scioto Valley Cooperative Milk Producers' Association, 79 East State Street, Columbus, Ohio.
Sioux City Milk Producers' Cooperative Association, Inc., 413-414 Warnock Building, Sioux City, Iowa.
South Iowa Cooperative Creameries Association, Keosaukua, Iowa.
South Texas Producers Association, Inc., 3600 Center Street, Houston, Tex.
Stark County Milk Producers' Association, Inc., Canton, Ohio.
Tillamook County Creamery Association, Tillamook, Oreg.
Twin City Milk Producers' Association, 2402 University Avenue, St. Paul, Minn.
Twin Ports Cooperative Dairy Association, 6128 Tower Avenue, Superior, Wis.
United Dairymen's Association, 635 Elliott Avenue, West, Seattle, Wash.
Valley of Virginia Cooperative Milk Producers' Association, Harrisonburg, Va.
Wayne Cooperative Milk Producers' Association, 104 East Columbia Street, Fort Wayne, Ind.
Wisconsin Cheese Producers' Federation Cooperative, Plymouth, Wis.

Mr. HOLMAN. The pending amendments present two fundamental problems before the committee. The first is the question as to whether there is any need of additional combination tariff and tax protection for domestic producers of oils and fats, and the second very fundamental question is, to what extent has the trade-agreement policy interfered with the freedom of action by the Congress with respect to tariff, internal taxes, or other types of congressional legislation?

May I deal with the first question at the beginning of my testimony?

At the time when these three amendments were introduced we did not know just what might be the effect on the combined tariff and tax structure of the country. Since the hearings have started I have had an analysis made which shows, item by item, the articles which may be affected.

*Imports of and tariffs and taxes on fats and oils included in the Connally, Bailey, and Gillette amendments*

| Oil or fat | Imports 1938 oil equivalent | Tariff in 1930 | Internal taxes added since 1930 (oil seeds converted to oil) | Present combined tariff and tax | Tariff under trade agreements | Internal tax under trade agreement (oil seeds converted to oil) | Agreement | Date effective | End of period | Increase under proposed amendments | Combined rate under proposed amendments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Connally amendment: | *1,000 pounds* | *Cents per pound* | *Cents per pound* | *Cents per pound* | *Cents per pound* | *Cents per pound* | | | | *Cents per pound* | *Cents per pound* |
| Coconut oil: | | | | | | | | | | | |
| From the Philippines | 363,919 | Free | 3 | 3 | | | | | | 2 | 5. |
| From other countries | 21 | 2 | 5 | 7 | | | | | | 2 | 9. |
| Copra: | | | | | | | | | | | |
| From the Philippines | 309,109 | Free | 3 | 3 | Bound free. | | British | Jan. 1, 1939 | | 2 | 5. |
| From other countries | 14,092 | Free | 5 | 5 | do | | do | do | | 2 | 7. |
| Palm oil: | | | | | | | | | | | |
| For tin plate | | Free | | Free | do | No internal tax. | Netherlands | May 8, 1937 | Jan. 1, 1939 | | Free. |
| Other | 271,325 | Free | 3 | 3 | do | 3 cents | do | do | do | 2 | 5. |
| Palm nuts and kernels | 14,120 | Free | 3 | 3 | do | Processing tax bound. | British | Jan. 1, 1939 | | 2 | 5. |
| Palm-kernel oil: | | | | | | | | | | | |
| Edible | 2,283 | 1 | 3 | 3½ | ½ | 3 cents processing tax bound. | do | do | | 2 | 5½. |
| Inedible | 186 | Free | 3 | 3 | Bound free. | do | do | do | | 2 | 5. |
| Total oils involved | 975,155 | | | | | | | | | | |
| Bailey amendment: | | | | | | | | | | | |
| Whale oil, except sperm oil | 22,690 | 6 | 3 | 9 | | | | | | 2 | 11. |
| Herring oil | | 5 | 3 | 8 | | | | | | 2 | 10. |
| Menhaden oil | | 5 | 3 | 8 | | | | | | 2 | 10. |
| Seal oil | | 6 | 3 | 9 | | | | | | 2 | 11. |
| Sod oil | | 5 | 3 | 8 | | | | | | 2 | 10. |
| Shark oil and shark liver oil | | 20 percent | 3 | 1½+10 percent. | 10 percent. | 1½ | 2d Canadian | Jan. 1, 1939 | | 2 | 3½+10 percent. |
| Other marine animal oils | 547 | 20 percent | 3 | 3+20 percent. | | | | | | 2 | 5+20 percent. |
| Inedible oleo oil | | 1 | 3 | 4 | | | | | | 2 | 6. |
| Inedible oleo stearine | | 1 | 3 | 4 | | | | | | 2 | 6. |
| Tallow | 1,229 | ½ | 3 | 3½ | | | | | | 2 | 5½. |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Inedible wool grease: | | | | | | | | | | | |
| Containing over 2 percent free fatty acid. | | 1 | 3 | 4 | | | | | | 2 | 6. |
| Containing 2 percent or less free fatty acid. | 1,786 | 2 | 3 | 5 | | | | | | 2 | 7. |
| Medicinal use | | 3 | 3 | 6 | | | | | | 2 | 8. |
| Other inedible animal oils, fats, or greases. | 788 | 20 percent | 3 | 3+20 percent. | | | | | | 2 | 5+20 percent. |
| Total oils and fats involved | 27,040 | | | | | | | | | | |
| Gillette amendment: | | | | | | | | | | | |
| Cottonseed oil | 77,500 | 3 | | 3 | | | | | | 2 | 5. |
| Corn oil | 22,242 | 20 percent | | 20 percent | | | | | | 4 | 4+20 percent |
| Soybean oil | 4,258 | 3½ but not less than 45 percent. | | 3½ but not less than 45 percent. | | | | | | 1½ | 3½ but not less than 45 percent +1½. |
| Edible sesame oil | 12,643 | 3 | | 3 | | | | | | 2 | 5. |
| Rapeseed oil: | | | | | | | | | | | |
| Edible | | 6 | 4½ | 10½ | | | | | | 3 | 13½. |
| Inedible | 689 | Free | Free | Free | | | | | | 3 | 3. |
| Rapeseed | 3,477 | do | 5.26 | 5.26 | | | | | | 3 | 8.26. |
| Kapoc oil | | 20 percent | 4½ | 4½ + 20 percent. | | | | | | 3 | 7½+20 percent. |
| Kapoc seed | | Free | 5.26 | 5.26 | | | | | | 3 | 8.26. |
| Hempseed oil | | 1½ | 4½ | 6 | | | | | | 3 | 9. |
| Hempseed | 119 | do | 5.39 | 5.39 | | | | | | 3 | 8.39. |
| Perilla oil | 31,821 | do | 4½ | 4½ | | | | | | 3 | 7½. |
| Perilla seed | | do | 3.75 | 3.75 | | | | | | 3 | 6.75. |
| Babassu oil | | do | | Free | Bound free. | Bound free. | Brazilian | Jan. 1, 1936 | Jan. 1, 1938 | 3 | 3. |
| Babassu nuts and kernels | 31,210 | do | | do | Bound free. | | do | do | do | 3 | 3. |
| Total oils involved | 183,959 | | | | | | | | | | |
| Grand total oils and fats involved in 3 proposed amendments. | 1,886,154 | | | | | | | | | | |

Source: Imports from Monthly Summary of Foreign Commerce and mimeographed report on imports of vegetable oils and oilseeds, Bureau of Foreign and Domestic Commerce. Tariff data from U. S. Department of Agriculture Statistical Bul. No. 59, Fats, Oils and Oleaginous Raw Materials. Trade-agreement data from releases of the State Department. Tax or tariff on oilseeds: Sesame seed, 1.18 cents import tax (per pound); sunflower seed, a 2 cents tariff; rapeseed, 2 cents import tax; kapoc seed, 2 cents import tax; hempseed, 1.24 cents import tax; perilla seed 1.38 cents import tax. Data for these tax figures converted to oil equivalent.

In column 1 of the table entitled "Imports of and tariffs on fats and oils included in the Connally, Gillette, and Bailey amendments," we have the 1938 imports. You will notice that the Connally amendment is basically the most important of the three amendments because of the great quantity of imports involved in the proposal. Approximately 975,155,000 pounds of oil equivalent were imported last year of those commodities, and wherever I speak of oil equivalent, I mean where the raw material has been turned and calculated by us into terms of oil according to the standard rates of conversion.

The Bailey amendment only involves approximately 27,040,000 pounds.

The Gillette amendment involves approximately 183,959,000 pounds.

The total amounts to 1,186,154,000 pounds.

Column 2 shows the tariff rates in force under the Tariff Act of 1930.

Column 3 shows the taxes added since 1930, and column 4 presents the present tax structure in effect.

Column 11 shows what would be the tax structure, combined tax, and tariff structure, in effect if these three amendments in their present form were to be passed.

At this point I might say that our organization from 1920 to 1929, stood for almost any kind of a moderate tax on the oils or the raw oil-bearing materials imported. After 1929, having had the benefit of 10 years of study, we came to the conclusion that so far as the, you might say, mine-run of the major oils and fats imported, a scientific combined tariff and tax structure requires what we would call the principle of equalization of treatment.

In our own judgment, after considering the matter, we think that somewhere from 5 to 6 cents a pound is not an excessive tax on oils of the type of coconut oil, palm oil, and palm kernel oil, with perhaps, plus or even minus differentials with respect to the minor oils, depending in part upon their utilization and their particular competitive aspects; as, for example, in considering a matter of that kind, you would compare the rate on perilla oil with the existing rates on linseed oil. You would probably wish to compare the rates that should be on coconut oil and palm oil with the rate that should maintain on, well, for example, cottonseed oil, and then try to arrive at a fair rate.

The next table is one which shows the wholesale prices of fats and oils included in these three proposed amendments.

*Wholesale price of fats and oils included in three proposed amendments*

[Cents per pound]

| | First tax effective May 11, 1934 | | Second tax effective Aug. 21, 1936 | | January 1938 | January 1939 |
|---|---|---|---|---|---|---|
| | January 1934 | January 1935 | January 1936 | January 1937 | | |
| Connally amendment: | | | | | | |
| Coconut oil, crude, Pacific coast | 2.81 | 4.16 | 4.56 | 9.09 | 3.81 | 2.69 |
| Edible, tax included | | 9.56 | 9.04 | 14.50 | 9.50 | 8.12 |
| Palm oil, Niger casks | 3.69 | 4.20 | 4.58 | 6.75 | 4.20 | 3.69 |
| Palm-kernel oil, bulk shipment | 3.36 | 4.90 | 4.56 | 8.60 | 4.30 | 3.40 |
| Bailey amendment: | | | | | | |
| Whale oil, refined | 7.30 | 6.50 | 7.60 | 8.80 | 9.50 | 8.20 |
| Menhaden oil, light pressed | 3.67 | 4.82 | 5.72 | 7.20 | 8.00 | 7.04 |
| Oleo oil, No. 1 | 6.50 | 10.41 | 13.40 | 14.38 | 9.90 | 8.30 |
| Oleo stearine | 3.91 | 5.15 | 9.67 | 9.53 | 12.13 | 6.80 |
| Tallow, animal, edible | 3.60 | 4.25 | 7.25 | 8.88 | 10.06 | 6.42 |
| Gillette amendment: | | | | | | |
| Cottonseed oil, prime summer yellow | 4.57 | 10.90 | 10.20 | 11.50 | 7.38 | 7.16 |
| Refined edible | 4.88 | 11.38 | 12.09 | 12.44 | 9.15 | 9.28 |
| Corn oil, refined | 5.88 | 12.03 | 12.59 | 12.88 | 9.28 | 9.35 |
| Soybean oil, domestic, crude | 6.82 | 9.30 | 9.55 | 11.50 | 7.22 | 6.52 |
| Refined | 7.68 | 10.15 | 10.30 | 12.22 | 8.59 | 7.75 |
| Sesame oil, refined | 9.25 | 13.12 | 14.75 | 13.25 | 10.38 | 10.50 |
| Rapeseed, denatured | 5.63 | 5.69 | 7.26 | 11.14 | 11.86 | 10.66 |
| Perilla oil | 7.60 | 8.65 | 7.44 | 11.75 | 11.38 | 9.80 |
| Babassu oil | | | | 11.44 | 6.85 | 6.28 |

Source: Oil, Paint, and Drug Reporter.

You will notice that the first tax became effective on May 11, 1934, and you will notice that there was a general price increase of those oils and fats following the time at which the first tax became effective. You will also note that, generally speaking, there was a raise in prices after the second tax became effective.

Senator BAILEY. That was the 1936 tax?

Mr. HOLMAN. 1936.

Senator BROWN. What are you reading from now?

Mr. HOLMAN. I am reading from the table "Wholesale prices of oils and fats."

Now, what were the causes of those rises are always matters which are subject to conjecture; but we followed the 1934 or 1935 price rises very closely, and we became convinced that in large degree the tax was responsible for the price impulse. The prices of some of those oils went up immediately and some did not go up for 5 or 6 months after the tax became effective; but we checked into the stocks condition of those particular oils, and we thought we found a reason there for that, because importers, anticipating the tax, shoved stocks into this country pretty heavily during the pretax period.

The question comes up as to what caused the decline in these prices between January 1938 and January 1939 or between January 1937 and January 1939. That brings us into the total fats situation in the United States.

May I ask permission at the end of my testimony to have all of these tables inserted in the record in connection with my testimony?

The CHAIRMAN. Without objection that will be done.

Mr. HOLMAN. I have before me a table entitled "Competitive fats and oils situation in the United States," which we call our master table.

*The competitive fats and oils situation in the United States*

[Millions of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938 [1] [6] |
|---|---|---|---|---|---|---|---|---|---|---|
| Production in the United States: | | | | | | | | | | |
| Vegetable oils and fats | 2,315 | 2,054 | 2,860 | 2,433 | 2,398 | [illegible] | 2,355 | 2,569 | 3,071 | 3,047 |
| Animal and fish oils and fats | 1,980 | 2,767 | 2,846 | 2,825 | 3,005 | 2,790 | 1,881 | 2,414 | 2,135 | 3,297 |
| Butter—creamery and farm | 1,576 | 1,803 | 2,074 | 2,227 | 2,312 | 2,253 | 2,184 | 2,152 | 2,134 | 2,297 |
| Total | 5,871 | 6,624 | 7,780 | 7,485 | 7,715 | 7,193 | 6,420 | 7,135 | 7,340 | 8,641 |
| Less oil content of imported raw materials | 514 | 607 | 787 | 671 | 788 | 612 | 827 | 755 | 1,056 | 739 |
| Production from domestic materials | 5,357 | 6,017 | 6,993 | 6,814 | 6,927 | 6,581 | 5,593 | 6,380 | 6,284 | 7,902 |
| Importations: | | | | | | | | | | |
| Vegetable oils and fats | 878 | 679 | 847 | 880 | 959 | 803 | 1,466 | 1,381 | 1,651 | 1,066 |
| Animal and fish oils and fats [2] | 78 | 90 | 149 | 128 | 108 | 113 | 379 | 204 | 163 | 96 |
| Oil content of raw materials | 514 | 607 | 787 | 671 | 788 | 612 | 827 | 755 | 1,056 | 739 |
| Total | 1,470 | 1,376 | 1,783 | 1,679 | 1,855 | 1,528 | 2,672 | 2,340 | 2,870 | 1,901 |
| Exportations: | | | | | | | | | | |
| Vegetable oils and fats | 361 | 185 | 106 | 89 | 88 | 71 | 41 | 55 | 40 | 42 |
| Animal and fish oils and fats [2] | 1,126 | 1,135 | 951 | 697 | 723 | 542 | 138 | 145 | 158 | 257 |
| Total | 1,487 | 1,320 | 1,057 | 786 | 811 | 613 | 179 | 200 | 198 | 299 |
| Production from domestic materials | 5,357 | 6,017 | 6,993 | 6,814 | 6,927 | 6,581 | 5,593 | 6,380 | 6,284 | 7,902 |
| Importations | 1,470 | 1,376 | 1,783 | 1,679 | 1,855 | 1,528 | 2,672 | 2,340 | 2,870 | 1,901 |
| Stocks at beginning of year [3] | *1,618 | 1,028 | 1,252 | 1,996 | 2,111 | 2,408 | 2,124 | 2,021 | 1,959 | [5] 2,838 |
| Total supply | 8,445 | 8,421 | 10,028 | 10,489 | 10,893 | 10,517 | 10,389 | 10,741 | 11,113 | 12,641 |
| Exportations | 1,487 | 1,320 | 1,057 | 786 | 811 | 613 | 179 | 200 | 198 | 299 |
| Stocks at end of year [3] | 1,143 | 990 | 1,386 | 2,096 | 2,408 | 2,124 | 2,021 | 1,959 | 2,268 | [5] 2,953 |
| Total | 2,630 | 2,310 | 2,443 | 2,882 | 3,219 | 2,737 | 2,200 | 2,159 | 2,466 | 3,252 |
| Apparent consumption [4] | 5,815 | 6,111 | 7,585 | 7,607 | 7,674 | 7,780 | 8,189 | 8,582 | 8,647 | 9,389 |

[1] Preliminary.
[2] Includes butter and greases.
[3] Includes all oils and derivative byproducts.
[4] Total supply minus exports minus stocks at end of year.
[5] Stocks obtained from a different source than in previous years but comparable to indicate the change in stocks.
[6] Part of the data for this summary was taken from the Oils and Fats Situation February 1939, published by the United States Bureau of Agricultural Economics.
*April 1, 1919.

Source: Based on data in the ensuing 9 tables.

We have kept this table cumulative since the year 1920. I am sorry I do not have additional copies of it.

We have worked up the data from 1919 to and including the calendar year 1938, and from that, we can see the exact position of the United States with regard to adequacy of supply. By and large, the consumption of these competitive oils and fats, including butterfat, in that 19-year period, has almost doubled. In 1919, which we thought was a year of pretty heavy availability of oils and fats, for those days, we consumed about 5,815,000,000 pounds, whereas our closest estimates for last year, 1938, was 9,389,000,000 pounds. The table shows a progressive increase year by year with hardly any exception. Now and then there may be a slight slip-back, but by and large our consumption goes progressively forward.

Now, as to production. Our total production of these oils and fats in that period has increased from 5,357,000,000 pounds to 7,902,000,000. Our importations in the same period have increased from 1,470,000,000—and at that time, some of it was still due to the war impulse and the diversion to this country because of shipping conditions—to a drop-back in 1920 to 1924's average of 1,376,000,000. Then we had a gradual increase on to where we got to the high point in 1937 of 2,870,000,000. Then we dropped back last year to 1,901,000,000 pounds. But you will see that we are still on a fat-deficit basis in this country.

Likewise, our exportations have dropped from 1,487,000,000 pounds in 1919 to the low point of 179,000,000 in 1935, with a small increase to 299,000,000 pounds last year.

Our stocks on hand are perhaps one reason for the present soft price of oils and fats. For example, in 1935 we had approximately 2,000,000,000 pounds of stocks on hand at the end of the year. In 1936, we had 1,959,000,000. In 1937, we had 2,268,000,000. In 1938, we had 2,953,000,000 of fats on hand, which explains possibly why the importations declined between 1937 and 1938.

Our exportation of oils and fats, of course, is largely lard; and at the present time lard has nowhere to go, and may not for a long time have anywhere to go, because even the trade agreements are not materially increasing the exports of lard to where it is a big economic factor in our oils and fats situation.

These additional tables are simply the details of the master table that I have outlined for you.

*Production of animal and fish oils, fats, and greases in the United States*

[Thousands of pounds]

| | 1919 | Average 1920–24 | Average 1925–29 | Average 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Animal oils, fats, and greases: | | | | | | | | | | |
| Lard, neutral | 90,032 | 63,903 | 47,533 | 19,392 | 17,707 | 11,900 | 3,929 | 4,870 | 5,564 | |
| Lard, other edible | 1,084,036 | 1,633,472 | 1,661,468 | 1,615,961 | 1,758,413 | 1,415,371 | 777,964 | 1,058,285 | 890,910 | 1,730,000 |
| Tallow, edible | (2) | (2) | 48,433 | 60,179 | 58,492 | 78,021 | 73,893 | 98,117 | 78,144 | |
| Tallow, inedible | 268,360 | 391,670 | 405,029 | 514,873 | 565,746 | 589,462 | 392,150 | 480,736 | 438,394 | 762,000 |
| Oleo oil | 129,863 | 151,904 | 135,404 | 90,644 | 88,849 | 78,776 | 74,558 | 98,022 | 74,987 | |
| Oleo stearine | 68,087 | 73,041 | 68,357 | 42,209 | 38,738 | 33,829 | 41,755 | 49,306 | 63,215 | |
| Neat's foot oil | 7,645 | 7,775 | 7,958 | 4,990 | 4,661 | 6,735 | 6,155 | 6,257 | 5,159 | |
| White grease | (3) | (3) | 74,599 | 67,583 | 77,042 | 61,384 | 31,487 | 52,993 | 45,598 | |
| Yellow grease | (3) | (3) | 70,240 | 80,682 | 77,290 | 90,289 | 62,499 | 68,192 | 67,004 | |
| Brown grease | (3) | (3) | 45,133 | 50,641 | 49,384 | 61,482 | 52,038 | 61,015 | 59,934 | |
| Bone grease | 22,524 | 27,721 | 23,576 | 23,748 | 21,002 | 24,778 | 23,368 | 24,794 | 22,034 | |
| Tankage grease | (3) | (3) | 52,759 | 45,544 | 39,905 | 41,895 | 36,827 | 40,403 | 44,194 | |
| Garbage grease | 50,823 | 63,244 | 86,470 | 61,859 | 53,593 | 47,941 | 40,352 | 45,274 | 47,685 | |
| Wool grease | 20,436 | 19,438 | 6,812 | 7,255 | 8,467 | 4,948 | 9,654 | 6,922 | 7,511 | |
| Recovered grease | (4) | (4) | 7,104 | 2,949 | 2,877 | 2,978 | 1,947 | 3,045 | 2,296 | |
| Other greases | 184,808 | 263,506 | 10,674 | 11,250 | 9,701 | 14,978 | 11,938 | 15,154 | 16,338 | |
| Fish and marine oils: | | | | | | | | | | |
| Whale oil | 8,712 | 11,669 | 10,058 | 5,792 | 4,395 | 8,550 | 8,252 | 6,534 | 69,197 | |
| Sperm oil | 650 | 1,922 | 461 | (5) | (5) | (5) | 1,659 | 1,528 | | |
| Cod and cod-liver oil | 968 | 777 | 1,710 | 866 | 494 | 1,126 | 1,751 | 2,336 | 2,224 | |
| Menhaden oil | 12,828 | 42,637 | 32,015 | (5) | (5) | (5) | 29,806 | 31,516 | 25,928 | |
| Herring and sardine oil | 1,431 | 10,677 | 48,154 | (5) | (5) | (5) | 185,012 | 217,433 | 153,000 | |
| Other fish oils | 8,332 | 3,337 | 2,382 | 118,751 | 128,547 | 215,87[illegible] | 13,983 | 41,165 | 17,620 | |
| Total | 1,979,535 | 2,766,693 | 2,846,329 | 2,825,167 | 3,005,303 | 2,790,273 | 1,[illegible],977 | 2,413,887 | 2,134,934 | |

[1] Preliminary.
[2] Not separately reported; included in "Inedible tallow."
[3] Included in "Other greases."
[4] Included in "Wool grease."
[5] Included in "Other fish oils."

Source: Animal and Vegetable Fats and Oils, Bureau of Census, U. S. Department of Commerce.

*Primary factory production of vegetable oils and fats in the United States* [1]

[Thousands of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938 [2] |
|---|---|---|---|---|---|---|---|---|---|---|
| Cottonseed oil | 1,429,948 | 1,168,557 | 1,624,584 | 1,445,538 | 1,399,655 | 1,224,085 | 1,184,039 | 1,247,298 | 1,626,215 | 1,683,000 |
| Corn oil | 97,400 | 105,203 | 117,928 | 116,723 | 128,616 | 114,610 | 99,788 | 127,171 | 127,466 | 135,000 |
| Peanut oil | 87,607 | 16,203 | [illegible] | 22,536 | 12,563 | 47,045 | 44,673 | 70,214 | 50,756 | 77,000 |
| Soybean oil | (3) | 621 | 4,796 | 30,976 | 26,533 | 35,366 | 105,056 | 225,297 | 194,411 | 322,000 |
| Linseed oil | [illegible] | 556,771 | 755,133 | [illegible] | 405,948 | 370,769 | 502,043 | 455,959 | 665,099 | 441,000 |
| Coconut oil | 215,542 | 171,443 | 282,761 | 313,71[illegible] | 351,075 | 297,277 | 252,841 | 258,383 | 266,636 | 287,000 |
| Olive oil | 541 | 878 | 1,060 | 1,573 | 2,140 | 1,038 | 8,389 | 4,498 | 2,324 | ---------- |
| Palm kernel oil | 2,517 | 800 | (3) | (3) | (3) | (3) | (3) | (3) | (3) | 14,000 |
| Sesame oil | ---------- | ---------- | ---------- | 18,180 | 14,773 | 9,042 | 64,977 | 51,261 | (3) | 3,000 |
| Castor oil | 24,637 | [illegible] | 56,337 | 44,288 | [illegible],847 | 42,376 | 46,627 | 64,553 | 68,973 | 52,000 |
| Babassu oil | ---------- | ---------- | ---------- | (3) | (3) | (3) | (3) | 37,541 | 32,816 | 30,000 |
| Other vegetable oils | 3,920 | 3,763 | 4,207 | 11,613 | 11,[illegible]69 | 8,608 | 48,936 | 27,173 | 35,845 | ---------- |
| Total | 2,315,040 | 2,054,460 | 2,839,792 | 2,4[illegible],216 | 2,397,51[illegible] | 2,150,214 | 2,355,369 | 2,569,348 | 3,070,541 | ---------- |

[1] Data shown here are for the crude oils only where a separate classification has been made.
[2] Preliminary.
[3] Not separately reported, included in "Other vegetable oils."
Source: Animal and Vegetable Fats and Oils, Bureau of the Census, U. S. Department of Commerce.

*Exports of animal and fish fats, oils, and greases*

[Thousands of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Lard | 760,902 | 845,524 | 731,629 | 553,553 | 579,132 | 431,237 | 96,355 | 111,2[illegible]2 | 135,950 | 204,603 |
| Neutral lard | 22,957 | 23,836 | 19,931 | 7,566 | 5,107 | 3,654 | 1,005 | 877 | 928 | — |
| Lard compounds | 124,963 | 22,275 | 8,401 | (2) | (3) | (2) | (2) | (3) | 1,723 | — |
| Butter | 34,556 | 10,108 | 4,558 | 1,791 | 1,191 | 1,220 | 958 | 826 | 800 | 1,959 |
| Oleomargarine | 22,940 | 4,859 | 886 | 474 | 288 | 369 | 128 | 108 | 163 | 235 |
| Tallow | 38,954 | 26,991 | 8,361 | 4,991 | 6,839 | 7,347 | 536 | 709 | 267 | 729 |
| Oleo oil | 75,585 | 102,013 | 79,729 | 40,142 | 33,783 | 20,713 | 9,251 | 9,131 | 5,711 | 5,369 |
| Oleo stock | (2) | (2) | 10,227 | 7,478 | 8,633 | 5,979 | 3,378 | 3,616 | 2,656 | 2,874 |
| Oleo stearine | (2) | (2) | 5,635 | 6,007 | 6,273 | 4,255 | 1,261 | 1,153 | 601 | 181 |
| Grease stearine | (2) | (2) | 2,329 | 2,003 | 942 | 623 | 1,092 | 1,348 | 384 | 890 |
| Other greases and fats | (3) | [4] 66,094 | 71,755 | 65,345 | 70,054 | 55,706 | 14,755 | 11,449 | 4,298 | 35,899 |
| Lard oil | 1,087 | 633 | (5) | (5) | (5) | (5) | (5) | (5) | (5) | — |
| Stearic acid | (5) | (5) | 1,783 | 497 | 462 | 676 | 419 | 485 | 391 | 294 |
| Oleic acid | (5) | (5) | 2,726 | 1,577 | 1,587 | 2,837 | 513 | 511 | 182 | 194 |
| Neat's foot oil | (5) | (5) | 1,318 | 1,977 | 1,079 | 1,151 | 887 | 707 | 907 | 845 |
| Other animal oils | 35,477 | 31,079 | 1,069 | 1,510 | 1,833 | 1,267 | 4,047 | 880 | 771 | 505 |
| Fish and marine animal oils | 8,142 | 1,663 | 823 | 3,273 | 5,849 | 6,364 | 3,276 | 2,154 | 1,949 | 2,677 |
| Total | 1,125,563 | 1,135,975 | 951,160 | 697,284 | 723,052 | 543,400 | 137,861 | 145,246 | 157,581 | 257,245 |

[1] Preliminary.
[2] Not separately reported, included in "Other greases and fats."
[3] Reported as value rather than in pounds.
[4] 3-year average, 1922–24. Grease exports prior to this time reported as value, not volume.
[5] Included in "Other animal oils."

Source: U. S. Department of Commerce, Bureau of the Census, and Bureau of Foreign and Domestic Commerce.

*Exports of domestically produced vegetable oils and fats*

[Thousands of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 |
|---|---|---|---|---|---|---|---|---|---|
| Cottonseed oil | 193,133 | 121,111 | 49,815 | 31,388 | 35,435 | 14,865 | 3,816 | 2,955 | 7,250 |
| Coconut oil | [1] 118,612 | 16,138 | 21,691 | 23,593 | 26,168 | 25,043 | 12,259 | 17,509 | 8,909 |
| Soybean oil | [1] 27,715 | 10,307 | 4,528 | 3,154 | 1,569 | 2,040 | 4,111 | 3,954 | 5,748 |
| Corn oi | 6,415 | 6,042 | 1,227 | 887 | 1,026 | 1,314 | 833 | 929 | 444 |
| Linseed oil | 11,266 | 3,236 | 2,351 | 1,002 | 828 | 653 | 986 | 973 | 987 |
| Peanut oil | 4,342 | 868 | (2) | (2) | (2) | (2) | (2) | (2) | (2) |
| Other oils and fats | (3) | [4] 6,771 | 10,563 | 5,811 | 2,066 | 7,660 | 2,901 | 7,757 | 6,207 |
| Vegetable lard substitute | (3) | [4] 14,028 | 6,653 | 3,578 | 2,602 | 2,181 | 1,219 | 1,623 | (2) |
| Vegetable oleomargarine | (3) | [4] 735 | 296 | (2) | (2) | (2) | (2) | (2) | (2) |
| Vegetable soap stock | (3) | [4] 5,826 | 9,115 | 19,206 | 18,609 | 17,274 | 14,964 | 19,396 | 10,363 |
| Total | 361,483 | 185,222 | 106,239 | 88,619 | 88,303 | 71,030 | 41,089 | 55,096 | 39,908 |

[1] July to December only; prior to July included in "Value of other oils."
[2] Not separately reported included in "Other oils and fats."
[3] Included in "Value of other oils."
[4] 3-year average, 1922–24. Prior to 1922 included in "Value of other oils." Values were $1,226,885 for 1920–21, $18,507,128 for 1919.

Source: U. S. Department of Commerce, Bureau of the Census, and Bureau of Foreign and Domestic Commerce.

*Imports for consumption of principal animal and fish fats, oils, and greases*

[Thousands of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Animal oils and fats: | | | | | | | | | | |
| Lard | ---------- | 11 | 27 | [2] 4 | 1 | (3) | (3) | (3) | (3) | ---------- |
| Lard compounds | 3,846 | 28 | 206 | [2] 151 | 186 | (3) | (3) | (3) | (3) | ---------- |
| Butter | 6,962 | 20,512 | 5,814 | 1,519 | 896 | 1,253 | 22,675 | 9,874 | 11,111 | ---------- |
| Butter substitutes | ---------- | ---------- | ---------- | [2] 1 | ---------- | (3) | (3) | (3) | (3) | ---------- |
| Oleo oil | ---------- | 1 | 326 | [2] 46 | 3 | (3) | (3) | (3) | (3) | ---------- |
| Oleo stearine | 2,358 | 580 | 1,657 | [2] 1,020 | 94 | (3) | (3) | (3) | (3) | ---------- |
| Tallow | 12,096 | 6,368 | 11,885 | 9,102 | 238 | 42,813 | 245,851 | [4] 68,936 | 3,851 | 1,229 |
| Wool grease | 294 | 8,563 | 10,782 | 5,132 | 4,395 | 4,597 | 5,627 | [4] 6,570 | 4,694 | 1,785 |
| Oleic acid | ---------- | 13 | 79 | [2] 486 | 304 | (3) | 1,487 | [4] 410 | 229 | ---------- |
| Stearic acid | 4 | 161 | 2,766 | 5,481 | 5,403 | 2,160 | 5,507 | [4] 1,817 | 1,465 | 788 |
| Other animal oils and fats | 33,275 | 10,532 | 215 | 440 | 33 | 1,961 | 18,895 | 22,103 | 19,017 | 4,696 |
| Fish oils: | | | | | | | | | | |
| Whale oil | 4,843 | 20,927 | 52,359 | 50,272 | 47,716 | [4] 19,990 | 23,073 | 28,096 | 54,771 | 22,690 |
| Cod oil | 8,642 | 12,289 | 14,952 | 16,073 | 15,864 | 10,940 | 20,086 | 20,996 | 22,156 | 23,606 |
| Cod-liver oil | 1,769 | 3,718 | 16,423 | 19,174 | 25,744 | 26,027 | 34,553 | 43,421 | 44,370 | 40,291 |
| Herring oil | 4,066 | 3,326 | 26,266 | [2] 20,872 | 5,245 | (4 5) | (5) | (5) | (5) | ---------- |
| Menhaden and sod oil | (6) | (6) | (3) | (6) | 601 | (4 5) | (5) | (5) | (5) | ---------- |
| Seal oil | 173 | 2,665 | 3,706 | [2] 1,300 | 795 | (4 5) | (5) | (5) | (5) | ---------- |
| Other fish oils | 85 | 492 | 1,664 | 1,719 | 915 | [4] 3,223 | 1,225 | 1,303 | 1,251 | 547 |
| Total | 78,413 | 90,286 | 149,107 | 128,017 | 108,442 | 112,964 | 378,979 | 203,528 | 162,915 | 95,635 |

[1] Preliminary.
[2] 4-year average, 1930–33. Included in "Other" in 1934.
[3] Included in "Other animal oils and fats."
[4] Excise tax became effective.
[5] Included in "Other fish oils."
[6] Included in "Herring oil."

Source: U. S. Department of Commerce, Bureau of the Census, and Bureau of Foreign dan Domestic Commerce.

*Imports for consumption of principal vegetable oils and fats*

[Thousands of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 | 1937 | 1938[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Cottonseed oil | 27,806 | 2,032 | 1,336 | ------ | ------ | (2) | 166,687 | 127,787 | 194,031 | 77,500 |
| Linseed oil | 16,018 | 59,096 | 7,837 | 2,993 | 9,375 | 2,766 | 2,232 | 760 | 402 | 123 |
| Peanut oil | 153,987 | 22,097 | 3,081 | 2,253 | 1,325 | 2,722 | 80,723 | 49,006 | 57,999 | 15,553 |
| Soybean oil | 195,808 | 37,465 | 16,529 | 3,953 | 2,035 | 2,829 | 14,249 | 7,187 | 29,752 | 4,258 |
| Coconut oil | 281,063 | 295,792 | 294,898 | 305,635 | 316,193 | 314,802 | 365,557 | [3] 322,065 | 337,376 | 363,940 |
| Olive oil, edible | 62,264 | 58,388 | 82,957 | 71,701 | 66,419 | 55,999 | 70,799 | 69,972 | 48,343 | 71,085 |
| Olive oil, inedible | 2,157 | 14,347 | 10,229 | 12,279 | 16,509 | 9,670 | 19,743 | 12,645 | 4,870 | 5,444 |
| Olive oil foots | 6,541 | 11,920 | 41,773 | 44,450 | 40,468 | 36,166 | 33,797 | 17,401 | 22,101 | 22,356 |
| Palm kernel oil | 1,929 | 2,712 | 58,891 | 18,125 | 12,957 | 12,753 | 58,570 | [3] 20,141 | 139,355 | 2,569 |
| Palm oil | 41,818 | 70,579 | 172,176 | 241,164 | 287,483 | 155,531 | 297,579 | [3] 338,789 | 411,112 | 271,325 |
| Tung oil | 53,853 | 68,635 | 100,642 | 102,064 | 118,760 | 110,007 | 120,059 | 134,830 | 174,885 | 107,456 |
| Vegetable tallow and wax | 10,974 | 10,491 | 15,716 | 11,892 | 11,556 | 10,673 | 15,152 | 21,540 | 29,605 | 16,887 |
| Rapeseed oil | 8,375 | 12,843 | 17,669 | 13,306 | 11,949 | 16,626 | 60,298 | [3] 63,202 | 5,854 | 5,262 |
| Castor oil | 2,813 | 774 | 393 | [4] 671 | 1,291 | (2) | (2) | (2) | (2) | ------ |
| Hempseed oil | 1,379 | 123 | 31 | [4] 25 | 60 | (2) | (2) | (2) | (2) | ------ |
| Perilla oil | 4,743 | 3,980 | 5,272 | 17,318 | 22,776 | 25,164 | 72,328 | [3] 117,903 | 43,591 | 31,821 |
| Poppyseed oil | 2 | 12 | 73 | [4] 17 | 12 | (2) | (2) | (2)(3) | (2) | ------ |
| Sesame oil | 4,722 | 3,501 | 8,542 | 2,178 | 60 | 1 | 11 | 49 | ------ | ------ |
| Sunflower seed oil | ------ | ------ | ------ | 15,205 | 27,833 | 10,046 | 37,259 | [3] 25,255 | 479 | 76 |
| Other vegetable oils | 1,870 | 4,704 | 9,103 | 14,958 | 11,717 | 37,081 | 51,136 | 61,848 | 150,972 | 71,056 |
| Total | 878,122 | 679,431 | 847,156 | 880,196 | 958,686 | 802,836 | 1,466,169 | 1,380,780 | 1,650,728 | 1,006,811 |

[1] Preliminary.
[2] Not separately reported; included in "Other vegetable oils."
[3] Excise tax became effective.
[4] 4-year average, 1930–33, included in "Other" in 1934.

Source: U. S. Department of Commerce, Bureau of Census and Bureau of Foreign and Domestic Commerce.

*Imports for consumption of oilseeds and raw materials*

[Thousands of pounds]

| | 1919 | Average, 1920–24 | Average, 1925–29 | Average, 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938 [1] |
|---|---|---|---|---|---|---|---|---|---|---|
| Castor beans | 56,691 | 71,393 | 129,299 | 96,426 | 109,965 | 92,840 | 77,049 | 164,077 | 146,808 | 114,073 |
| Copra | 286,816 | 272,756 | 469,118 | 513,568 | 650.872 | 399,234 | 454,134 | 363,485 | 537,750 | 513,017 |
| Flaxseed | 786,382 | 1,039,069 | 1,145,320 | 705,005 | 732,083 | 793,520 | 983,341 | 860,441 | 1.569,778 | 860,384 |
| Sesame seed [2] | (3) | 9,294 | [4] 7,614 | 55,283 | 42,631 | 22,327 | 148,394 | [5] 117,795 | 11,065 | 6,816 |
| Poppy seed | 1,077 | 4,829 | 5,527 | 6,904 | 8,205 | 6,412 | 8,393 | 6,901 | (3) | 9,649 |
| Hempseed | 3,108 | 3,688 | 4,597 | 6,577 | 4,538 | 12,981 | 116,719 | [5] 62,814 | | 517 |
| Palm nuts and kernels | (3) | 319 | [4] 170 | 20,473 | 14,918 | 8,509 | 50,073 | 27,443 | 88,291 | 32,091 |
| Rapeseed | 5,080 | 6,095 | 8,532 | 10,430 | 13,627 | 9,324 | 29,515 | [5] 27,836 | 6,180 | 9,149 |
| Sunflower seed | (3) | 2,250 | 1,117 | [6] 344 | 121 | (3) | (3) | (3) | (3) | |
| Soybeans | 4,369 | 3,690 | 4,064 | 2,160 | 470 | 382 | 250 | 169 | 1,003 | |
| Cottonseed | 56,691 | 74,157 | 26,985 | 26 | 14 | | 11 | | (3) | |
| Babassu nuts and kernels | | | | (3) | (3) | (3) | 15,261 | 59,022 | 54,792 | |
| Other oil seeds | 25,989 | 8,927 | 2,873 | 3,968 | 838 | 17,556 | 16,188 | 9,330 | 2,086 | 52,143 |
| Total | 1,226,123 | 1,496,478 | 1,805,218 | 1,423,164 | 1,638,282 | 1,363,085 | 1,897,328 | 1,699,313 | 2,417,753 | |

[1] Preliminary.
[2] Includes perilla seed for 1930 and prior years.
[3] Included in "Other oil seeds."
[4] 3-year average, 1927–29.
[5] Excise tax became effective.
[6] 4-year average, 1930–33.

Source: U. S. Department of Commerce, Bureau of Census and Bureau of Foreign and Domestic Commerce.

182050—39——17

*Oil equivalent [1] of oilseeds and raw materials imported for consumption*

[Thousands of pounds]

| | 1919 | Average 1920-24 | Average 1925-29 | Average 1930-34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 | 1938 [2] |
|---|---|---|---|---|---|---|---|---|---|---|
| Castor oil | 27,212 | 34,269 | 62,064 | 47,245 | 52,783 | 44,563 | 36,984 | 78,757 | 70,468 | 54,755 |
| Coconut oil | 180,694 | 171,065 | 295,544 | 323,547 | 416,349 | 251,517 | 288,104 | 228,996 | 338,782 | 323,201 |
| Linseed oil | 283,098 | 374,065 | 412,315 | 253,802 | 281,550 | 285,667 | 354,003 | 309,759 | 565,120 | 309,738 |
| Sesame oil [3] | (4) | 4,461 | [5] 3,655 | 26,536 | 20,463 | 10,717 | 70,269 | 56,542 | 5,311 | 3,272 |
| Poppyseed oil | 495 | 2,221 | 2,543 | 3,175 | 3,774 | 2,994 | 3,861 | 3,174 | (4) | 4,439 |
| Hempseed oil | 715 | 848 | 1,057 | 1,513 | 1,044 | 2,986 | 26,845 | 14,447 | ----- | 119 |
| Palm and palm kernel oil | (4) | 140 | [5] 75 | 9,008 | 6,564 | 3,744 | 22,032 | 12,075 | 38,848 | 14,120 |
| Rapeseed oil | 1,930 | 2,316 | 3,242 | 4,085 | 5,178 | 3,543 | 11,216 | 10,578 | 2,348 | 3,477 |
| Sunflower oil | (4) | 1,040 | 514 | [6] 158 | 56 | (4) | (4) | (4) | (4) | ----- |
| Soybean oil | 699 | 590 | 650 | 345 | 72 | 61 | 40 | 27 | 16[illegible] | ----- |
| Cottonseed oil | 9,071 | 11,865 | 4,318 | 4 | 2 | ----- | 2 | ----- | (4) | ----- |
| Babassu oil | ----- | ----- | ----- | (4) | (4) | (4) | 9,614 | 37,184 | 34,[illegible] | ----- |
| Other oils | 9,845 | 3,392 | 1,092 | 1,507 | 318 | 6,671 | 6,151 | 3,545 | 793 | 26,071 |
| Total | 513,759 | 607,043 | 787,068 | 670,925 | 788,156 | 612,418 | 827,121 | 755,084 | 1,056,349 | 739,192 |

[1] The oil content of the raw materials for the products shown in order are 48, 63, 36, 48, 46, 23, 44, 38, 46, 16, 15, 63 and 38 percent.
[2] Preliminary.
[3] Includes perilla oil for 1930 and prior years.
[4] Not separately reported, included in "Other oils."
[5] 3-year average, 1927-29.
[6] 4-year average, 1930-33.

Source: Table 7.

## *Stocks of animal and vegetable fats and oils*

[Thousands of pounds]

| | 1919 | Average 1920–24 | Average 1925–29 | Average 1930–34 | 1933 | 1934 (drought) | 1935 | 1936 (drought) | 1937 [1] |
|---|---|---|---|---|---|---|---|---|---|
| Stocks at beginning of year: [1] | | | | | | | | | |
| Vegetable oils | 1,111,523 | 631,290 | 824,317 | 1,256,666 | 1,339,899 | 1,562,905 | 1,152,603 | 1,112,635 | 1,065,690 |
| Fish oils | 47,607 | 49,534 | 76,027 | 181,917 | 197,289 | 158,892 | 242,402 | 214,044 | 217,195 |
| Animal oils | 169,664 | 132,744 | 131,825 | 238,058 | 235,490 | 362,138 | 418,909 | 364,189 | 402,443 |
| Animal greases | 86,770 | 65,110 | 45,192 | 80,743 | 72,008 | 96,957 | 73,900 | 63,669 | 60,194 |
| Derivative byproducts | 202,691 | 149,540 | 175,076 | 238,848 | 266,407 | 227,245 | 236,685 | 266,500 | 213,648 |
| Total | 1,618,255 | 1,028,218 | 1,252,347 | 1,996,232 | 2,111,093 | 2,408,137 | 2,124,499 | 2,021,037 | 1,959,170 |
| Stocks at end of year: | | | | | | | | | |
| Vegetable oils | 750,837 | 600,807 | 918,278 | 1,273,541 | 1,562,905 | 1,152,603 | 1,112,635 | 1,065,690 | 1,453,206 |
| Fish oils | 48,151 | 49,414 | 90,045 | 206,869 | 158,892 | 242,402 | 214,044 | 217,195 | 216,441 |
| Animal oils | 122,247 | 134,101 | 141,647 | 286,212 | 362,138 | 418,909 | 364,189 | 402,443 | 262,968 |
| Animal greases | 53,570 | 62,783 | 50,019 | 82,220 | 96,957 | 73,900 | 63,669 | 60,191 | 74,795 |
| Derivative byproducts | 168,186 | 143,389 | 186,326 | 247,449 | 227,245 | 236,685 | 266,500 | 213,648 | 260,659 |
| Total | 1,142,991 | 990,494 | 1,386,315 | 2,096,291 | 2,408,137 | 2,124,499 | 2,021,037 | 1,959,170 | 2,268,069 |
| Change in stocks during year: [2] | | | | | | | | | |
| Vegetable oils | −360,686 | −30,483 | 93,961 | 16,875 | 223,006 | −410,302 | −39,968 | −46,945 | 387,516 |
| Fish oils | 544 | −120 | 14,018 | 24,952 | −38,397 | 83,510 | −28,358 | 3,151 | −754 |
| Animal oils | −47,417 | 1,357 | 9,822 | 48,154 | 126,648 | 56,771 | −54,720 | 38,254 | −139,475 |
| Animal greases | −33,200 | −2,327 | 4,917 | 1,477 | 24,949 | −23,057 | −10,231 | −3,475 | 14,601 |
| Derivative byproducts | −34,505 | −6,151 | 11,250 | 8,601 | −39,162 | 9,440 | 29,815 | −52,852 | 47,011 |
| Total | −475,264 | −37,724 | 133,968 | 100,059 | 297,044 | −283,638 | −103,462 | 61,857 | 308,899 |

[1] January 1, except for 1919. April 1 for 1919.
[2] Minus sign denotes a decrease during the year. Change during 9 months in 1919.

Source: Animal and Vegetable Fats and Oils, Bureau of Census, U. S. Department of Commerce.

Senator GEORGE. What has principally lessened the lard market abroad?

Mr. HOLMAN. I have forgotten the exact year, but I think it was in about 1934, Great Britain did exactly the opposite from what the United States Government did. Whereas we embarked upon a trade-agreement program designed to extend, to the extent that we can, the most-favored-nation principle, Great Britain abandoned the most-favored-nation principle clause in every treaty that she had with every nation in the world. Then she applied the import quota system to every nation, putting its original quota, we will say, at nothing or 1 pound, and then trading with it directly on the bilateral principle, so that she could get something out of it and not transferring to any other nation besides those with whom she traded—if I am correctly informed—the benefits of the quota or any particular tariff reductions.

At the same time she began movements resulting in going off of gold. In other words, she began to manage her currency for the benefit of her colonies and her commonwealths, so that the buying power of those commonwealths on exportation of the products they exported, would be relatively greater than they would otherwise.

So, with the combination of the quota and protective tariffs, which she began to increase, and the managed currency, with relatively little regimentation she has been pulling herself out of the depression.

We adopted the reverse policy. We started in on a trade-agreement program which we call reciprocity, but which is not reciprocity, according to my understanding of these matters. It is a generalization of tariff benefits to all of the world, using the trade agreement as a device to generalize. In other words, if we make a trade agreement with Canada and give her certain concessions, in return for which we obtain concessions, we make the same concessions which we have given Canada available to every nation in the world, without any concessions from other nations whatsoever, unless for some reason a nation is proscribed.

Our failure to obtain satisfactory trading relations with Germany has resulted in Germany's failure to utilize our lard supply, and Germany has been a very large factor in purchasing lard.

Senator GEORGE. Has the increase in cotton growing elsewhere, and cottonseed production and the use of seed in shortening, the lard substitutes, has that affected the American market for lard?

Mr. HOLMAN. It may have been a factor. Of course, the policy of the western European nations for 20 years has been to import their raw materials and manufacture them into their own oils and fats, and in turn make oleomargarine and lard substitutes out of them. They do that to employ labor and also have a feed supply. Of course, cottonseed oil would probably have been one of the factors there, but I am inclined to think that palm kernel oil and coconut oil and particularly soybean oil, as the western Eurean nations take from Manchuria a large percentage of soybean oil for their use, are important sources of supply.

The gentlemen who preceded me have touched upon the question of the interchangeability of these oils, which is the real reason why American farmers of all types are united in a request for more adequate protection along this line. Just to substantiate that point which has been made by them, I would like to file three tables, one showing the customary ingredients used in the production of oleomargarine, one showing the factory consumption of primary animal and vegetable fats and oils by classes of products for the calendar year 1937.

*Factory consumption of primary animal and vegetable fats and oils, by classes of products, calendar year 1937*

[Quantities in thousands of pounds]

| | Total | Shortening | Oleomargarine | Other edible products | Soap | Paint and varnish | Linoleum and oilcloth | Printing inks | Miscellaneous products | Loss, including foots |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 4,993,914 | 1,651,841 | 324,905 | 395,684 | 1,475,756 | 457,785 | 102,763 | 26,213 | 351,766 | 207,201 |
| Cottonseed oil | 1,716,822 | 1,209,596 | 173,615 | 209,647 | 8,414 | 43 | | 167 | 2,632 | 112,708 |
| Peanut oil | 67,515 | 58,141 | 2,880 | 1,937 | 820 | | | | 22 | 3,715 |
| Coconut oil | 425,894 | 12,531 | 73,806 | 49,886 | 252,241 | 1,124 | | 2 | 6,846 | 29,458 |
| Corn oil | 83,812 | 1,611 | 1,796 | 63,883 | 2,392 | 89 | | | 4,005 | 10,036 |
| Soybean oil | 178,516 | 90,798 | 31,793 | 15,530 | 10,274 | 16,143 | 934 | 80 | 3,038 | 9,926 |
| Olive oil, edible | 3,296 | | | 3,180 | 21 | | | | 95 | |
| Olive oil, inedible | 5,568 | | | | 890 | | | | 4,678 | |
| Sulphur oil or olive foots | 18,361 | | | | 17,984 | | | | 377 | |
| Palm-kernel oil | 144,041 | 47 | 7,946 | 21,294 | 111,514 | | | | 63 | 3,177 |
| Palm oil | 331,854 | 123,677 | 1,063 | 944 | 141,358 | | | 3 | [1] 33,303 | 30,706 |
| Babassu oil | 42,063 | 127 | 14,606 | 11,294 | 14,308 | | | | | 1,728 |
| Rapeseed oil | 14,336 | 5,203 | | | 981 | 138 | | 1 | 7,493 | 520 |
| Linseed oil | 375,220 | 1,522 | | | 1,359 | 267,184 | 68,151 | 20,342 | 16,510 | 152 |
| China-wood oil | 120,378 | | | | | 105,731 | 7,198 | 2,762 | 4,687 | |
| Perilla oil | 42,537 | | | | 2 | 31,776 | 8,053 | 1,752 | 954 | |
| Castor oil | 34,812 | | | | 2,123 | 6,455 | 1,653 | 260 | 24,321 | |
| Sesame oil | 37,667 | 29,269 | 1 | 3,435 | 2,944 | | | | 81 | 1,937 |
| Other vegetable oils | 25,985 | 870 | | 5,848 | 10,812 | 1,496 | 9 | 17 | 6,334 | 597 |
| Lard | 8,938 | 915 | 1,747 | 2,246 | | | | 3 | 3,974 | 53 |
| Edible animal stearin | 38,711 | 29,664 | 3,375 | 4,926 | 321 | | | | 411 | 14 |
| Oleo oil | 13,055 | 242 | 12,277 | 41 | 74 | | | | 402 | 19 |
| Tallow, edible | 68,896 | 66,278 | | 1,593 | 143 | | | 2 | 712 | 168 |
| Tallow, inedible | 675,918 | | | | 613,509 | 151 | | 7 | 61,921 | 330 |
| Grease | 215,651 | | | | 94,247 | 150 | | 509 | 120,421 | 324 |
| Neat's-foot oil | 5,595 | | | | 16 | 15 | | 1 | 5,553 | 10 |
| Marine animal oils | 70,196 | 66 | | | 65,130 | 11 | | 7 | 4,967 | 15 |
| Fish oils | 229,077 | 21,284 | | | 123,879 | 27,277 | 16,765 | 298 | 37,966 | 1,608 |

[1] Includes 30,708,000 pounds reported by the tin-and terne-plate industry.

Source: U. S. Department of Commerce, Bureau of the Census.

This shows the quantities of these better known oils that go into shortenings, into oleomargarine, into other edible products, into soap, into paint and varnish, and into linoleum, into printing inks, and into miscellaneous products, and you will find if this table were to cover a period of 20 years, that the use in each particular utilization would vary considerably; but still all of these oils and fats are used almost interchangeably for the making of these various lines of articles, food supplies, and inedible utilizations.

The real reasons for the change in the proportions from year to year lie first in the availability of supply and second in the price; and we are particularly interested in price.

Likewise, I would like to file a similar table showing the utilization of these oils and fats, both foreign and domestic, in vegetable shortenings.

*Factory consumption of animal and vegetable fats and oils in compounds and vegetable shortenings*

[All data in thousands of pounds]

| Fat or oil | 1929 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|---|
| Fats or oils of foreign origin: | | | | | | | | |
| Coconut oil | 72,145 | 34,132 | 8,332 | 7,117 | 9,045 | 44,031 | 38,427 | 12,531 |
| Palm kernel oil | 11,824 | 158 | | | | 825 | 627 | 47 |
| Palm oil | 1,191 | 34,536 | 22,126 | 21,116 | 16,717 | 114,362 | 168,808 | 123,077 |
| Rapeseed oil | 138 | | | | 122 | 15,575 | 30,572 | 5,203 |
| Sesame oil | 5,215 | 33,817 | 7,797 | 7,371 | 4,720 | 34,907 | 33,120 | 29,269 |
| Perilla oil | | | | | | 55 | | |
| Sunflower oil | | | | 2,469 | 901 | 10,896 | 208 | |
| Other vegetable oils | 102 | 18,510 | 957 | | 1,626 | 12,839 | 21,008 | 997 |
| Marine animal oils | | 2,708 | 2,185 | | 304 | 427 | | 66 |
| Fish oils | 14,921 | 16,676 | 11,520 | 9,272 | 10,775 | 27,071 | 30,649 | 21,284 |
| Total foreign oils | 105,536 | 140,576 | 52,917 | 47,345 | 44,210 | 261,651 | 329,410 | 193,074 |
| Fats or oils of domestic origin: | | | | | | | | |
| Cottonseed oil | 1,161,848 | 928,489 | 834,307 | 852,843 | 1,058,733 | 985,798 | 918,866 | 1,209,590 |
| Peanut oil | 3,580 | 5,960 | 3,502 | 3,330 | 8,837 | 99,909 | 88,470 | 58,141 |
| Corn oil | 25,459 | 6,616 | 3,007 | 1,128 | 1,895 | 2,815 | 430 | 1,611 |
| Soybean oil | 82 | 10,869 | 4,889 | 489 | 2,735 | 52,452 | 113,897 | 99,798 |
| Linseed oil | | | | | | 57 | | 1,522 |
| Lard | 23,123 | 8,860 | 5,636 | 3,171 | 2,635 | 2,253 | 4,503 | 915 |
| Edible animal stearin | 44,138 | 27,220 | 17,357 | 17,105 | 21,517 | 27,026 | 36,358 | 24,664 |
| Oleo oil | 7,553 | 10,904 | 1,134 | 204 | 764 | 126 | 1,830 | 242 |
| Tallow, edible | 25,556 | 69,548 | 45,708 | 46,437 | 73,416 | 120,384 | 116,908 | 66,278 |
| Total, domestic oils | 1,291,345 | 1,067,566 | 915,660 | 924,797 | 1,170,532 | 1,281,810 | 1,281,271 | 1,458,767 |
| Grand total, all oils and fats | 1,396,881 | 1,208,142 | 968,577 | 972,142 | 1,214,742 | 1,543,461 | 1,610,690 | 1,651,841 |

Source: U. S. Department of Commerce, Bureau of the Census.

*Ingredients used in the production of oleomargarine*

[In thousands of pounds]

| | 1936 | 1937 | 1938 | Percent of oils and fats 1938 |
|---|---|---|---|---|
| Domestic ingredients: | | | | |
| Cottonseed oil | 108,100 | 171,665 | 144,808 | 46 |
| Corn oil | 1,238 | 1,744 | 618 | (1) |
| Neutral lard | 2,108 | 1,747 | 1,464 | (1) |
| Oleo oil | 18,331 | 12,239 | 13,449 | 4 |
| Oleo stearin | 3,550 | 3,345 | 3,308 | 1 |
| Oleo stock | 1,931 | 1,304 | 1,548 | (1) |
| Peanut oil | 4,140 | 2,708 | 3,075 | 1 |
| Soybean oil | 14,202 | 31,589 | 40,097 | 13 |
| Total oils and fats, domestic | 153,756 | 226,423 | 208,995 | 66 |
| Foreign oils and fats: | | | | |
| Coconut oil | 150,465 | 73,437 | 89,800 | 28 |
| Palm oil | 1,402 | 1,063 | ........ | ........ |
| Palm-kernel oil | 2,400 | 7,946 | 4,746 | 2 |
| Babassu oil | 16,111 | 14,606 | 11,545 | 4 |
| Sesame oil | 57 | 1 | ........ | ........ |
| Sunflower oil | 5 | ........ | ........ | ........ |
| Rapeseed oil | 9 | ........ | ........ | ........ |
| Other oils | 406 | ........ | 70 | (1) |
| Total, foreign oils and fats | 170,858 | 97,053 | 106,251 | 34 |
| Grand total, oils and fats | 324,614 | 323,476 | 315,246 | 100 |
| Grand total, all ingredients | 422,421 | 414,681 | 407,369 | ........ |

[1] Negative.

Source: Bureau of Internal Revenue, March 1939.

It is rather interesting to note that in the year 1937, the latest for which we have any official data, that foreign oils and fats went into competition with cottonseed oil in the shortening trade, Senator George, to the extent of 193,074,000 pounds, and that does not include any estimate as to what percentage of the 1,200,000,000 pounds of cottonseed oil was imported.

You see, a considerable amount of cottonseed oil is imported these days. In fact, more cottonseed oil on the average is imported than is used in oleomargarine. Of the other oils and fats of domestic origin, 1,448,000,000 pounds went into the lard kettle.

Because the soap industry and the other inedible industries are so important in the utilizing of these oils and fats, our own organization does not feel that they should be prevented from having an adequate supply at fairly reasonable prices; in other words, as a principle, we do not believe in excessive or prohibitive tariffs on products that are essential to fill national deficiencies. On the other hand, we do believe that they should pay their share of the price of maintaining domestic oil and fat prices. For that reason we could not at this time and, as far as I know, ever accede to the numerous requests they have made before this committee and other bodies to have denatured oils admitted for inedible purposes made free of duty. It would remove a tremendous buyer from the oils and fats market, and would leave the producers first at the mercy of the inedible group who would allow the edible group to buy at their own prices, and later on leave us at the mercy of whoever can come along and pick up the product that would be left. Of course, we have to bear in mind that many of these same industries make all of this stuff and also are importers. For example, the witness who testified yesterday is probably not only the largest importer of oils and fats in America, but his company is, if not the most important, at least one of the largest makers of soap, and also lard substitutes.

However, one of the remarkable things about the soap industry, one of the mysterious things, is that from 1926 through and including 1928 the price of laundry soap has not varied as much as a cent a pound. For each of the years 1934, 1935, 1936, 1937, and 1938 the official price quotation was 4.067 cents per 11-ounce cake. During those years the prices of the materials, both the hard fats and the soft fats, have varied considerably with the producers. At the same time laundry-soap prices have not varied materially from 1929 to 1938.

This large soap company—Procter & Gamble—has made substantial profits ranging from $19,000,000 in 1929 down to a low of nine-million-and-odd dollars in 1932, up to a possible high of $26,803,000 in 1937, and back to $17,439,000 in 1938. I would like to offer that, together with the estimates of their profits per share, with the comment that several times the common stock of that particular company has been split.

The CHAIRMAN. That may be placed in the record.

(The tables referred to follow:)

*Procter & Gamble net income*

| | Amount | Profit per share | | Amount | Profit per share |
|---|---|---|---|---|---|
| Year ending: | | | Year ending: | | |
| 1929 | $19,145,084 | $14.83 | 1934 | $14,360,816 | $2.11 |
| 1930 | 22,447,350 | 3.38 | 1935 | 15,120,324 | 2.22 |
| 1931 | 22,647,548 | 3.37 | 1936 | 16,138,363 | 2.39 |
| 1932 | 9,120,295 | 1.26 | 1937 | 26,803,340 | 4.08 |
| 1933 | 10,808,415 | 1.52 | 1938 | 17,439,104 | 2.59 |

*Consumption of butter and oleomargarine*

[In thousands of pounds]

| | Creamery butter | Oleomargarine | | Creamery butter | Oleomargarine |
|---|---|---|---|---|---|
| Year: | | | Year: | | |
| 1933 | 1,673,313 | 242,231 | 1936 | 1,617,838 | 390,808 |
| 1934 | 1,717,835 | 262,900 | 1937 | 1,639,980 | 391,500 |
| 1935 | 1,662,475 | 378,077 | 1938 | 1,703,081 | 378,457 |

Source: U. S. Bureau of Agricultural Economics, March 1939.

*Wholesale price of soap, 1926–38*

| Year: | Price per cake[1] (cents) | Year—Continued. | Price per cake[1] (cents) |
|---|---|---|---|
| 1926 | 4.851 | 1933 | 4.449 |
| 1927 | 4.851 | 1934 | 4.067 |
| 1928 | 4.851 | 1935 | 4.067 |
| 1929 | 4.851 | 1936 | 4.067 |
| 1930 | 4.851 | 1937 | 4.067 |
| 1931 | 4.851 | 1938 | 4.067 |
| 1932 | 4.528 | | |

[1] Yellow laundry soap at factory, Philadelphia, per 11-ounce cake.

Source: Division of Wholesale Prices, United States Bureau of Labor Statistics.

Mr. HOLMAN. I will offer also the table showing the factory consumption of animal and vegetable fats and oils in compounds and vegetable shortenings.

The CHAIRMAN. Without objection that may go in with the other tables.

*Factory consumption of animal and vegetable fats and oils in soap*

[All data in thousands of pounds]

| Fat or oil | 1929 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|---|---|---|---|---|---|---|---|---|
| Fats or oils of foreign origin: | | | | | | | | |
| Coconut oil | 393,914 | 340,503 | 353,527 | 322,264 | 341,124 | 229,711 | 307,376 | 252,241 |
| Palm-kernel oil | 44,532 | 28,035 | 3,565 | 6,278 | 16,516 | 37,213 | 26,443 | 111,514 |
| Palm oil | 178,851 | 172,228 | 168,009 | 187,962 | 154,704 | 87,311 | 78,453 | 141,358 |
| Olive oil, edible | 23 | 14 | 52 | 61 | 51 | 33 | 53 | 21 |
| Olive oil, inedible | 2,375 | 2,106 | 1,912 | 2,001 | 1,953 | 1,690 | 1,634 | 890 |
| Sulphur oil or olive foots | 38,448 | 38,970 | 30,877 | 31,878 | 30,411 | 31,507 | 23,955 | 17,984 |
| Babassu oil | ------ | ------ | ------ | ------ | ------ | ------ | 8,993 | 14,306 |
| Rapeseed oil | 132 | ------ | 89 | 39 | 994 | 8,001 | 7,771 | 981 |
| Chinawood oil | ------ | ------ | ------ | 5 | ------ | ------ | 2 | ------ |
| Perilla oil | ------ | ------ | ------ | ------ | ------ | 16 | 8 | 2 |
| Castor oil | 3,730 | 2,829 | 2,406 | 2,090 | 1,786 | 1,056 | 1,623 | 2,123 |
| Sesame oil | 4,835 | 8,197 | 1,871 | 758 | 468 | 749 | 1,869 | 2,944 |
| Sunflower-seed oil | ------ | ------ | ------ | 7,889 | 7,142 | 103 | ------ | ------ |
| Vegetable tallow | 8,404 | 3,256 | 511 | ------ | ------ | ------ | ------ | ------ |
| Other vegetable oils | 1,714 | 233 | 6,059 | 176 | 1,871 | 4,762 | 4,268 | 10,812 |
| Marine animal oils | ------ | 68,669 | 48,944 | 44,895 | 33,996 | 28,440 | 32,603 | 65,103 |
| Fish oils | 130,634 | 58,426 | 49,091 | 52,168 | 64,548 | 109,970 | 128,044 | 123,879 |
| Total foreign oils | 807,592 | 723,466 | 666,915 | 658,464 | 655,562 | 540,622 | 623,105 | 744,157 |
| Fats or oils of domestic origin: | | | | | | | | |
| Cottonseed oil | 167,033 | 1,970 | 3,583 | 6,967 | 2,702 | 1,857 | 1,278 | 8,414 |
| Peanut oil | 1,667 | 244 | 290 | 529 | 147 | 754 | 1,734 | 830 |
| Corn oil | 25,602 | 4,104 | 2,532 | 3,638 | 6,258 | 2,828 | 2,527 | 2,392 |
| Soybean oil | 6,396 | 3,816 | 5,571 | 4,235 | 1,354 | 2,549 | 5,023 | 10,274 |
| Linseed oil | 1,916 | 1,488 | 985 | 980 | 1,022 | 1,996 | 1,482 | 1,359 |
| Lard | ------ | ------ | ------ | ------ | 24 | 1 | 9 | ------ |
| Edible animal stearin | 503 | 53 | 374 | 362 | 452 | 338 | 320 | 321 |
| Oleo oil | 339 | 446 | 260 | 112 | 85 | 93 | 57 | 74 |
| Tallow, edible | 1,782 | 1,494 | 1,969 | 2,389 | 1,038 | 1,431 | 228 | 143 |
| Tallow, inedible | 451,835 | 523,714 | 549,186 | 505,824 | 662,858 | 663,002 | 660,020 | 613,509 |
| Grease | 154,288 | 129,403 | 143,724 | 124,743 | 142,782 | 98,086 | 98,714 | 94,247 |
| Neats foot oil | ------ | 38 | 27 | 20 | 61 | 33 | 41 | 16 |
| Total domestic oils | 811,361 | 666,765 | 708,501 | 652,799 | 818,853 | 772,168 | 771,433 | 731,569 |
| Grand total, all fats and oils | 1,618,953 | 1,390,231 | 1,375,416 | 1,311,263 | 1,474,415 | 1,312,790 | 1,394,538 | 1,475,756 |

Source: U. S. Department of Commerce, Bureau of the Census.

Mr. HOLMAN. Now, Mr. Chairman, coming to the trade-agreement problem, the question is, What has the trade-agreement program done? First, it has reduced tariff duties; second, it has bound internal taxes; third, it has bound articles on the free list; fourth, it has restricted the freedom of congressional action with regard to sanitary standards.

These all directly affect the dairy farmers. In the 20 trade agreements which have been signed, 2 of which are still awaiting parliamentary action, as I understand, one by the British and the second by the Canadians, more than half of the trade of the United States has in some way or somehow been affected either by lower duties, by concessions given to us, or by the freezing of terms and conditions affecting the Tariff Act of 1930, and by the freezing of, to some extent, future legislation on sanitation.

The agreements are so drawn that they cannot be modified by the simple process of proposing a modification to a foreign country, unless that foreign country is willing to accept the modification. Even in such case, the present practice has been to issue a supplemental trade agreement instead of to amend the old one.

For example, when the United States and Canada were considering additional negotiations over trade, instead of opening the first treaty—and I think they are treaties in fact instead of trade agreements, and parenthetically I may say that I have recently been going through many of the treaties and trade agreements and conventions, as they are called, from the time of Washington down to at least 1909, and frankly I cannot see much difference between a convention, a trade agreement, and a treaty, except that under certain conditions it is more convenient for the President to send it up to the Congress for ratification, or to the Senate, than under other conditions——

Senator KING. Are you finding fault with the action of Congress in passing the bill which permits trade agreements? I just came in.

Mr. HOLMAN. Frankly, Senator, yes. I am approaching that. I had not intended at this particular time to go into that in detail, but I am describing at the present time the handicaps to any proposed change in the trade agreements. Consequently, to obtain relief, the only procedure as we see it would be a procedure of termination or denunciation. But, as has been pointed out, at least two of these agreements have now matured to the point where action of this character is possible.

In that connection, I would like to file a list of the entire trade agreements which we have signed, showing the dates when they were signed, the dates proclaimed, the dates published, the dates effective, and showing also the periods covered before they can be subject to any denunciation.

The CHAIRMAN. Without objection, that will be placed in the record.

(The list referred to follows:)

ANALYSIS OF TRADE AGREEMENTS

1. United States and Belgo-Luxemburg Economic Union:
   - Signed: February 27, 1935.
   - Proclaimed: April 1, 1935.
   - Published: April 1, 1935.
   - Effective: May 1, 1935 (being the thirteenth day following simultaneous proclamation and publication).
   - Period covered: May 1, 1935, henceforth until 6 months from day on which either Government gives notice to terminate.
2. United States and Brazil:
   - Signed: February 2, 1935 (supplementary agreement signed April 17, 1935).
   - Approved: March 5, 1935, and April 25, 1935.
   - Ratified: November 30, 1935.
   - Proclaimed: December 2, 1935.
   - Effective: January 1, 1936.
   - Period covered: January 1, 1936, to January 1, 1938 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
3. United States and Canada (old):
   - Signed: November 15, 1935.
   - Ratified: April 20, 1936.
   - Proclaimed: May 14, 1936.
   - Effective: May 14, 1936.
   - Period covered: May 14, 1936, to December 31, 1938 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months previous notice).
4. United States and Canada (new):
   - Signed: November 17, 1938.
   - Proclaimed:
   - Ratified: (Before Parliament now.)
   - Effective: January 1, 1939.
   - Period covered: January 1, 1939, to January 1, 1942 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months previous notice).
   - (N. B.—New agreement provisionally applied since January 1, 1939.)
5. United States and Colombia:
   - Signed: September 13, 1935.
   - Approved: October 25, 1935.
   - Ratified: April 20, 1936.
   - Proclaimed: April 20, 1936.
   - Effective: May 20, 1936.
   - Period covered: May 20, 1936, to May 20, 1938 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
6. United States and Czechoslovakia:
   - Signed: May 6, 1936.
   - Effective: April 16, 1938.
   - Period covered: April 16, 1938, to April 15, 1939 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
7. United States and Costa Rica:
   - Signed: November 28, 1936.
   - Proclaimed:
     - July 2, 1937.
     - July 8, 1937.
   - Effective: August 2, 1937.
   - Period covered: August 2, 1937, to August 2, 1940 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).

8. United States and Cuba:
   - Signed: August 24, 1934.
   - Proclaimed:
     - August 24, 1934.
     - August 30, 1934.
   - Effective: September 3, 1934.
   - Period covered: September 3, 1934, to September 3, 1937 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
9. United States and Ecuador:
   - Signed: August 6, 1938.
   - Proclaimed:
     - August 6, 1938.
     - September 23, 1938.
   - Effective: August 23, 1938.
   - Period covered: October 23, 1938, henceforth until 6 months from day on which either Government gives notice to terminate.
10. United States and El Salvador:
    - Signed: February 19, 1937.
    - Proclaimed:
      - April 30, 1937.
      - May 1, 1937.
    - Effective: May 31, 1937.
    - Period covered: May 31, 1937, to May 31, 1940 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
11. United States and Finland:
    - Singed: May 18, 1936.
    - Approved: October 2, 1936.
    - Proclaimed: October 3, 1936.
    - Effective: November 2, 1936.
    - Period covered: November 2, 1936, to November 2, 1939 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
12. United States and France:
    - Signed: May 6, 1936.
    - Effective: June 15, 1936.
    - Period covered: June 15, 1936, to July 1, 1937 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
13. United States and Guatemala:
    - Signed: April 24, 1936.
    - Proclaimed:
      - May 9, 1936.
      - May 16, 1936.
    - Effective: June 15, 1936.
    - Period covered: June 15, 1936, to June 15, 1939 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
14. United States and Haiti:
    - Signed: March 28, 1935.
    - Proclaimed:
      - April 25, 1935.
      - May 4, 1935.
    - Effective: June 3, 1935.
    - Period covered: June 3, 1935, to June 3, 1938 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).

15. United States and Honduras:
Signed: December 18, 1935.
Proclaimed:
February 1, 1936.
Effective: March 2, 1936.
Period covered: March 2, 1936, to March 2, 1937 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).

16. United States and Netherlands:
Signed: December 20, 1935.
Proclaimed: December 28, 1935.
Ratified: March 8, 1937.
Proclaimed: April 10, 1937.
Effective: May 8, 1937; provisionally, February 1, 1936.
Period covered: May 8, 1937, to January 1, 1939 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).

17. United States and Nicaragua:
Signed: March 11, 1936.
Proclaimed:
August 31, 1936.
September 1, 1936.
Effective: October 1, 1936.
Period covered: October 1, 1936, to October 1, 1939 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).
(N. B.—Executive agreement of March 11, 1936, terminated certain provisions of the Nicaragua agreement; reciprocal tariff concessions ceased March 10, 1938, otherwise in force.)

18. United States and Sweden:
Signed: May 25, 1935.
Approved: June 12, 1935.
Ratified: June 15, 1935.
Proclaimed: July 8, 1935.
Effective: August 5, 1935.
Period covered: August 5, 1935, to August 5, 1938 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).

19. United States and Switzerland:
Signed: January 9, 1936.
Approved: January 9, 1936.
Proclaimed: January 9, 1936.
Ratified: April 28, 1936.
Effective: June 6, 1936; provisionally, February 15, 1936.
Period covered: June 6, 1936, to February 14, 1939 (unless denounced by either Government 6 months prior to expiration date; to continue until denounced by either Government with 6 months' previous notice).

20. United States and United Kingdom:
Signed: November 17, 1938.
Period covered: Provisionally applied after January 1, 1939.

Mr. HOLMAN. As to the problem of denunciation, that is not as "uncustomary"—if I may use that word—as might have been intimated by witnesses of the Government who testified at the beginning of this hearing. In fact, the very first two treaties that the United States signed, with France—one being practically a trade agreement and the other being a secret treaty of defense against Great Britain, signed by us in 1778, were "denounced," if you want to use that word, by the Congress, in 1798. I find also as an illustration of our particular problem, that when the Tariff Act of 1909 was passed, quite a number of the reciprocity treaties of that period were terminated by the Congress.

The CHAIRMAN. Did you favor the law in 1934 that gave authority to the President to negotiate these trade agreements?

Mr. HOLMAN. At the time that law was passed, our organization had no official policy with respect to the Trade Agreement Act of 1934. But our studies and experiences under its operation have caused us to desire its complete repeal. If that should be impossible, we certainly would like to see ratification by at least the Senate. We would like to see the law so opened that we may be able to go into court and test its constitutionality. We would like to see the procedure of the State Department completely and totally reformed by order of Congress, because as matters now stand, it is purely a window-dressing affair—the so-called hearings by the public. I speak now from personal experience, having participated in some of the hearings conducted by the Committee on Reciprocity Information.

We would like to see some congressional mandate which would make it possible to require all imported products at least to comply with the terms and conditions of the Wage-and-Hour Act if that is to be a part of the permanent policy of our Government; in other words, that no substandard labor products be admitted to this country, and also that the conditions and terms of American valuation be made applicable to the admission of such products.

Senator KING. Mr. Holman, may I interrupt you for a moment?

Mr. HOLMAN. Yes, sir.

Senator KING. As I understand, a bill has been reported to the Senate, and pursuant to the request of a number of Senators who offered amendments to that bill, which has been reported, the committee is meeting to hear testimony for or against those amendments. Do you think it is the province now of this committee to take up the question of modifying or repealing treaties—whether you call them treaties or trade agreements? It occurs to me that the thing before us is whether these bills which are before us, these amendments to the present act, shall be favorably reported as amendments to the bill which we have to report back to Congress.

Mr. HOLMAN. That is the reason, Senator, why I was discussing the question of denunciation rather than the question of amending the agreement act; but I only expressed my views, or the views of our organization, in answer to a question by a Senator.

Senator KING. No doubt it has a right to consider those amendments which are before us, but speaking for myself, I do not think that the obligation rests upon us now, or the duty to take up the question of the repeal of the Trade Agreements Act or the denouncing of that act or denouncing treaties. That would be proper, perhaps, if some measure calling for an examination of this question was before us.

Senator LA FOLLETTE. The representatives of the State Department appeared here in opposition to these amendments, and stated as one of their reasons for being opposed to them that these amendments violated those agreements, and I think any testimony that these witnesses want to give of this sort they are entitled to give. No other witnesses have been restricted at the hearing here. They have been permitted to wander around just as they pleased, including the State Department witnesses.

Senator KING. I am not trying to interfere with this gentleman testifying to anything that he pleases, but I was wondering whether or not we have the right now—whether it is quite proper for us to consider the question of repealing treaties or denouncing treaties or trade agreements.

Mr. HOLMAN. Senator, I do not think that the question is before the committee of modifying or repealing the Trade Agreements Act; but I do think the question squarely before this committee is whether the time is now ripe, and if so, what method of legislation must be adopted to bring about the modification or abrogation or termination—whatever words we want to use—of such trade agreements as may stand in the way of the possible enactment of these proposed internal taxes. I was attempting to address myself to that problem.

The CHAIRMAN. I think that probably I caused this discussion. I asked you whether you favored the Trade Agreement Act and you said that your organization had not taken any position.

Mr. HOLMAN. Not at that time.

The CHAIRMAN. But now that you were for abrogating it, repealing it, or what not?

Mr. HOLMAN. Yes, sir.

The CHAIRMAN. You are against it?

Mr. HOLMAN. That is correct.

The CHAIRMAN. You have taken that position. Very well. Now you may continue.

Mr. HOLMAN. In closing my testimony, I would just like to refer to the fact that dairying is one of those industries which our people feel has had to pay an undue price to obtain these present 20 trade agreements. We have tried to remain on a domestic basis. Our tariffs are essential to any remunerative returns in the way of income. The highest price that any farmer in America can get for his butter is the London price plus whatever may be the tariff here with the duties on the other dairy products equalized. We are in the process, under the policy of the State Department, of seeing our very good, our adequate, and our very serviceable tariff structure of 1930 whittled to pieces; and were it not for the fact of a combination of the weather, the cow cycle, and the Government's diversion of some 30 million acres of land from cotton, corn, wheat, tobacco, and rice into products that go into the raising of dairy feeds and livestock feeds, that combination resulting in the most tremendous production of milk last year and extending right up to the present, in the history of America, which has made our prices both soft and falling and which has required additional governmental intervention to help us maintain even a price of 25½ cents for butter at Chicago, if it were not for that condition—if we were in a normal condition—you would see plenty of cheese coming into this country, you would see the price of cheese at Plymouth go very much under its normal ratio to the price of butter, you would see a general softening of the market as a result of the increased imports.

We do not expect to begin to feel very much the economic effect of this policy until there is a general restoration of the balance between the production and consumption in this country, perhaps a restoration of the economic buying power. But as soon as that comes, dairying will find itself by this progressive tariff-cutting program of the State Department, condemned to a small gross income.

What I am trying to get at is this: The most that we can ever hope to get is the London price plus a tariff. For example, if you cut down our tariffs, no matter how big the buying power is of the cities, the milk products from 10 cows will only bring whatever is the London price plus the tariff, times the volume of milk products produced by 10 cows.

We look with considerable fear and perturbation upon the continuation of the program; and when the appropriate time comes, we hope to ask this committee to give us needed reforms of a policy which we do not believe is really in the best interests of the country.

I thank the committee.

Senator GUFFEY. What percentage of the milk produced in this country goes into butterfats and into butter?

Mr. HOLMAN. About 75 billion pounds of whole milk goes into commercial utilization; about 42 percent is in fluid milk that is consumed in bottles; evaporated milk, 4 percent; butter about 41 percent; about 5 percent is cheese. There was 1,700,000,000 pounds of creamery butter produced last year.

Senator GUFFEY. What have the trade agreements to do with the low price of milk? How does that affect the price of milk to the farmer?

Mr. HOLMAN. The trade agreements have begun to cut the duties on dairy products.

Senator GUFFEY. How did it affect the price of milk to the farmer when only 41 percent of it is put into butter and cheese? It is the farmer that is getting the worst of that, don't you think?

Mr. HOLMAN. Yes, sir; I have just stated to the committee——

Senator GUFFEY (interposing). It is due to the fact that the National Dairy Products Co. and the other large distributors of milk are taking advantage of their surplus milk?

Mr. HOLMAN. In part, yes. For example, this company and other large operators in this country are the biggest handlers of dairy products in Canada. They take advantage of this tariff cut as between the Canadain cheese and the Wisconsin cheese. They simply ship that heavy cheese over here and help break our products.

Senator GUFFEY. The National Dairy Products Corporation, are they members of your organization?

Mr. HOLMAN. No, sir; we are farmers; I am talking for the farmers. I have been their hired man for 20 years.

Senator GUFFEY. How are you going to increase the price of milk to the farmers? How does the present trade agreement affect the price which the farmer gets for his milk?

Mr. HOLMAN. I have tried to explain that.

Senator GUFFEY. Then I will read your testimony. Butter, as I understood you, is only 41 percent of your product?

Mr. HOLMAN. The figure is——

Senator GUFFEY (interposing). I will read your testimony.

Mr. HOLMAN. Butter is the key to the prices of practically all dairy products. All economists and students are agreed on that.

Senator BROWN. You represent a large organization and you have been here a long time. As a matter of fact, it is of a great deal of present interest to me, because both your president and treasurer are Michigan men.

Mr. HOLMAN. Yes, sir.

Senator BROWN. I am just wondering about what you think of the policy of putting this amendment on this public salary tax bill. Here is myself, and undoubtedly some other members of this committee who are interested in getting this public-salary tax bill through. The situation is such, because of the decision of the Supreme Court in what is known as the *Gerhardt case*, that we must clear up a rather intricate tax situation by March 15. If we do not do it by March 15, we are going to force a lot of people to file tax returns who ought not to be compelled to file tax returns. They are not going to know whether they should or should not file those returns. The only safe thing they can do is to file them. In the event this bill does not pass, they may be liable to penalties and possible criminal prosecution, although I think the Government would be very careful about that. Those of us who want to go along with Senator Bailey and Senator Connally in their amendments—because I am interested in doing something for the dairy farmers of the States and of the country—but it is going to be very difficult for me to vote for amendments attached to a bill which the House of Representatives might have no possible chance to consider before March 15, to attach amendments to a bill that the President of the United States very likely is not going to sign—we were advised that at least the Assistant Secretary of State would advise the President not to sign it if it was put up to him. I think I have put that in about the way that Mr. Sayre put it. And you put us in a position where those of us who feel the injustice that might occur to these Government employees and the State employees throughout the country, must vote against these amendments under these circumstances.

I do not think it is good policy for the farm organizations and those interested in this proposition to put that question up to the Finance Committee or the Senate, on this bill. Very frankly, unless I am convinced before these hearings are completed, I am going to vote against it, not because I have made a judgment as to the merits or demerits of the proposition, but because I feel the obligation to these State and Federal employees, the obligation to clear up this situation before March 15. I realize you are not responsible for bringing these amendments here, but I think it is unfortunate that they are attached to a public-salary bill, and I think that you are going to lose support both in the committee and in the Senate upon this issue for that reason.

Mr. HOLMAN. Senator Brown, I am only appearing here for a principle. In this particular instance, our people know nothing of these amendments until we found that they had been introduced. On other the hand, we have had considerable experience with trying to bring this issue up, and the way through the committees for problems of that kind, as you know, is not easy.

Senator BROWN. I appreciate that.

Mr. HOLMAN. This is an opportunity. The gentlemen of the Senate who have introduced these amendments are three very able strategists. And as far as our people are concerned, we follow their advice and judgment.

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Senator BAILEY. That puts it up to me, for one. I am perfectly willing to answer. In the first place, I did not think anything of that House bill to begin with. I voted against it in the committee. I do think something of this legislation. I hope to get some good out of a bad situation. That is the first reason.

The second reason is this: I did not know that there would be another tax bill coming over this session, prior to the end of the session. I was afraid to wait for the excise tax bill to come over because in all probability, it will come over in the last week of the Congress, and we would have no chance for a hearing. Here was a chance to bring this matter forward. That is the second reason.

The third reason is this—this matter is a matter of very great importance to the dairymen, to the cotton farmers, and to the fishermen of this country. The time is going against them, and the surpluses of oils and fats are piling up in the country and on their hands, and the prices are going down. That alone was sufficient to justify me in seizing upon any tax bill that came over here, whether I liked it or not. If we could get these amendments attached to this bill, I would have some justification for voting for this act, which my good friend over here is advocating.

Senator BROWN. You do not need to vote for it.

Senator BAILEY. I do not intend to vote for it unless I can get something better in it than what is there now. I am thoroughly convinced that that is unconstitutional, and I may say that the joint committee of Congress has written a brief tending to show it is unconstitutional.

Senator BROWN. Not the joint committee. I think you ought to be accurate about that. The council of the joint committee, which is a very different thing.

Senator BAILEY. I have read that brief with the utmost interest. I have given my reasons. It was not a matter of strategy, I will say; it was a matter of necessity. It was the only opportunity we had to call the attention of the Congress and the country to a very serious situation. Regardless of the fate of it, I do not have any regrets as to the course I have pursued.

Senator BROWN. I would like a clear-cut opportunity to vote on it, upon your amendment, because I have been convinced by some of the things that have been said here that there is merit in the proposition, but I do not see how I can under the present circumstances. Surely I have had in mind the fact that we are going to have to renew some of these nuisance taxes, and I should think that it would be done very soon after March 15. You know, I am interested in an extension of the copper excise tax and a good many other Senators are in other taxes, and it seemed to me that that was the logical place to put this measure, and at that time I surely will have an open mind upon the subject.

Senator BAILEY. I recall that the last excise tax we passed was presented to us about 10 days before adjournment, and at that time there was a sudden proposition to tax inheritances as income. I called for hearings. Some of the Senators, we well remember, did manage by main strength and natural rights of men, to get an allowance for 2 days' hearings, and that served to defeat a very bad proposition. I did not want any 2-day hearings on this matter, I wanted full time for these gentlemen to come, and I am very glad there has been an opportunity to hear them, and as I have said, I do not have any regret as to the course I have pursued.

Senator CONNALLY. I want to absolve these gentlemen for supporting this tax from any responsibility for offering the amendments. We cannot originate bills in the Senate on taxes, we have to hang our amendments on any sort of a tax bill that comes over here. The rules of the Senate provide that we can do it, and there is no violation of any rule or any usage or any custom or any precedent in doing this thing; so I have no apologies to make for putting it on this bill or any other bill that comes over here. If the Senate does not want to adopt it, all right.

Whenever we have any sort of a bill, there is always somebody that says, "I am for it, but this is not the time to do it, let us put it on something else; let us wait until next week or next month." We have no assurance that the nuisance-tax bill will come over here, and if it does, the chairman or somebody will be saying, "We have got to get this through tomorrow, the White House is calling up, wait until next year, we are going to have a general tax bill next year and we will put it on that"—any of those things. I am not intending this personally to our chairman. That is the duty of the chairman, to get all of their bills through, and they just like to ride them through if they can.

The CHAIRMAN. The chairman thinks that all of the speeches that have been made in this controversy are splendid; especially that where they said that there were some able strategists. [Laughter.]

Is that all, Mr. Holman?

Senator CONNALLY. Mr. Chairman, may I inject something right here? It won't take me but a minute. Here is something clipped out of the paper in my State, Houston, Tex., on the 7th of March, headed "Cottonseed Oil," and reading:

> Cottonseed oil tumbled 14 to 24 points net lower today under heavy liquidation and stop-loss selling. Clue to the selling drive was found by brokers in Secretary of State Hull's declaration that increased excise taxes on imported fish and vegetable oils would conflict with the administration's reciprocal trade agreement program. Sales totaled 220 lots—

And so forth. That just shows you how delicate this market is—just a statement of the Secretary that it would be in conflict with the program had the effect of depressing the price from 14 to 24 points.

The CHAIRMAN. And the day before, when you introduced the resolution, it went up.

Senator CONNALLY. That is true. It went up because they knew if it was adopted it would go still higher and raise the price.

The CHAIRMAN. Next of the witnesses is Mr. McIlroy, of the American Soybean Association.

## STATEMENT OF GLEN G. McILROY, PRESIDENT OF THE AMERICAN SOYBEAN ASSOCIATION

Mr. McILROY. Mr. Chairman and members of the committee, I am Glen G. McIlroy, president of the American Soybean Association, consisting of soybean growers from all sections of the United States—North, East, South, and West. Permit me to add that I am a lifelong Ohio farmer and, as head of a commercial farming operation, involving 100 owners and 50,000 acres of Ohio land, I represent a large soybean-growing interest.

I have been growing soybeans since 1900. I have observed the production of soybean oil grow from nothing to 322,000,000 pounds per year.

During this time, however, I saw the development of the industry definitely halted, due to the importation of Manchurian beans and oil and then was pleased to note results as a 2-cent duty was placed on imported beans. If we had not had this help we would still be in our swaddling clothes.

But it came, and from that time, until now, the acreage devoted to this crop has grown by leaps and bounds, until last year when nearly 8,000,000 acres were grown throughout our country.

The 1938 production, in comparison with the 1937 figures, is significant. In my own State, Ohio, we had a gain of 65,000 acres. In Mississippi there was a gain of 104,000 acres; North Carolina showed an increase of 75,000 acres, and the total increase for all States amounted to 687,000 acres. Past years have shown similar gains.

The CHAIRMAN. What State produces the most soybeans?

Mr. McILROY. Illinois produces the most soybeans.

Senator KING. I hope I did not misunderstand you. There was an increase in production or in acreage in 1938 as compared with 1937?

Mr. McILROY. 687,000 acres.

Senator KING. So there has been a progressive increase from the day when it was in its swaddling clothes?

Mr. McILROY. Yes, sir.

The soybean grower represents our most progressive type of farmer. If this were not true, we would not have found him experimenting with and developing a new crop.

Long ago he realized the danger of surpluses in corn and wheat production, and in cotton production, and he began the production of soybeans on his own farm. The soybean crop gave him a new cash crop and at the same time gave to the Nation a source of an essential important oil.

If the soybean grower is to continue as a producer of oil, he must have, along with other producers of similar materials, our Nation's fats and oils market, and he must not be subjected to competition with a continued flow of imported fats and oils which has already broken the price of soybean oil to 4½ cents per pound. The continuation of imports on the present large basis will bring the soybean grower face to face with a desperate situation.

Should the soybean grower receive the protection that we are asking, industries needing oils and fats can look for definite increases in production in all sections, and specially in the Southern States. With the newer varieties being developed we expect the soybean to become a cash crop in the South, second to none.

With the reduction of cotton acreage, and this subsequent soybean producton, cottonseed mills, with minor changes, may be turned to the work of processing this new crop. Not only will this prevent bankruptcy, faced today on account of part-time operation, but the additional help employed will tend to assist in another national dilemma—unemployment.

If our soy-oil industry is allowed sufficient protection to warrant an additional 3,000,000 acres of beans, automatically, 3,000,000 acres are taken from our corn, cotton, and wheat acreages, thus reducing the tendency toward continued surpluses. Three million acres should produce 470,000,000 pounds of soy oil, which is equivalent to but 70 percent of our 1938 importations of coconut oil and copra, and would, at today's low prices, add directly $24,000,000 to our farmer's income. Is not that to be preferred to "idle acres?" No Nation ever gained wealth on account of what it did not produce.

If there ever was an industry, all set to go ahead, and give national wealth, it is the soybean industry. No other crop has ever shown such possibilities, for the grower and for industry.

It is the firm conviction of the members of our association that we are reasonable and fair, and rendering our Nation a service, in doing everything possible to secure the passage of legislation such as is before you, Senators, at this time.

We have had our taste of better prices brought on immediately and definitely by the passage of the oils and fats tax law of 1934 and the Bailey amendment in 1936. These acts gave us a new impetus and it is on account of them that we have developed so rapidly and are in a position today where we can go ahead replacing cotton, wheat, and corn acres with a crop actually required by our Nation. Give us this market and the soybean grower will do the rest.

In concluding, Mr. Chairman, allow me to say this: In my years of experience with farmers, never have I observed such an enthusiastic and general support as they give this movement for legislation of the nature of the Connally and Bailey amendments.

Regardless of their political affiliations, farmers of all sections—North, East, West, and South—are basically of the opinion that they should have first chance at our domestic markets—always have been of the same opinion, and always will be. Try as we may, neither you nor I can ever change that attitude.

With these thoughts in mind you will have no doubt as to why I have appeared before you today, representing this farm group.

Senator KING. May I ask you a question?

Mr. McILROY. Yes, sir.

Senator KING. Notwithstanding the present imports of oils and fats and what-not, the soybean industry has made a remarkable progress, has it not?

Mr. McILROY. Yes, sir.

Senator KING. As I understood your testimony, you have increased your acreage tremendously during the past few years?

Mr. McILROY. Increased very rapidly.

Senator KING. What other uses are the beans put to other than the processing of oil? Of course, you are using it for fertilizer. Are not the beans used in manufacturing plastics also? Mr. Ford is using it, as I understand, in the manufacture of some parts of his automobile, and more and more this commodity or product is being utilized for industrial purposes, is it not?

Mr. McILROY. That is right. It shows great promise.

Senator RADCLIFFE. It is also being used as feed quite considerably, is it not?

Mr. McILROY. Oh, yes. One of the first byproducts is soybean meal.

Senator RADCLIFFE. They use it for green fertilizer to plow under, do they not?

Mr. MCILROY. Not that I know of; not to my knowledge. It will undoubtedly be a fertilizer, but it is too high in price yet.

Senator BAILEY. It is used for hay?

Mr. MCILROY. Yes, sir.

Senator BAILEY. And it has this advantage, that you can grow your soybean crop between your corn rows. That is done all over North Carolina. That has the consequence of improving the land where the land is depleted. It is a very valuable crop, as you can see. My State started with practically no soybeans, and now we have over 75,000 acres, and we do not intend to stop there. We will have hundreds of thousands of acres planted to soybeans.

The CHAIRMAN. Next is Mr. W. S. Snow, president, American Fisheries Association.

## STATEMENT OF W. S. SNOW, PRESIDENT, AMERICAN FISHERIES ASSOCIATION

Mr. SNOW. Mr. Chairman and gentlemen of the committee, I represent the American Fisheries Association. This organization is composed of the menhaden fishermen on the Atlantic and Gulf coasts, the sardine fishermen and the herring fishermen on the Pacific coast principally.

The CHAIRMAN. Where do you live?

Mr. SNOW. In Virginia. We are one of the smaller producers of oils and fats. Our volume last year was about 187,000,000 pounds. Included in that volume was approximately 60,000,000 pounds of so-called domestic whale oil. That is the whale oil which was involved in the discussion that took place here yesterday and which will be barred under the act of Congress adopted last year and recommended by this committee, which will go into effect on July 1.

This oil that we produce is one of the so-called inedible oils. It goes into the manufacture of soaps principally, and comes in direct competition with whale oil and with imported vegetable and nut and seed oils.

We have to go out in boats and catch these fish and bring them in, process them with machinery, then handle that oil by careful and expensive process, and it is plain, simple, common-sense reasoning that we cannot compete with the fellow who can go out in the jungle and pick up a basket full or a bushel full of palm nuts and put them on the market and have them crushed and sell them at almost any price that they can get for them.

The imports of fish and marine animal oils in this country at the present time is rather small, but the imports of other competitive oils are just as important to the fisheries industry of this country as to the farmer interests.

The question of interchangeability has been gone into here by several of the witnesses. Mr. Holman, I believe, has submitted a table which is probably more extensive and more comprehensive than the one which I have. However, I would like to call the committee's attention to one or two things contained in that table.

This information was obtained from the Bureau of the Census, and here are some of the ingredients that are used in the so-called vegetable compounds and shortening oils.

They are cottonseed oil, peanut oil, coconut oil, soybean oil, corn oil, palm-kernel oil, rapeseed oil, palm oil, sesame oil, sunflower oil, linseed oil, perilla oil, babassu oil, lard, edible tallow, edible animal stearine, oleo oil, and whale oil and fish oils.

The use of fish oil in the shortening compounds in the United States has not developed to any great extent. In Germany and in other foreign countries, it is in general use as a shortening compound. It can be brought into general use in this country, but whether or not a single drop of fish or marine animal oil goes into shortening compounds, it comes again in direct competition with the so-called edible oils and oils used in soap. This entire list that I just called off goes into the soap kettle, and in addition to that, in the paint and varnish industry you have cottonseed oil, coconut oil, corn oil, soybean oil, sunflower oil, rapeseed oil, linseed oil, China-wood oil, perilla oil, castor oil, palm oil, inedible tallow, grease, neat's-foot oil, whale oil, and fish oil.

The statement made by one of the witnesses yesterday that whale oil did not come into competition with domestic fish oil, is according to the fact submitted by a department of the United States Government, the Bureau of Census, Department of Commerce, thoroughly incorrect.

Senator Bailey asked a question with reference to the importation, I believe, of sharks. There is a little bit of shark oil coming into this country from Canada, that oil is included in the trade agreement recently negotiated.

Senator BAILEY. There is some herring oil also that comes in from Canada, is there not?

Mr. SNOW. There is some herring oil that comes in, but this is not included in the Canadian agreement.

Senator BAILEY. I thought Mr. Hull stated it was in the Canadian agreement.

Mr. SNOW. Not that I know of. It was proposed in the Canadian agreement and we protested against its inclusion. There is a great deal of herring oil manufactured in Canada, but the manufacture of shark oil is very limited. Those fish do not yield much oil, as a matter of fact they are becoming rather popular as an edible fish, strange as it may seem. They are being shipped to many parts of the country and sold as what is known as steak fish.

I have a short brief here which I will not take the time of the committee to read, but I am going to offer it for the record.

The CHAIRMAN. It may be inserted.

BRIEF SUBMITTED BY AMERICAN FISHERIES ASSOCIATION

Mr. Chairman and gentlemen of the committee, my name is William S. Snow, president of the American Fisheries Association Cooperative. In the membership of the association there is included the producers of approximately 90 percent of the fish oil produced within the United States.

We heartily urge this committee to report favorably the amendments offered to increase the present import taxes on oils and fats. We believe that the increase in such taxes is essential to the maintenance of the present pace of production of fats and oils in this country, and that only through this further protection can the domestic production be materially increased. The committee is already advised as to the amount of imports of these commodities, and I shall not repeat these figures. However, the amount of imports, in spite of our present taxes, indicates just how tempting a morsel foreign producers find our American markets. In every one of our reciprocal trade agreements the preliminary proposals of foreign countries have included a long list of fats and oils. In other instances foreign producers have sought to avoid the acts of Congress imposing import taxes on foreign oils and oil-producing materials by finding new names for oils and thus claiming their product to be exempt from existing import-tax laws.

It is worthy of comment that the people of the United States in most instances find it both possible and profitable to produce not only a sufficient amount of domestic commodities to satisfy domestic demand but in many instances we produce huge surpluses. However, this rule does not apply to fats and oils. It is self-evident that we can produce enough of these commodities for our domestic consumption, and our failure to do so raises the question as to why we do not. The answer to this question is twofold. Before chemists had demonstrated the complete interchangeability of oils and fats for all purposes it was generally believed that certain foreign fats and oils were essential in the manufacture of certain of our domestic finished products. Since the discovery of complete interchangeability the American producer has found himself in a position whereby he cannot compete with foreign oils and fats produced at a cost far below our American standard.

During the recent years of depression Congress has striven to promote American agriculture and industry in order to provide jobs for the unemployed and to increase the national income. I know of no other path which Congress may follow that is so certain to produce the results mentioned above as in the promotion of the domestic production of fats and oils. Two billion pounds added to the domestic production will add millions of man-hours to the labor of the Nation and millions of dollars in purchasing power to the producers of fats and oils. I believe it is the wish of this committee to promote our domestic prosperity, and I can see no logical conclusion to be drawn from the facts presented to this committee other than that further protection is essential to the promotion of our domestic fats and oils production.

Chemistry has now demonstrated that fats and oils heretofore classified as edible and inedible are completely interchangeable. I am attaching to this brief, which I shall file for the records of the committee, a table showing the various fats and oils now used in our domestic manufacture of finished products, together with the source of this information. Mr. Chairman, from this table the committee will see that in order to protect the producer of cottonseed oil it is not only necessary to impose an excise tax against imported cottonseed oil but to tax imported fish oil, palm-kernel oil, and so-called inedible tallow. In the United States fish and marine animal oils, together with coconut oil, while not as widely used in vegetable shortenings and compounds as in foreign countries, are, nevertheless, in direct competition with all of the so-called edible vegetable oils. In some foreign countries fish and animal oils are as widely used for human consumption as any of the vegetable oils.

In the proposed increase in import taxes there is no discrimination as between groups of foreign producers. The producer of coconut oil in the Philippines will be on the same parity as he now is with the producer of palm-kernel oil in South America. The same is true of the producers of all oil-bearing materials. Therefore, it can be readily seen that no hardship will be placed upon the foreign producer no matter where he is located, except as he might come in competition with our domestic producer and I believe I can safely say that the difference in cost of production in this country and in many of the principal countries from which our fats and oils are imported, makes the tax increase sought here just and equitable.

TABLE OF INTERCHANGEABILITY OF FOREIGN AND DOMESTIC FATS AND OILS

*Oils used in compounds and vegetable shortenings.*—Cottonseed oil, peanut oil, coconut oil, soybean oil, corn oil, palm-kernel oil, rapeseed oil, palm oil, sesame oil, sunflower oil, linseed oil, perilla oil, babassu oil, lard, edible tallow, edible animal stearine, oleo oil, and whale oil, and fish oils.

*Oils used in soap.*—Cottonseed oil, peanut oil, coconut oil, corn oil, soybean oil, olive oil, rapeseed oil, palm-kernel oil, linseed oil, Chinawood oil, perilla oil, castor oil, palm oil, sesame oil, sunflower oil, babassu oil, lard, edible animal stearine, oleo oil, edible tallow, inedible tallow, grease, neat's-foot oil, marine animal oils (whale oil), and fish oils.

*Oils used in paint and varnish.*—Cottonseed oil, coconut oil, corn oil, soybean oil, sunflower oil, rapeseed oil, linseed oil, Chinawood oil, perilla oil, castor oil, palm oil, inedible tallow, grease, neat's-foot oil, whale oil, and fish oils.

*Oils used in printing ink.*—Cottonseed oil, coconut oil, soybean oil, linseed oil, Chinawood oil, perilla oil, castor oil, palm oil, lard, edible tallow, inedible tallow, grease, neat's-foot oil, whale oil, fish oils.

The list of oils used in the group of products listed as "Miscellaneous products" includes every oil and fat named in the list reported by the Census Bureau.

Source: Bureau of Census, Department of Commerce.

Respectfully submitted.

AMERICAN FISHERIES' ASSOCIATION CO-OP
By WM. S. SNOW, *President.*

Mr. SNOW. There are one or two figures contained in the publication of the Bureau of Fisheries which I would like to get into the record. The question was raised yesterday, as to the value of the fisheries products in the State of North Carolina. It was suggested, I believe, that all of the oil produced in the State of North Carolina by the menhaden industry amounted to only a few thousand dollars. Here is a publication of the Bureau of Fisheries, Department of Commerce, Statistical Bulletin No. 1280, and this has on page 1:

> The total value of the byproducts of the fisheries industry produced in this country, that includes oil and fish meal and fish scrap is $141,000,000. The total value of the canned fish products which go along with this byproducts industry in the United States is valued at $141,000,000.

That entire industry is vitally affected by the prices on oils and fats.

Senator BAILEY. Can you tell us how many people are engaged in the industry?

Mr. SNOW. Senator, in our membership there are approximately 90,000 people employed.

Senator BAILEY. How about the men who do the fishing on the boats?

Mr. SNOW. We represent the fishermen who fish on the boats and the men who work in the plants. In many instances the fishing boats are owned by the crews and operated by their owners on what is known as the sharing basis, and the price that those men get for their fish determines their daily income. In many instances, the plants that are used to manufacture the products and reduce the fish to meal and oil are owned partially by the crew of the boats and partly by the men who operate the plants, and sometimes by so-called capitalists who have a few thousand dollars invested on the outside, but they are largely owned by the fishermen themselves. The people who live in the isolated sections of the coast and have no other source of income must make their living out of the water.

Senator BAILEY. But you do not have the entire industry in your organization?

Mr. SNOW. We have only a very small part.

Senator BAILEY. I would like to get some estimate of the number of people engaged. I see that at work, but that is no way for me to tell.

Mr. SNOW. The only estimate that I ever heard, Senator Bailey, was that given me a short time ago by a gentleman of the Bureau of Fisheries, and he estimated that there were over a million persons employed in sea food and fishing industries in the United States proper.

Senator GUFFEY. That covers all kinds of fishing, doesn't it?

Mr. SNOW. That covers the taking of sea food.

Senator KING. Does it include those engaged in the transportation and serving in edible form?

Mr. SNOW. No, I do not think so, Senator King. That is only those engaged in taking and handling and processing. I think that estimate is probably fair, in consideration of my own personal knowledge of the number of people engaged in the immediate vicinity of my home State and the neighboring State.

Senator GUFFEY. That does not include amateur fishermen?

Mr. SNOW. No, sir; there are 6,000,000 of those, I think, that belong to one fishermen's organization, the Izaak Walton League.

The fishing industry itself, is, I believe, the original forgotten man of American industry. The fishing industry from one end of this Nation to the other has been almost forgotten as far as governmental help is concerned, and I do not blame the Government especially for that. I lay that largely to the fishermen themselves. They have not brought their troubles to the proper place and had them discussed in order to get the help that can be rendered. We do not want the kind of help that a great many of the other countries furnish.

Most foreign countries subsidize their fisheries in order to establish a training ground for the men in the Navy or the seafaring services.

Our strongest competitor in the industry which I represent are the Japanese, and they subsidize the initial expense of the plant, equipment, machinery and boats, to 40 percent. The Government pays 40 percent as a grant and gift of the initial cost. If you want to set yourself up in the rendering business over there to make fish scrap and fish meal and ship it in to America free of tariff, in competition with ours, they will give you 40 percent if you are a Japanese citizen; but we people in America don't want that. All we want is an even break and a protection against these foreign importations that compete directly with our own products.

The CHAIRMAN. Thank you very much.

Senator BAILEY. Are you prepared to tell the committee whether or not tax on fish scrap and fish meal, an excise tax or an import tax, from 3 to 5 cents a pound, would increase the price of chicken feed or hog feed or fertilizers, and, if so, to what extent?

Mr. SNOW. Well, Senator Bailey, the largest tax I have ever known to be asked for by the fishing industry on fish scrap and fish meal was 1 cent a pound. Actually, that would increase the cost of a ton of fertilizer in which fish is used—you understand there is only a small portion of the fertilizer used in this country that uses any fish at all—that would increase it about 60 cents a ton—just about 60 cents a ton.

Senator BAILEY. What would be the consequence with respect to chicken feed? I understand a great deal of your fish scrap is sold for the purpose of chicken feed.

Mr. SNOW. About 73 percent now goes into chicken feed. That would increase the cost of a bag of 100 pounds, which sells for about $2.50, by anywhere from 2½ to 5 cents on 100 pounds. There is only a small portion of fish used in those compounds. The objection to fish on the part of a great many poultry raisers and swine raisers is that too much fish in the feed shows up in the taste of the meat and fowl, and it also flavors the eggs. And they can only give a limited amount of it for that reason.

Senator BAILEY. If you have ever eaten any of those down along the shore, down in North Carolina, which are fed exclusively on fish, you would not have any trouble in tasting that flavor.

Mr. SNOW. I have eaten them up on the coast of Virginia that have lived off crabs and fish, and I know that.

Senator BROWN. Mr. Snow, do you know whether or not there is any oil production from the fisheries on the Great Lakes?

Mr. SNOW. I would have to look that up; I don't know. I don't believe there is. I know there is some meal production there.

Senator BROWN. Would you look that up and give it to the stenographer as a part of your statement?

Mr. SNOW. I have the production here by States.

Senator BROWN. You can perhaps tell by looking at Michigan, because I think we produce about half of the Great Lakes fish.

Mr. SNOW. I will have to look that up and will be very glad to furnish it.

Senator GUFFEY. What is the value of the fish oil produced along the Atlantic coast?

Mr. SNOW. That would be rather hard for me to tell you exactly. I can give you an approximate idea of it. Do you want the oil alone?

Senator GUFFEY. Yes.

Senator KING. Do you mean to the consumer or to the manufacturer?

Mr. SNOW. In the menhaden fisheries, which are almost exclusively on the Atlantic coast, the value of the oil for the year 1937 was $1,455,000. Of course, the menhaden is the smaller of the three oil-producing fish. The herring fisheries and the sardine fisheries are larger in value.

Senator GUFFEY. What is the value of all of the fish oil on the Atlantic coast?

Mr. SNOW. That is what I gave you. The herring and sardine fisheries are on the Pacific coast.

Senator BAILEY. Can you get the value of the fish meal and the fish scrap there?

Mr. SNOW. Approximately $2,000,000. That is on the Atlantic coast alone.

Senator BROWN. Mr. Snow, I wanted to get straight a matter that you referred to in the earlier part of your statement. You spoke of the gentleman who appeared here yesterday, who was in the whale-oil business.

Mr. SNOW. Yes, sir.

Senator BROWN. I understood you to say that you produced some whale oil?

Mr. SNOW. No; we do not produce any whale oil. You probably misunderstood me.

Senator BROWN. You are in competition with them?

Mr. SNOW. Yes, sir.

Senator BROWN. And I take it that your association is in favor of the present status of the law with respect to that business?

Mr. SNOW. Yes, sir; we are very much in favor of it; and before I sit down I would like to say that we heartily concur in the statement by the other witnesses that we have no desire whatever to violate the pledges of the United States Government with reference to the treaties already in existence.

The CHAIRMAN. We have been in session since 1:30, and without objection, we will recess until tomorrow morning at 10 o'clock, and we will meet in the Finance Committee room in the Senate Office Building.

(Whereupon, at 4 p. m., an adjournment was taken until Thursday, March 9, 1939, at 10 o'clock.)

# TAXES ON FATS AND OILS

THURSDAY, MARCH 9, 1939

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

The committee met, pursuant to recess, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman), presiding.

The CHAIRMAN. The committee will come to order.

Is Mr. J. A. Ryan here?

(No response.)

Senator BAILEY. He is not going to be here, Senator. He was here the first day and talked with me. I told him that he need not stay here.

Mr. Fred Brenckman, Washington representative, the National Grange.

Mr. LOOMIS. He is still out of the city. I want permission for him to file a brief.

The CHAIRMAN. Very well.

Mr. J. R. Smith, representing the Linoleum & Felt Base Manufacturers Association.

## STATEMENT OF J. R. SMITH, LINOLEUM AND FELT BASE MANUFACTURERS ASSOCIATION

Mr. SMITH. My name is Jesse R. Smith and I represent the Linoleum and Felt Base Manufacturers Association, with headquarters at New York City. Virtually all the manufacturers of linoleum and felt-base floor covering in the United States are members of this association. Next to the paint and varnish industry, ours is the largest consumer of drying oils. In 1936 we used nearly 100,000,000 pounds of oil; there was a comparable consumption in 1937.

At the outset, let me show you three samples of typical floor covering produced by our industry. The first is a sample of battleship linoleum or "plain" linoleum, the second is a piece of inlaid linoleum, the pattern runs right through to the backing, and the third is a sample of felt-base flooring, which is made of rag felt saturated with asphalt and surfaced with wear-resisting paint. Linoleum is made of oxidized oil—that is oil which has been boiled and dried, then mixed with ground cork, pigments, and fillers and pressed on a burlap foundation.

Easily the most important raw material entering into the make-up of linoleum is the so-called drying oil; drying oil is likewise indispensable in the manufacture of felt base. Linseed oil, which comes from flaxseed, is the most important of the drying oils, because it is produced in many sections of the world in large quantities, though chiefly in the Argentine.

Senator DAVIS. How much flaxseed is produced in the United States?

Mr. SMITH. Senator, roughly speaking, in the last 5 or 6 years I would say our average production is somewhere around 7 or 8 million bushels in the United States.

Senator DAVIS. What percentage of what we produce here is grown in the United States?

Mr. SMITH. Only from about 25 to 33⅓ percent; less than a third.

Senator DAVIS. And where do we get the rest of it?

Mr. SMITH. We have to bring in nearly 3 pounds of flaxseed or linseed oil from abroad for every pound that we produce here. Every pound of flaxseed in this country from which linseed oil is crushed is readily absorbed here by the American market at a price that is generally from 60 to 70 cents per bushel higher than the London price.

Senator GUFFEY. Are flaxseed and linseed oil synonymous?

Mr. SMITH. Yes, sir.

Senator DAVIS. What have we done, if anything, to encourage the American farmer to produce flaxseed?

Mr. SMITH. Senator, I think that is a matter that Mr. McDonald, who follows me and who is speaking for the paint and varnish industry, can elaborate on.

Senator BROWN. What is meant by the term "salts of linseed oil"? I notice in Mr. Gillette's amendment that he speaks of "salts of linseed oil."

Mr. SMITH. That is a derivative of linseed oil in which we are not directly interested. I don't know exactly what significance it plays. I simply know that we are not particularly interested in salts of linseed oil. It is one of the minor derivatives.

Senator DAVIS. What is the difference between the price of flaxseed that comes from Brazil and that which is produced in the United States?

Mr. SMITH. The flaxseed that is grown in the Argentine—not Brazil——

Senator DAVIS (interposing). I should have said the Argentine.

Mr. SMITH. You will notice if you see the Journal of Commerce quotations, Senator Davis, as I recall, the other day the price at Buenos Aires of Argentine flaxseed was about $1.10 a bushel. Our price today on the Minneapolis market is somewhere around from $1.80 to $1.90 a bushel. I think I am substantially correct in saying that, so that it is our contention and it is our experience, that the existing tariff of 65 cents a bushel on flaxseed is 100 percent effective.

Senator DAVIS. But, of course, the American farmer that produces the flaxseed, his cost is higher than what it is in the Argentine?

Mr. SMITH. Exactly.

Senator DAVIS. And the additional cost of wages of the American farmer as compared with the wages of the Argentine farmhand.

Mr. SMITH. Senator, I think in 1930, I recall the Tariff Commission made a study of the differentials in the cost of producing flaxseed here and in the Argentine, and, as I recall, they came to the conclusion, considering the usual factors that enter into a proposition of this kind, 50 cents a bushel was enough to equalize the differences in the cost of producing it here and abroad, including the shipping cost, as I recall.

Neither linseed oil nor tung oil are affected by the amendments before you. Perilla oil and hempseed oil, however, are a part of these proposals. Perilla oil, especially during the last few years, has been an important and useful oil in our industry, nearly 18,000,000 pounds of it being consumed by us in 1936. With the advent of the 4½-cent tax, which became effective in the late summer of 1936, our consumption of perilla oil decreased more than 50 percent in 1937 as compared with 1936, and has probably dropped off further during 1938—we do not have the 1938 data as yet.

A drying oil, let me explain—and this is important I think—is an oil that has the ability to absorb oxygen and leave a body of film. The drying property of an oil is indicated by its iodine value or number. Perilla oil has the highest iodine number, approximately 200, and we have often found it advantageous to blend perilla with soybean oil, which is only a semidrying oil—I think its iodine number is about 135—and cannot be used in our industry by itself, but which has been successfully used in combination with perilla. It is a matter of regret to us that with the enactment of the 4½-cent tax in 1936, and the consequent decreased use of perilla, we have also been forced to curtail our consumption of soybean oil, which, as you know, is practically all American grown.

Senator DAVIS. Just a minute. Do we produce any perilla seed in this country?

Mr. SMITH. None. We have carried on experimental plantings and they are being carried on at the present time, but there is no commercial production of perilla oil.

The linoleum and felt-base industry uses considerable quantities of menhaden fish oil, and so far as I know, all of this is domestically produced. But there are definite limitations to the use of fish oil in our industry due to several undesirable characteristics. With fish oil selling considerably lower than linseed, tung, or perilla, we naturally use as much of it as is practicable.

As has been indicated, linseed is the main drying oil, with tung and perilla of importance too, because of their excellent drying qualities and unusual properties. In fact, it may be said that in many respects tung oil is unique. This is borne out by the fact that it continues to be consumed in fairly large quantities notwithstanding its price is several cents higher than linseed or perilla oils.

Senator DAVIS. Where do you get the tung oil from?

Mr. SMITH. From China, principally.

Senator DAVIS. What is it made from?

Mr. SMITH. Tung oil and China-wood oil are synonymous, Senator. The tung trees, as I understand, are not cultivated particularly, they grow wild, and the tung nuts are crushed and the tung oil is brought here. Notwithstanding the hostilities in China, considerable quantities of tung oil continue to come into this country. Last year I believe over 100,000,000 pounds of tung oil were imported into the United States.

Senator DAVIS. Is any of it produced in the United States?

Mr. SMITH. Yes, sir; I am coming to that more particularly.

We desire to emphasize the facts that the United States is almost completely dependent upon foreign countries for its drying-oil requirements, which amounts to probably more than 500,000,000 pounds a year. We wish this condition were otherwise. There is appended here a table showing the imports of linseed, tung, perilla, and hempseed oil for the years 1934 to 1938, inclusive, and also a table showing our domestic production of flaxseed and our flaxseed imports for the past 4 years.

I ask permission to have this table made a part of the record.

The CHAIRMAN. Without objection, it is so ordered.

*Imports of principal drying oils*

| Oil | 1934 | 1935 | 1936 | 1937 | 1938 |
|---|---|---|---|---|---|
| Flaxseed (bushels) | 16,225,000 | 17,560,000 | 15,365,000 | 28,032,000 | 15,364,000 |
| Linseed oil [1] | 292,050,000 | 316,080,000 | 276,570,000 | 504,576,000 | 276,552,000 |
| Tung | 110,007,000 | 120,059,000 | 131,830,000 | 174,885,000 | 107,456,000 |
| Perilla | 25,164,263 | 72,328,000 | 117,903,000 | 43,501,000 | 31,821,000 |
| Hempseed | 3,658,062 | 29,170,500 | 15,727,750 | 110,250 | 128,500 |
| Total | 430,870,325 | 537,637,500 | 516,030,750 | 732,171,250 | 415,957,500 |

[1] There are approximately 18 pounds of linseed oil in 1 bushel of flaxseed. The linseed oil figures have been arrived at by multiplying the number of bushels by 18.

*Flaxseed (bushels)*

| | 1935 | 1936 | 1937 | 1938 |
|---|---|---|---|---|
| Domestic production | 14,520,000 | 5,273,000 | 7,089,000 | 8,171,000 |
| Imported | 17,560,000 | 15,365,000 | 28,032,000 | 15,364,000 |
| Total | 32,080,000 | 20,638,000 | 35,121,000 | 23,535,000 |

It will be seen that the American farmer supplies us with only about one-third of our linseed oil. The American tung-oil industry in the Gulf States holds promise for substantial production in the rather distant future. At present American grown tung oil is excellent in quality but this infant industry supplies us with a very small part of our requirements. Let me repeat, we are almost wholly dependent upon foreign sources for our drying oils. No perilla is grown here; no hempseed oil is produced here; only a small proportion of our tung oil is domestically produced, and less than one-third of our flaxseed or linseed oil is American grown. "The American market for the American farmer" is an excellent slogan. Someone has aptly said that so far as drying oils are concerned the American market is looking for an American farmer.

Secretary Wallace, in his testimony, alluded to the fact that this Nation imports about 1½ billion to 2 billion pounds of oils and fats annually and exports about 800 million, which leaves us on a net import basis of somewhere around 1 billion. A good part of this billion pounds, it would appear, may be accounted for in drying-oil imports. At the same time only a comparatively small amount of drying oils, either as such or in the form of manufactured products, is exported.

As consumers of drying oils we are not interested in cottonseed oil, or coconut oil, or palm oil, or palm-kernel oil. Our problem must be considered apart from the edible oils and the other vegetable oils. Our basic oil is linseed oil, which comes into this country in the form of flaxseed upon which there is a duty of 65 cents per bushel. The flaxseed is crushed in this country and we use the oil. The duty of 4½ cents per pound on perilla and hempseed oils, levied under the Revenue Act of 1936, was imposed without regard to the existing duty on flaxseed, though it should have been related to the flaxseed duty, and we were glad to hear Mr. Holman, who represents the National Dairy Union and is supporting these amendments, make that statement yesterday afternoon that the duty on perilla should relate to the duty on flaxseed. As near as we can tell, the effect of the 1936 tax has been to transfer a large part of such purchases as we have made from the Orient, the source of perilla oil, in ever increasing quantities to the Argentine, where we already get the bulk of our flaxseed.

Much has been said regarding the interchangeability of fats and oils. I ask permission to have included as part of the record this compilation of the Department of Commerce showing the factory consumption of animal and vegetable fats and oils by classes of products.

The CHAIRMAN. Without objection, that will be done.

(Table B, as referred to, is as follows:)

FACTORY CONSUMPTION OF ANIMAL AND VEGETABLE FATS AND OILS BY CLASSES OF PRODUCTS FOR 1936

The distribution of primary animal and vegetable fats and oils consumed in factory operations in the United States during the calendar year 1936, by classes of products in which used, is presented in the tabular statement below. Data for oleo stock were not collected, hence the secondary products, edible animal stearin and oleo oil, are shown. The statistics were compiled from the quarterly reports of the several concerns to the Bureau of the Census, supplemented by special statements covering the entire year for those manufacturing more than one class of products.

The total consumption in all industries for each item is the same as given in the bulletin for 1936, except for those vegetable oils for which the crude and refined products are indicated in the questionnaire—namely, cottonseed, coconut, corn, peanut, palm-kernel, and soybean oils. For each of these a net consumption was arrived at by deducting from the total of both crude and refined consumed the quantity of refined produced.

Oils subjected to the process of hydrogenation or other treatment for special uses were reported as consumed in the products for which intended. For example: Oils treated for soap manufacture were entered in the column headed "Soap" and oils intended for edible purposes were entered in one or more of the columns covering edible products. The ultimate uses of the primary oils are designated in this way.

*Factory consumption of primary animal and vegetable fats and oils, by classes of products, calendar year 1936*

[Quantities in thousands of pounds]

| Kind | Total | Compounds and vegetable shortenings | Oleomargarine | Other edible products | Soap | Paint and varnish | Linoleum and oilcloth | Printing inks | Miscellaneous products | Loss including foots |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 4,784,226 | 1,610,690 | 322,719 | 363,237 | 1,394,538 | 441,282 | 101,882 | 20,206 | 321,833 | 207,839 |
| Cottonseed oil | 1,302,827 | 918,866 | 168,166 | 178,330 | 1,278 | 34 | | 15 | 2,281 | 93,917 |
| Peanut oil | 103,735 | 88,470 | 4,140 | 2,419 | 1,734 | | | | 44 | 6,928 |
| Coconut oil | 602,273 | 38,427 | 150,455 | 60,020 | 307,376 | 771 | | 1 | 3,939 | 41,284 |
| Corn oil | 72,132 | 430 | 1,238 | 51,017 | 2,527 | 123 | | | 3,967 | 12,830 |
| Soybean oil | 184,563 | 113,897 | 14,262 | 21,598 | 5,023 | 14,471 | 2,886 | 62 | 3,405 | 8,959 |
| Olive oil, edible | 4,312 | | | 3,972 | 53 | | | | 287 | |
| Olive oil, inedible | 10,458 | | | | 1,634 | | | | 8,824 | |
| Sulphur oil or olive foots | 24,577 | | | | 23,965 | | | | 612 | |
| Palm-kernel oil | 44,104 | 627 | 2,400 | 12,496 | 26,443 | | | | 54 | 2,090 |
| Rapeseed oil | 50,906 | 30,572 | 9 | 808 | 7,771 | 168 | 13 | | 10,182 | 1,383 |
| Linseed oil | 375,330 | | | | 1,482 | 233,340 | 50,078 | 14,965 | 5,464 | |
| China wood oil | 107,875 | | | | 2 | 94,612 | 7,131 | 2,351 | 3,769 | |
| Perilla oil | 80,019 | | | | 8 | 53,222 | 17,717 | 1,940 | 7,132 | |
| Castor oil | 31,855 | | | | 1,623 | 3,766 | 1,066 | 158 | 25,242 | |
| Palm oil | 301,373 | 168,808 | 1,402 | 195 | 78,453 | 1 | | 2 | [1] 24,449 | 28,063 |
| Sesame oil | 55,335 | 33,120 | 57 | 16,728 | 1,869 | | | | 21 | 3,540 |
| Sunflower oil | 1,230 | 208 | 5 | 920 | | 97 | | | | |
| Babassu oil | 35,764 | 5,368 | 16,114 | 2,995 | 8,993 | | | | 36 | 2,258 |
| Other vegetable oils | 43,904 | 15,640 | 442 | 5,025 | 4,268 | 4,614 | 6,738 | | 4,955 | 2,202 |
| Lard | 7,318 | 4,505 | 2,198 | 471 | 9 | | | 5 | 63 | 69 |
| Edible animal stearin | 44,918 | 36,338 | 3,550 | 4,370 | 320 | | | | 320 | |
| Oleo oil | 21,782 | 1,839 | 18,331 | 467 | 57 | | | | 1,088 | |
| Tallow, edible | 118,978 | 116,936 | | 1,412 | 228 | | | 2 | 334 | 114 |
| Tallow, inedible | 725,974 | | | | 660,020 | 135 | | 7 | 65,265 | 547 |
| Grease | 204,532 | | | | 98,714 | 94 | | 468 | 101,792 | 454 |
| Neat's-foot oil | 5,727 | | | | 41 | 7 | | 1 | 5,647 | 31 |
| Marine animal oils | 35,388 | | | | 32,603 | 17 | | 11 | 2,747 | 10 |
| Fish oils | 257,017 | 36,649 | | | 128,044 | 35,780 | 16,235 | 225 | 36,914 | 3,160 |

[1] Includes 23,086,000 pounds reported by the tin and terneplate industry.

This compilation covers the period of 1936 and, in my opinion, gives a fairly accurate picture of the classes of products or industries into which the various oils and fats move to consumption. It will be seen from this publication that linseed oil, China wood and perilla oil, the three leading drying oils, are consumed almost exclusively by the paint and varnish, linoleum and oilcloth, and printing ink industries. Those three industries take practically 98 percent of the drying oils.

This is a rough calculation.

None of these drying oils go into compounds and vegetable shortenings or the oleomargarine column, or the other edible products column. And conversely, with the exception of 17,000,000 pounds of soybean oil, and a fairly substantial amount of fish oil, none of the other oils, except linseed, China wood, perilla, and hempseed, the latter which is included under the heading "Other Vegetable Oils," enter into the so-called drying oil industries. Of course, there are some slight exceptions, as, for example, a very small amount of castor oil has been consumed in the drying oil industries, I understant, for special uses, I believe as a plasticizer, in the manufacture of a particular type of lacquer.

Furthermore, with cottonseed oil and soybean oil selling substantially below the existing prices of the three leading drying oils, is it not a self-evident proposition that if our industry could possibly use these cheaper oils it would do so?

We are emphatically opposed to any further increase in the taxes of drying oils, whether it be a processing tax or an excise tax on the imports. Especially are we opposed to a processing tax which, as written and construed today, would tax the first domestic processing of oils we may already have in our storage tanks, upon which the excise tax of 4½ cents has already been paid. "First domestic processing," as interpreted by the Treasury Department, extends down to, but not including, the finished article. Thus with an excise tax already paid upon what may be considerable quantities of unused oil—we do not know the exact amounts—and with a possible processing tax of 5 cents on the oil that has not yet been completely processed into finished goods, we face a double tax burden, totaling 9½ cents. This is manifestly unfair and I cannot believe that you Senators intend any such result.

Our story does not end here. Under the British trade agreement the duties on linoleum were cut 24 percent on inland, 29 percent on all other linoleum, and 38 percent on felt-base floor covering.

Senator BAILEY. What are the duties?

Mr. SMITH. The present duties under the new British trade agreement on inland linoleum are 32 percent ad valorem; they were reduced from 42 percent. On all other linoleums, which include the plain linoleums, they were reduced from 35 to 25 percent ad valorem, and on felt-base floor covering, the duty was reduced from 40 to 25 percent.

Senator BAILEY. You are not protesting against those duties?

Mr. SMITH. We feel that they are lower than they should be.

Senator BAILEY. You would like to have more duties on linoleum?

Mr. SMITH. Yes.

Senator BAILEY. But not on the vegetable oils?

Mr. SMITH. I would just like to point out what the situation is. You are reducing the duties on linoleum, and increasing it on the raw materials.

Senator BAILEY. But you want protection on the linoleum?

Mr. SMITH. We feel, certainly, that there is a relation between the duties on raw materials and the duties on the finished goods.

Senator BAILEY. All manufacturers want raw materials to be free and manufactured products to be protected but we are not going to stand for any policy like that. We have had enough of that in the country for the last hundred years.

Mr. SMITH. The record indicates that on raw materials the duties are not free, Senator. They are pretty high; they are not free by any means.

Senator BAILEY. Lately there have been a few duties put upon the raw materials.

Mr. SMITH. Senator, linseed oil, our principal drying oil, has had a duty of 65 cents a bushel since 1930. Before that it was slightly lower.

Senator BAILEY. That was the duty on flaxseed?

Mr. SMITH. Yes.

Senator BAILEY. We should produce flaxseed here.

Mr. SMITH. Duties on these floor coverings are lower today than they ever have been in the history of the country. The British agreement brought no reduction in the duties on drying oils, nor have duties on drying oils been reduced in any agreement.

Actually, because of the taxes in the 1936 Revenue Act, just the reverse has happened—a higher tariff wall has been built, over which these raw materials must be imported. The British and Dutch linoleum manufacturer who pays only about 60 percent as much for his drying oil as the American manufacturer must pay, has been placed in a decidedly better position to compete in the American market due to the trade-agreement concession. Thus we are placed in the extremely uncomfortable position of having the duty reduced on the finished product, and having the tariff increased on our raw material.

In the light of these facts, Senators, we respectfully request that drying oils be eliminated from the pending amendments.

I may add further that the amendment that Senator Connally has introduced would not affect us. The amendment that Senator Bailey has introduced would not affect us, but the Gillette amendment, taken in conjunction with the amendment of Senator Connally, would most certainly affect us.

Senator DAVIS. Mr. Chairman, may I ask a question?

The CHAIRMAN. Go right ahead.

Senator DAVIS. You state here that foreign competitors have a cheaper oil? They get these oils at much lower price than you get them?

Mr. SMITH. Yes, sir.

Senator DAVIS. What is the export business in the concerns which you represent?

Mr. SMITH. Senator, the export business of the linoleum and felt-base industry as a whole is very small. I have not the exact figures, but it is only around 2 percent as I recall. I can furnish you with the exact figures.

Senator DAVIS. Two percent of all of your production?

Mr. SMITH. Two percent of all of our production. We have not been able to compete successfully with the British linoleum manufacturer in the world markets, due to the fact that the people of other nations perhaps are not as discriminating in their taste for linoleum or at least have not been educated to the point of specifying American-made linoleum and felt base. Our patterns, we feel, are much superior and much more attractive than the foreign-made patterns, but the British manufacturers obtain drying oils, as I say, at a price of about 60 percent of the American price. We had occasion to go into this thing thoroughly when the British trade agreement came up. For example, the wages of the worker in the British linoleum plants today are only about 35 to 40 percent of the wages that we pay our workers here. They work longer hours per week, they have some child labor there, and we have no child labor in the industry, and we have not had for years.

Senator DAVIS. What are your competitors' exports and what country do they come from?

Mr. SMITH. Our chief competitors are in Great Britain and the Netherlands.

Senator DAVIS. How much are they exporting into this country?

Mr. SMITH. In 1937, I believe it was, Senator, the imports of foreign-made linoleum into this market in the class known as "Other linoleum" under the tariff classification, came to nearly 20 percent of our domestic production, that is, on the plains, and particularly on the thinner gages. On linoleum as a whole, as I recall, the imports amounted to somewhere around 5 percent of our domestic production. I will be glad to supply the record with the exact figures.

Senator DAVIS. And then you have that differential of exporting of only 2 percent?

Mr. SMITH. Yes.

Senator DAVIS. Leaving a balance in favor of the foreign producer of 3 percent of all of the linoleum produced in this country?

Mr. SMITH. Exactly, Senator. Our exports of linoleum and felt base are nowhere near the amounts of imports of linoleum and felt base.

Senator DAVIS. Is our production of linoleum much greater than the production in other countries?

Mr. SMITH. I do not recall the exact figures regarding the British production. It is my impression now, and I would like to verify it and then submit the accurate data, that the British manufacturers actually produce more linoleum, but if you take into consideration the entire hard-surface floor covering classification, including felt-base floor covering in terms of yardage, the American industry probably produces more than the British industry.

Senator DAVIS. Could you tell me the difference between the wages of the British workmen in the production of linoleum and those say, for instance, that are produced at the big linoleum works in Lancaster, Pa.?

Mr. SMITH. Yes, sir; I have that right here. I think I can get it very readily. This data is taken from the brief of the linoleum industry that was submitted to the Reciprocal Trade Agreement Committee or the Committee on Reciprocity Information in connection with the British trade agreement last year.

This is the record. The differential in the wage scales in the United Kingdom and America, as of October 1937, the British workman received the following compensation: Unskilled and semiskilled operatives, male operatives, were paid from 48 shillings to 60 shillings per week of a 48-hour week; that is approximately 25 to 30 cents an hour.

Skilled workmen were paid from 70 to 80 shillings per week of 48 hours, which is approximately 35 to 40 cents per hour.

The authentic figures for wages in the American linoleum, as of September 30, 1937—and I do not think they have changed any or to any considerable degree—the average skilled labor for males received 80.2 cents per hour, a little over 80 cents per hour, and the average unskilled male labor received a little over 65 cents per hour.

This disparity in the wage scales can be expressed more cogently in this manner: That the British rate per hour is 37½ for skilled and the unskilled 27½ cents; the American rate per hour, 80 cents for skilled and a little over 65 cents for unskilled. The percent of American rate of the British rate is 214 percent for skilled workmen and 237 percent for unskilled workmen.

Senator DAVIS. How many hours do they work per day in Great Britain?

Mr. SMITH. At that time, Senator—and I do not believe that their situation has changed—it was 48 hours a week.

Senator BAILEY. You do not have the information as to the wages paid in foreign countries to fishermen who produce oil?

Mr. SMITH. No, sir; I do not have, Senator. I want to make it clear that our consumption of fish oil is all domestic. I do not think that we are using a bit of imported fish oil, and we are using just as much of the domestic oil as we can.

Senator BAILEY. I am very glad of that.

Senator GUFFEY. Will you put into the record the percentage of the cost of manufacturing of linoleum of labor and the percentage on the cost of the materials? What part of your manufacturing cost is labor and what part of it is raw materials?

Mr. SMITH. Yes, sir; we shall try to furnish this data. It may not be available, however.

Senator DAVIS. Will you put in the production per man in the United States as compared with the production per man in Great Britain?

Mr. SMITH. I can do this right now. In comparing the productivity of American linoleum workers with the productivity of the British linoleum workers, so far as we have been able to ascertain it is practically the same. They have virtually the same equipment, and the methods are the same. The productivity per person per hour is about the same in the two countries. I thank you.

Senator KING. Congressman Whittington is the next witness.

## STATEMENT OF HON. WILLIAM M. WHITTINGTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. WHITTINGTON. I represent probably the largest production of cotton of any congressional district in the Cotton Belt. From the beginning, I favored these taxes and I believe that in the course of the past 5 years there has been demonstrated the wisdom of the enactment of these taxes of 1934, 1936, and the amendments in 1938.

The committee is familiar from the testimony thus far presented, as well as a matter of common knowledge, with the plight of the cotton grower. I advocate the increase of the taxes as provided in the bill as introduced by Senator Connally and in the bill as introduced by Senator Bailey, because I am convinced that the original taxes, the excise taxes of 3 cents that now obtain have been effective and have been of benefit primarily to the cotton growers; and if the 3-cent tax has been effective and beneficial to the situation of the cotton growers, they are entitled to the additional benefits that would accrue from an increase in these taxes.

However, I favor the provisions of the Gillette bill, so as to provide for the oils and fats contemplated under that act and bringing them up to a parity with those provided for in the amendments to existing law introduced by Senators Bailey and Connally.

I have listened to a good deal of the testimony in this case. I am not unmindful of the effect of the reciprocal trade agreements, but I believe that these bills can be passed with provisions that will enable the United States to carry out its obligations under those treaties, and at the same time give us the additional protection because of enormous stocks of both domestic and foreign oils, as now indicated we must have, if there is to be an increase in the income of the cotton growers in this country. Cotton seed is the cash crop of the tenant and small farmer, and they will be especially benefited by passing the pending bills which are amendments to existing law.

Without detaining you further, Mr. Chairman, and without repeating, I conclude by saying that I believe that the taxes now in force have been effective. My information is that the difference in the price between coconut oil and cottonseel oil at the time of the passage of these excise taxes, for the 10-year period preceding 1934, was around a half cent a pound. And since 1934 and for the 5-year period following the passage of the original excise taxes of 3 cents there has been a differential of around 3¼ cents, so that the tax has been effective to the extent of the amount of that tax, and if that be true, it occurs to me that an increase of that tax is justified in view of the increased importations, and in view of the increased stocks of oils on hand at the present time.

I am not unfamiliar with the argument with respect to the needs of foreign oils for soap. I think that the Congress has decided that matter by enacting originally the tax of 3 cents, and if our position was sound at the time that enactment was made, it occurs to me that the same argument would obtain in his amendment for an increase of the taxes as asked for in the three bills now pending before this committee, the passage of which I advocate.

Senator KING. Thank you very much. Mr. Edlund.

## STATEMENT OF R. C. EDLUND, MANAGER OF THE ASSOCIATION OF AMERICAN SOAP & GLYCERIN PRODUCERS, INC., NEW YORK CITY

Mr. EDLUND. My name is Roscoe C. Edlund, and I am manager of the Association of American Soap & Glycerin Producers, with headquarters in New York City, at 381 Fourth Avenue. That association has in its membership about 125 soap manufacturers. Obviously, most of them are small manufacturers. It includes the large ones, it includes the middle-sized ones, and it includes the small ones. I therefore have a view of the industry that perhaps no other individual in the country has.

In the second place this association was organized for a very specific and definite purpose about 12 years ago—13 years ago, to be exact—and that was to increase the total consumption of soap in the United States; and if we could increase, Senators, the total consumption of soap in the United States, we would, of course, carry more American fats and oils into consumption through the soap kettle; so that I am particularly concerned with any problem that has an effect upon soap consumption, and I believe that the Senators who wish to see more American fats and oils in the soap kettle must also give consideration to that angle of the problem which has not been dealt with here to any considerable extent.

The purpose of these admendments is, of course, to develop and protect the American market for American fats and oils.

Senator BAILEY. On that point of the consumption of soap, is it not a fact already that more soap is used in the United States per capita per year per family than all the balance of the world put together?

Mr. EDLUND. That statement is frequently made, and it is very difficult to check accurately. It is not at all impossible that in Holland the per capita consumption of soap is greater than it is in the United States. I am not able to answer that question from authoritative data.

Senator BAILEY. There must be some families in England that use more soap than some families here, but with respect to the whole people of the United States, the entire market for soap in America is greater than all of the balance of the world put together, is it not?

Mr. EDLUND. There again, Senator, I have not any information that would answer that question authoritatively. I doubt very much if that can be the case.

Senator KING. Senator, there are 400,000,000 people in China, there are 300,000,000 to 400,000,000 people in India and then in Russia and Siberia and the central part of Russia there are 120,000,000 people. I am not so sure that they use very much soap, and I do not want to make any comment.

Senator BAILEY. You left out Africa.

Senator KING. Yes.

Mr. EDLUND. And most of the European continent, which, after all, does use a good deal of soap.

Senator BAILEY. We already have a big soap market right here.

Mr. EDLUND. We already have a big soap market here, that is true, and it should be bigger, and it has not been growing since the taxes went on.

Senator BAILEY. Some of us think that some other people might use more soap.

Senator KING. The unwashed condition of people in other countries ought not to lead to a desire upon our part to make the barriers to the use of soap greater.

Mr. EDLUND. I think that is correct. Certainly an important market for American fats and oils is the soap kettle. It consumes about a billion pounds of domestic fats and oils each year. It also consumes—and this is the point at issue—approximately one-half a billion pounds of imported tropical oils.

Senator CONNALLY. The domestic oil producers are doing more for your business in buying soap than the foreigners, apparently. We are doing more for your business than anyone else.

Mr. EDLUND. I would put it this way—the American housewife is doing it for us both. The more soap she buys, the more of the raw materials are, of course, consumed.

Senator CONNALLY. You are talking a lot about the American housewife. She does not get any dividends from you people.

Senator KING. She gets it in the better quality of the soaps.

Mr. EDLUND. And there are any number of women stockholders who secure dividends; and in the next place, every American woman that uses the soap secures dividends in the low price and the higher quality of the soaps. I am coming to that point, if you please, sir, as to the benefit to the American farmer.

Senator BAILEY. And cleanliness is next to godliness.

Mr. EDLUND. We believe that the old saying is true, that cleanliness is next to godliness, and we know that the more cleanliness there is in America, the better the standard of living is. More healthful and wholesome standards are directly related to the consumption of soap. I think all the Senators are with me on the sale of soap.

Now, it looks very easy and simple to say. "Let us decrease the quantity or increase the price of foreign oils used in soap making, and then we will put a larger quantity of American fats into soap, or at least favorably affect the price of American fats."

Gentlemen, it does not work out that way so far as the soap kettle is concerned. Taxes on tropical oils for soap making have not, in the first place, resulted in a lesser use of these oils in the soap kettle. Despite that 3-cent tax put on in 1934 the soap industry, which, as I say, has not grown one single bit, although the population of the country has increased since that tax went on—keep that fact much in mind, please—is still using as much coconut, palm-kernel oils, and their derivatives as they did before. The 3-year average before the taxes—namely, 1931, 1932, and 1933—was 382,000,000 pounds. The 3-year average after the tax—namely, 1935, 1936, and 1937—was 362,000,000 pounds. That reduction of 20,000,000 pounds is an exceedingly small fraction; and if you add the new use in the soap kettle of babassu oil which has been stimulated by these taxes, which is likewise a lauric acid containing oil—and I will explain in a moment what I mean by lauric acid—there has been almost no decrease at all in the tropical oils in soap.

The plain fact, gentlemen, is this, that the percentage of these oils in proportion to all fats in the soap kettle has not varied 1 or 2 percent over there years, either before the tax went on or after the tax went on, except in one single year, 1935, which is explainable upon a variety of grounds, one of which was brought out very clearly, you may recall, by Mr. Merrill, the president of the Los Angeles Soap Co., in his testimony which was that after that heavy tax went on he, like other soap manufacturers, tried to make their soap with less of the oils in them, because of the added cost imposed through the tax.

But the American housewife—do you recall his testimony?—refused to buy his soap. He said his business dropped off 20 percent in volume. And he had to go back to using these foreign oils. Like the linoleum man who testified just a moment ago, we are looking for farmers who can produce in this country oils that can contain this necesssary lauric acid which makes the sudsing qualities and the cleansing qualities of our soap. Coconut oil is the greatest salesman in soap for American fats and oils. It is an essential quality, it provides better cleansing qualities, and sudsing qualities to our soap, and we just cannot get along without it.

There has been so much misleading, inaccurate, incorrect testimony on this subject before the committee in these hearings and the previous discussions on this subject in 1934, that that subject must be made clear if the Senators are to act upon this thing with their eyes open. There is no American substitute for these oils in the soap kettle, and these oils in the soap kettle carry more American fats into consumption through the soap kettle than is carried in the consumption without them.

Senator CONNALLY. We are not putting an embargo on. You are still buying them, you say. You say that the taxes did not cut down the imports.

Mr. EDLUND. I am coming to that point.

Senator CONNALLY. You are already at that point. You just said that the taxes had not decreased our use of foreign oils.

Mr. EDLUND. That is correct.

Senator CONNALLY. It won't decrease them then if we did put on 2 cents more.

Mr. EDLUND. I started by discussing two subjects, the quantity and the price. We have been talking about the quantity. Let us come to price later, if we may.

Senator CONNALLY. I thought we had washed our hands of all of the soap people the other day. We were supposed to give today to the proponents of the tax. The hearing has been very much one-sided.

Mr. EDLUND. On that point, I have been here for the entire 4 days. This is the first opportunity that I have had to be heard.

Senator KING. Proceed.

Mr. EDLUND. You asked how it would affect the consumption if you increased the tax. I am still on the question of quantity and the whole general subject.

Shall I startle some friends of the American farmer if I say that in my judgment, as well as others technically qualified far better than I am, that I have consulted, an increase in these taxes may well be the final straw that will lead to decreasing instead of increasing the use of American fats in the soap kettle?

Senator CONNALLY. Did you testify before, in 1936, on this tax?

Mr. EDLUND. No, sir.

Senator CONNALLY. Have you appeared before?

Mr. EDLUND. I have listened to your honorable body, but I have never testified before the Senate Finance Committee. I was here when the 5-percent tax on toilet soap was up, but I did not testify.

Senator KING. Proceed.

Mr. EDLUND. One important reason for this statement, in addition to those advanced by Mr. Merrill yesterday, is this, and it is a reason that is appreciated at its full force by only a very few as yet, even in the soap industry itself—soap probably faces in the years that are just ahead of us a seriously growing competition from synthetic detergents which would use at best only a small fraction of the present consumption of fats and oils, including those that are domestically produced.

In literally scores of research laboratories throughout this country today hundreds and probably thousands of chemists are at work developing new chemicals, new synthetic products, new deriatives from a variety of materials designed to take the place of the kinds of soap that we have known in the past made by the saponification of Nature's oils and fats. The 3-percent tax has already provided a stimulus to this, and a number of such products are now on the market.

The tax is a very nice umbrella, fixed by the Government, for this kind of competitive development. A 5-cent tax will be a bigger umbrella, if you fix it, that will stimulate this process very much further. It will be an artificial and rigidly fixed stimulus if you put it there, so that it cannot be blown away by economic law, which heretofore we have in this country generally believed in.

Senator TOWNSEND. Are any of these synthetics being used now?

Mr. EDLUND. Yes; to a certain degree, but this umbrella has not been up long enough and is not up high enough to achieve the result that I believe and predict will come, and to the detriment of American fats and oils if you make that umbrella too high. I believe that these things are coming anyway; but I think that you have got to reduce the tax to hold as much as possible of the market in the soap kettle for American fats and oils.

Now, as I say, relatively few people in the country are aware of this as yet. I do not believe the Senators are aware of it, because they could not have made the proposals they have if they were.

Senator BAILEY. I am not aware of it, and I would like to hear more about it. Your statement has been general about it. Tell us about the detergents.

Mr. EDLUND. I am not technically informed on these detergents, but there are two general classifications thus far. The sulphonated alcohols—and I am not a chemist, I am sorry to say—and the synthetic fatty acids. When I say "synthetic fatty acids," I mean in this respect, fatty acids created not by saponification of fats and oils, but through chemical or synthetic processes which take the place of them. Then there are the gardenols, the igepons, the nakanols, and others, already on the market. They are in the hands of some of the biggest and most important American industries in this country with millions of dollars of resources, able to develop them whenever you put the situation at the point where it pays.

Senator CONNALLY. What raw materials do they use to create them?

Mr. EDLUND. That subject, as I say, is for the technicians to answer.

Senator CONNALLY. You have already described these things. What raw materials do they use?

Mr. EDLUND. My understanding is they come from the alcohols, they come from the petroleums, they come from the coals, they come from a whole range of products.

Senator CONNALLY. Animal fats?

Mr. EDLUND. And they may come, I believe, to a certain extent from fats, but through processes which are different from saponification, and they use a very much smaller proportion of the fats for the washing qualities achieved. It is not possible, Senator, anyhow, even if you had a technically qualified man here to answer all of those questions, because many of these things are going on in research laboratories where they are commercial secrets, and will remain so until the time comes that you will startle our farmers by taking away, in some measure at least, the market that they now have.

I do not want to overemphasize this thing, but I believe that everybody in this room knows that the day of the chemist and the day of the synthetic production of products in all kinds of industry is here, and if you suppose for a moment that you can violate economic law by the laws of Congress and get prices entirely out of line from what they ought to be in the world as a whole, and escape that result, you are not as wise men as I think you are.

Senator CONNALLY. Do you want to repeal the tariff in soap?

Mr. EDLUND. There is not any to speak of. We would not have the slightest interest in that; we would like free trade, if you would. We never had anything to do with putting a tariff on soap. Do you want to know why that is on?

Senator KING. Proceed with your statement.

Mr. EDLUND. Do you want an answer to that question?

Senator CONNALLY. If you want to answer it; I don't care if you answer it or not.

Mr. EDLUND. Then I do not care either, because it has no bearing on the subject here.

Senator CONNALLY. You are still not in favor of repealing it?

Mr. EDLUND. Yes; I would be if we had free fats and oils; and I can say this, that if, under these circumstances, you repealed it entirely, it would make very little difference to the economy of the American soap industry. I would say that the reason we have a tariff on soap at all is that every other country in the world has a higher tariff on soaps than we have.

Senator KING. Proceed.

Mr. EDLUND. I am talking about this nice, big umbrella that our friends are proposing to hold over a development which will threaten to cut from under them the very ground upon which they stand, and will have precisely the opposite effect in the long run to what they intend. They talk about the immediate emergency, but it will have precisely the opposite effect in the long run, and in the relatively near future, to that which they have in mind. Do not kill this goose that lays the golden egg. You can do it, and you are just going in that direction.

Now, the truth is, that I can imagine no greater harm to those American producers who look to the soap kettle for a market than to increase, especially at this juncture, the cost of an essential ingredient which does not compete with American fats and oils in the soap kettle but, on the contrary, as Mr. Merrill made clear yesterday, carries hundreds of millions of pounds of American fats into soap consumption.

This necessary ingredient needs to be discussed a little bit. There are technically qualified men who will discuss it before your committee later, but let me say just a word or two about it.

The ingredient to which I refer is lauric acid, or, more properly speaking, glycerol laurate. No American fat contains it. Yet, to American soaps of the sort that the housewife demands, fatty acids from glycerol laurate are a necessity, and don't let anyone else tell you anything to the contrary. Like the linoleum man, we are looking for the American farmer that can produce it.

We are an American industry, as American an industry as you will find in this entire country. We are as much interested in the American farmer as any industry could be, because, obviously, we sell our soaps to the American farm home just as we do to the American city home, and we are just as much concerned as anybody could be with the welfare of American agriculture. Show us a way to produce in this country this necessary and essential ingredient that makes soap good, that sells soap, and our industry will be the first to buy it.

Why do you suppose that we buy coconut oil at 6½ cents a pound today when soybean oil sells at 4¾ cents a pound? What idiots we would be if soybean oil could take the place of coconut oil in the soap kettle, as somebody here said yesterday—a well-intentioned, but a totally misinformed, gentleman, on that point—and on peanut oil. Wouldn't we buy these oils whenever they're cheaper if they would give results? Of course we would! It stands to reason it would be just sensible business to do it; but for these American soaps the housewife demands, the fatty acids from glycerol laurate are an absolute necessity—an absolute necessity. Without them we just cannot get the quick, rich suds and the cleansing properties that, today, soaps must have if they are to sell in even the quantities that they now do let alone increase that sale.

Lauric acid for soap making is found only in tropical oils, the tropical oils that are here under discussion with reference to the soap kettle, and which are now taxed 3 cents a pound, except babassu, and which you are proposing to tax 5 cents per pound.

Gentlemen, take the tax off on oils, denatured, for the soap kettle if you want to increase the consumption of American fats and oils in the soap kettle.

If you do that you will sell more of the soap, you will help to discourage the invention and the growth of the nonsoap detergents, and you will improve and you won't hurt in any way at all the market for American fats and oils. Make that tax greater and you are creating the greatest hazard, in my judgment, to the use of American fats and oils in the soap kettle that anybody could create, going absolutely, Senator, in the contrary direction of what you intend to go.

I am discussing, sir, soap alone. I have no comment to make upon the use of these oils in other industries, but, from the point of view of soap, you are going in the wrong direction. You have gone in the wrong direction thus far.

Let these coconut, palm, and palm-kernel oils, and babassu oil—although this last thus far has not been important—that come into this country for the soap kettle, be denatured so that it is unfit for human consumption and cannot compete with edible products—which is your principal market after all and your important price market after all—and then let those denatured oils come in entirely exempted from the present 3-cent tax. And here is what you will do—let me give you six points briefly:

First, you will, for all American consumers, make soap cheaper and more widely used. In the public interest this is a highly desirable end to achieve, because cleanliness is necessary to an American standard of healthful and wholesome living. For the good of the Nation we need more soap sales, not less.

Second, you will, for American fat producers, materially assist toward conserving the soap kettle, as at least a billion-pound market, for their domestic product. In fact, you will help this market to grow by helping soap production to grow and sales to increase.

Third, you will accomplish this without any appreciable effect upon the price structure of other oils and fats because the total amount of soap-kettle consumption of these noncompeting glycerol-laurate oils would not only be inedible, but it's too small anyway, by comparison with the total 9,000,000,000-pound United States consumption of oils and fats to have any real effect. Industrial oils should always be handled separately in these tax measures from the edible oils.

That is absolutely sound. If you will denature these things you will have these products going into the one place where they have to go anyway, they will have no effect upon the price that will be appreciable, and they will increase the quantity consumption in that channel of American fats and oils.

Fourth, you will be aiding in meeting the obligation that rests upon this country to deal fairly with the 4,000,000 persons in the Philippine Islands whose livelihood and purchasing power depend upon coconut oil. These people have suffered from the 3-cent tax. They will suffer more from a 5-cent tax. You can give them a new lease on life, and a new faith in America, and establish our relationship with the Philippine Islands on a sounder basis by abolishing the present tax when the oil is denatured for soap making.

Fifth, you will aid the export market for American fats, and particularly for American lard, because Philippine coconut oil when severely and artificially depressed in price by these staggering taxes necessarily and in desperation seeks outlet in Europe and elsewhere at prices which rob American farmers of the export opportunities they formerly enjoyed for lard and other edible fats. Shut off these export markets for our edible fats, as we are now doing in part by these very taxes, and you simply add to, and complicate the edible fat problem at home.

Sixth, and finally, our country has been led in recent days to believe that Congress wishes to consider how to aid business by reduced taxation, and that in this committee are a number who wish to lead in that direction. From personal daily contact with scores of small soapmakers—men and companies of whose names you never heard—I know how desperately they look to Congress for this relief. Some of them have been crushed out of business by the present taxes on these vital and necessary tropical oils; many others will assuredly have to cease operations if you increase upon them this already stiffing burden. The bigger and better-financed companies—the companies whose names you do know—are not to be compared in this respect to the little fellow, who for every carload of coconut, palm, or palm-kernel oil, has to lay out in cold cash $1,800 of tax money long before he can turn his purchase into soap, sell the soap, and collect his money; $3,000 per car is the cash burden that the amendments would place on such soap makers. Men everywhere speak with new hope of tax relief for business as a good program, and look to you men to lead in that direction. I doubt if there is a group in America that needs such relief so badly as a hundred companies in the soap industry that I could name. They pay every tax that anybody else pays, plus this tremendous tax payable in advance of production. I beg of you to take this present tax away. On the soap industry this tax is $15,000,000 a year, which is from 6 to 8 percent and more of the cost of making soap. These amendments propose to boost this tax, immediately on enactment, to $25,000,000. Don't do it. For the farmer, the soap maker, the consumer, in fact, the entire public, it's the worst policy you could adopt.

Instead, take that tax off, and I warrant you that you will help the consumer, the soap maker, especially the little soap maker, and the farmer.

All of this, gentlemen of the Finance Committee, is within the power of the Congress to do, with practically no loss whatever to the revenues of the Government. For, as you are well aware, the bulk of these extraordinary taxes, so far as the soap kettle is concerned, is on coconut oil from the Philippines and, under the revenue act which imposed the tax, every penny of the tax thus collected must be paid over to the Philippines. Not a nickel comes to the United States, and the Philippines have asked us not to send it over. They ask, as we do, that you permit tax-free entry of coconut oil from the Philippines denatured for the soap kettle. Take their advice and ours. It costs our Government nothing, and yet, through this simple and entirely practicable change, you will contribute materially, I am confident, toward the solution of the very problem that Senators Connally and Bailey have in mind; whereas, so far as the soap kettle is concerned, the step they propose is a step in absolutely the wrong direction.

Now, Mr. Chairman, you are very uneasy, I am afraid. The time is passing. However, I have heard here so many misleading and inaccurate statements, that, if it pleases you, I should like some way, and I think verbally is the only way that it should be done, to take those up. I do not want to trespass unduly on the time of this committee, but I do want to challenge directly and through uncontrovertible facts, some of the statements that have been made.

For example, that the price of soap has not gone up. Some Government statistics were submitted here. I would like to submit to you the correct Government statistics from the Bureau of Labor Statistics.

Senator King. Mr. Edlund, would it be agreeable to you, because our time is limited and we have a large number of witnesses yet to be heard, to submit your statement in writing?

Mr. Edlund. It is not in writing.

Senator KING. If you prepare it in writing we will put it in the record, and right at the conclusion of your remarks today. It will appear in the printed record as a part of your statement.

Mr. EDLUND. I would like to discuss it with you if it is possible, and I do think, sir, that the point I have to make is important enough for verbal discussion.

Senator KING. I think, perhaps at a later period in the hearing, we will give you the opportunity.

Mr. EDLUND. If I may have that, I would appreciate it very much, indeed. Thank you.

Senator KING. We will see what progress we make. I suggest in the meantime that you had better reduce what you have to say to writing, so that if opportunity for verbal explanation is denied you, we may have the advantage of your own statement appearing in the record.

Mr. EDLUND. All right.

Mr. LOOMIS. Congressman Hobbs is present, Senator, and I believe that he would like to make a statement.

Senator KING. Come forward, Mr. Hobbs.

## STATEMENT OF HON. SAM HOBBS, REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. HOBBS. Mr. Chairman and gentlemen of the Committee, I would like at the outset to disclaim any thought that I am an expert. I know very little about the subject. My only claim to trespass upon your patience and time is that I am a country boy from down in Alabama where this question is of vital importance to practically every one of the people that I try to represent.

The first point that I wish to make is that I, and those who are the proponents of these amendments, as I understand their position without conference with them, are not advocating the abrogation of any of our reciprocal trade agreements nor the breach of any part of those contracts that now exist with sister nations with whom we have negotiated them.

Senator KING. Pardon me. I understood that an amendment had been offered under the terms of which the State Department was to have an obligation to rescind some of these agreements that have been entered into.

Senator CONNALLY. When and if under their own terms it is permissible to do so.

Mr. HOBBS. That is the whole point. We are not asking them to rescind them a minute before, under their terms, it is permissible.

The second point that I wish to make is that we need help and need it as quickly as possible because we cannot conceive of any purpose to be served by the importation longer of more than a billion pounds of fats and oils or oil-bearing seeds, save to depress the American market for fats and oils. There are, you know, substantially more than that amount per annum of importations which are not only not needed, but which are not sold or used.

Senator CONNALLY. May I suggest that it is 1,800,000,000 instead of 1,000,000,000.

Mr. HOBBS. I said substantially over a billion, and I wanted to be conservative. Thank you, Senator.

Therefore, we cannot conceive of any reason why that amount of unused, unneeded, and unbought product should be brought in here except to depress the prices of our domestically produced fats and oils.

I am heartily in favor of the tariff that you gentlemen may reach the conclusion to impose after hearing the experts testify as to what will be needed in order to give us protection.

I would also like to draw your attention, if I may, to the Agricultural Adjustment Act of 1935, part of which was stricken down by the Supreme Court, as you know, in the *Hoosac Mills case, United States* v. *Butler.* In that case the decision went to the point of whether or not the processing taxes and the floor stock taxes were properly recoverable, or, rather, were properly collectible from the Hoosac Mills Co. As I read that case, and I have done so analytically and carefully in the light of this hearing, it is my opinion that that leaves section 22 of that act in statu quo ante, that is, still part of the law of the land, and that it is applicable in this situation if you gentlemen see fit to use it.

Senator BAILEY. What is that section 22?

Mr. HOBBS. That section provides that:

> Whenever the President has reason to believe that any one or more articles are being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which an adjustment program is in operation, under this title, he shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give preference to investigations under this section to determine such facts.

If the President finds the existence of such facts, he shall by proclamation impose such limitations as he finds necessary. The purpose of the A. A. A. was to increase and stabilize the prices of agricultural products. This purpose was to be accomplished by regulating production so as to make it conform to the economic law of supply and demand. Therefore, it is my opinion that any volume of imports sufficiently great to depress the prices of agricultural products in the United States would render or tend to render the A. A. A. program ineffective with respect of the products the prices of which were so depressed. Such imports would materially interfere with the A. A. A. program. It is also clear to my mind that such imports would reduce substantially the amount of the products processed in the United States from the affected commodities subject to the adjustment program.

It is entirely conceivable that excess importations of competing fats and oils could be so great as to render it foolish to crush cottonseed, for instance. This would reduce substantially the amount of cottonseed oil which normally is a product processed in the United States from a commodity subject to the adjustment program of the A. A. A. It is equally conceivable that such imports might result in the complete abandonment of cotton planting. This certainly would result in the substantial reduction of the amount of cottonseed oil.

The A. A. A. program is continuing to control production of these products, some of which contribute to the fats and oils production domestically, and it seems to me that section 22 is sufficiently broad to aid us in accomplishing the end sought.

Senator BAILEY. Was it brought forward in the 1935 act?

Mr. HOBBS. No, sir; it was not, because of the fact, so I am told by the chairman of the House Agriculture Committee, that it was still thought to be the law. It seems to me that we ought, in our consideration of this problem, all of us who are interested in it, we ought to consider the use of both barrels of this double-barreled shotgun. Why not fire both the quota and the tariff barrels?

Senator BAILEY. What would you say in the light of the trade agreements?

Mr. HOBBS. I think that it would fit right in with the trade agreements, and that the President would certainly bear those in mind in making any promulgation under the authority given him in section 22.

Senator BAILEY. Do you think that the President could alter the trade agreements under the authority in section 22?

Mr. HOBBS. I think he could do so, as I think you gentlemen could.

Senator BAILEY. Legally; yes.

Mr. HOBBS. I think he could do it legally.

Senator BAILEY. As a technical legal matter?

Mr. HOBBS. I think so.

Senator BAILEY. That may be true. But there is a moral obligation of the Government. That is what is troubling us here.

Mr. HOBBS. I do not think it would be moral, nor do I think it would be wise, and I do not believe that it would be done, but I think that technically the Congress has the legal right and I believe the President has also.

Senator BAILEY. Yes; but if he is met by the same moral barriers that we are met with, the matter has to be considered in the light of that situation.

Mr. HOBBS. I think that as to the reciprocal-trade agreements, as they expire by their own terms or the time comes under the terms when we could give notice of our intention to abrogate——

Senator BAILEY (interrupting). That Congress might well give notice now that these agreements which now exist are in that respect, from that time on to be modified, and we desire that they should be abrogated in this particular respect at the earliest possible moment?

Mr. HOBBS. I certainly agree. I do not care to take up the time of this committee——

Senator BAILEY (interrupting). Just a moment, Mr. Hobbs, before you go. I have an article here from the Arkansas Democrat, editorial section, of recent date, in which you are quoted rather emphatically, and I want to offer this article by way of information to all who would read it. It is a very fine statement about the uses of soybeans and cottonseed and cottonseed meal, and their value to the Southern people. Have you seen it?

Mr. HOBBS. No, sir; I have not.

Senator BAILEY. You are quoted in there rather freely.

Senator KING. Will you indicate, Senator, what part of the article you wish to go in?

Senator BAILEY. That whole article.
Senator KING. Without objection, it will be placed into the record.
(The article referred to is as follows:)

ARKANSAS DEMOCRAT, EDITORIAL SECTION, LITTLE ROCK, SUNDAY, FEBRUARY 19, 1939—VEGETABLE OIL OFTEN AS VALUABLE AS PETROLEUM TO STATE—COTTONSEED AND SOYBEAN CROPS LAST YEAR BROUGHT ARKANSAS PRODUCERS APPROXIMATELY $14,000,000, ONLY $3,424,000 LESS THAN WAS RECEIVED FROM PETROLEUM PRODUCTS DURING THE SAME PERIOD—MOVEMENT IN WASHINGTON IS AIMED AT PROTECTION OF VEGETABLE OIL INDUSTRY

By William Johnson

Oil is a magic word. Its suggestion of riches gets in among the emotions and stirs them up as with a 10-foot pole.

A strike of oil in any healthy community will produce as much excitement as the total effects of an election, a circus, a fire, and from 4 to 15 visiting blondes.

You remember, no doubt, the glad hullabaloo that rang the Arkansas welkin when the Smackover field was opened in 1922.

But Arkansas has another oil output that rouses little commotion, yet which often has brought more money to the State in a year than it got from petroleum.

This other oil yield isn't found with a drill. It's brought up with a plow, for it's got from our cottonseed and soybean crops.

There's romance in this vegetable oil as thrilling as that which clusters around tall derricks raised against the sky and black, shiny streams gushing from the depths of the earth.

Marvels spring from cottonseed and soybean oil under the wizardry of the chemist's aid to manufacture, and more marvels from the meal left when the oil is extracted and from the fuzzy "overcoat" of cottonseed, and even the hulls.

These marvels serve us every moment of our lives. We take them for granted as ordinary matters, but they would have caused old Merlin, the prize wizard of legend, to stare pop-eyed and claw at his long white whiskers.

Think of just a few of the multitude of services we get from cottonseed and soybeans.

When you reach for a biscuit; paint the house; rub polish on your fingernails; blast out a rock; fry potatoes; varnish a chair; put on stockings or socks; look through the safety glass of your windshield; slip into a raincoat; lather soap onto your hands; pour salad dressing over your sliced tomatoes; apply cold cream to a patch of sunburn; lay down a piece of linoleum; admire the smooth, glossy back of your comb or hand mirror; fertilize your lawn; buy a horse collar; see a movie; open a package of feed for the goldfish; put some oilcloth on the kitchen table; or read the print in a newspaper or book—when you do any of these or a thousand other things that weave through your daily living you are probably drawing on the wonders that inventive genius has taken from cottonseed and soybeans.

For the oil or the meal they yield, or the linters or hulls of cottonseed, enter into all of the articles just named and into an additional list longer than the catalog of ills that an old-time blood purifier was "guaranteed" to cure.

COTTONSEED'S USEFULNESS

Mightier than the two crops, of course, in its vast and far-reaching usefulness is cottonseed. Science began to pull miracles from cottonseed way back in the 1870's, when one Hypolite Mige, a Frenchman, discovered how to make margarine from the oil.

That set a lot of nimble wits to work on this product, which before had been a troublesome waste—left in great heaps at the gins to rot and smell like a parade of garbage wagons, or dumped into streams, until laws were passed requiring other disposal.

The chemists and inventors soon found that the despised heaps of cottonseed were actually stacks of treasure when properly handled. They showed how to transform this waste into the second most valuable crop of the South—normally worth over $200,000,000 a year to its producers, and several times that much when put through a variety of industrial processes.

That triumph with cottonseed is a pointed subject to bring up when some skeptic snickers at the prospect of other farm products being given a bright place in the economic sun by the teamwork of chemists and manufacturers.

Soybeans, though anciently grown in the Far East, are a comparatively new crop in this country. Only since the World War have they taken much of a place in our farm program. But in that short time the oil has won an important place in food products, and for the oil and meal literally hundreds of uses have been found—in making products ranging from margarine and paint to glue, ink, and artificial rubber.

Scores of mills—some in Arkansas—are crushing oil from soybeans, and in the Middle West dozens of factories are manufacturing all sorts of products from the oil and the meal.

Much of the Arkansas crop, which is still small compared with the acreage in some of the Middle Western States, is sold for seed. But large possibilities in growing soybeans for crushing, and eventually for other industrial purposes, are seen by Arkansans who know their stuff.

And these men believe that Arkansas should strive to increase its acreage of the crop now, while it is still in the stage of expansion and development.

### CHEERING OUTLOOK

A cheering glimpse of what the future may hold for soybeans was given recently by R. A. Boyer, of the Ford Motor Co., which has pioneered in working out industrial uses for this crop.

Mr. Boyer said that in 1937 the company processed 12,000,000 pounds of soybeans grown in Michigan, "slightly north of the recognized soybean belt," getting 250,000 gallons of oil and 10,000,000 pounds of meal.

More than a third of the oil went into car enamel, Mr. Boyer related. Another large percentage was devoted to making glycerin, and the rest was employed in the company's foundry, which "is a large consumer of soybean oil, using in times of peak production 3,000 gallons a day."

A problem that arises in connection with increased production of soybean or other vegetable oil is what to do with the meal. Though the meal from soybeans and practically all oil crops is tiptop feed for livestock, there is a limit to the amount that can be disposed of in that way.

Mr. Boyer said the Ford Co. is trying to put all of the meal from its soybean crushing to use in its factory work, and he expressed hope of success in that plan.

A great deal of it has been going into plastics, he said, which appear as steering wheels, knobs, and sundry such car parts. The foundry and steel mill take another large quantity for molds to make castings.

Now, Mr. Boyer continued, the company is seeking, with promising results from its experiments, to use a material got from soybean meal for treating gaskets and to produce from the meal an interior water paint. He said a satisfactory paint of that type had been developed.

More spectacular was his statement that attempts to spin an upholstering fabric from cottonseed meal are coming along pretty well. The Italians are already making artificial wool from skim milk, and if a pan of cottage cheese can yield a woolen dress to the chemist, it doesn't seem unreasonable that he can get woollike seat covering from soybean-meal dough.

### AGE OF WONDERS

We certainly live in an age of wonders. And for the comfort of Arkansas many of these wonders are centered on the vegetable-oil crops which the State is so well adapted to produce.

Last year the State's cottonseed crop brought its producers $13,291,000, and soybeans jingled another $832,000 into their pockets. That was a total of $14,123,000—only $3,424,000 less than our petroleum paid last year.

And there were Government restrictions on the production of cotton and of soybeans sold for crushing, while the petroleum output was hiked by the opening of new fields.

Millions of dollars annually would be added to the returns from the State's present oil-bearing crops if the American market were not flooded by rivers of cheap competing oils poured into the country from the Tropics and Far East.

Congressman Sam Hobbs, of Alabama, declares that these imports knocked $15 a ton off the price of last year's cottonseed.

Figure what that meant to Arkansas. On the 596,000 tons of seed from our 1938 cotton crop we were poorer by the useful sum of $8,940,000—a million dollars more than the combined value of our rice and peach crops. And, of course, soybeans were cheapened, too.

But take just the loss on cottonseed. Add it to the amount we actually got last year from that crop and from soybeans and it totals up to $23,003,000—a sum far above our petroleum income last year.

### ONLY HALF THE STORY

Nor is that all of the story. This country is importing about 2,000,000,000 pounds of vegetable oils a year. Give that market to the American farmer and the South could grow millions of acres more of soybeans, peanuts, and other oil-bearing crops.

Such a development would go far to offset the plight of cotton. It might even hasten a solution of the cotton problem that southern scientists have been working on.

The solution is to harvest cotton and bale it up like hay, to be sent to factories which would extract the oil and then make the entire plant—line, stalks, and all—into things like rayon and paper.

Informed men believe that much of the cotton crop of the future will be handled in that way. A higher price for cottonseed oil and a larger market for it might well help that development along.

A fight for the home market for vegetable oils has begun, and southern leaders are in the front rank. They see no point in giving foreigners a hunk of the home market for a southern farm product when we get no offsetting return in foreign markets—when the foreign sales of our cotton are continuing to shrink.

Recently a number of southern and middle western Congressmen discussed a program for halting the influx of foreign oils. Producers from over the farm map are meeting and organizing to take the matter firmly in hand.

Here's an opinion on the revolt from Business Week:

"Importers of fats and oils are in for trouble. Spurred by tumbling prices of fats and oils produced in this country, domestic producers of soybean, cottonseed, corn, bean, and fish oils, also butter, tallow, lard, and grease, have ganged up for the avowed purpose of making the United States self-sufficient. The group is putting the 'heat' on Secretary Wallace and the Tariff Commission, and now is going down the line of Congressmen."

### CONGRESSMAN'S OPINION

Congressman Hobbs, after pointing out the wallop given cottonseed by the tremendous imports of vegetable oils, showed that soybeans are also taken for a price tumble. He declared:

"When this competition is removed—as I believe it should be—there is every reason to believe that this crop (soybeans) will come forward and increase in volume of production until it can give farmers a profitable crop for millions of acres of land now unprofitably used. * * *

"Farmers of the North and South, plagued by surplus crops, are looking for a substitute to occupy their fields and make them some small profit. Here is the greatest possible substitute, soybeans, whose oil can be used by American industry to the amount of a billion pounds a year.

"Yet the farmers and the processors are unable to move successfully in this direction because of the 2.75 (cents-a-pound) palm-oil imports and babassu oil at 5½ cents a pound and other cheap imports. Soybean oil today is selling below 5 cents a pound, and this is one reason for the low price of cottonseed oil.

"All this is due to the cheap imports. * * *"

Congressman Hobbs also referred to the huge quantities of oilseeds brought into this country for crushing, resulting in a big tonnage of meal which sells in competition with cottonseed and soybean meal, lowering the price they bring.

And here is another phase of the matter he brought out:

"Some people believe that should anything be done to limit or tax these imports it would hurt our foreign markets, especially for our cotton and tobacco. * * *

"Very little harm can come to cotton, tobacco, or wheat exporters in the United States by limiting our purchases or by taxing our import trade in oils and oil-bearing materials.

"These oils and oil materials are produced in areas and countries that already have, without including these products, an overwhelming balance of trade against the United States.

"They sell, exclusive of fats, oils, and oilseeds, a far greater volume to the United States than we sell, or have any reasonable expectation of selling, to them."

Our export cotton markets are dying. We must find new uses for millions of acres formerly devoted to the fleecy staple.

Oil crops and livestock are our best prospects.

There's a vast surplus of cotton, while the Nation is far from producing its needs of oils and fats.

If the world won't buy our cotton, why should we let it swamp us in its vegetable oils?

The fight against that injustice is on, and there's millions in it for Arkansas if the fight is won.

Mr. HOBBS. I wish to say most emphatically that I am in hearty accord with the amendments which I understand will be, or have been, offered in the Senate. I believe that we cannot wait upon this long process which would be necessary under section 22. I believe that the added burden of cost to the American consumer, if there would be any, which I very much doubt, from the proposed increase in taxes, would be a wise and profitable investment.

A nickel cake of soap still sells for a nickel. Prices of things processed from cottonseed vary very, very little, no matter what the price of cottonseed may be. I mean the same cake of soap sold for a nickel in my home town when cottonseed was bringing $60 a ton, and when seed sold for $10 a ton, it still cost us a nickel. Sixty-dollar seed meant $100,000,000 additional trade in our stores, with the cash registers all over the Cotton Belt ringing as a result of a surplus over the cost of ginning and picking; whereas it is a minus quantity now and has been for 2 years.

I am no expert, and I cannot argue the details of this, but I know I bought the soap. So I say, even if there should be an increase in the price of soap, and the American consuming public would suffer to that extent, I believe that the millions of idle acres that could be planted in profitable crops producing fats and oils would far outweigh that in the national economy. I believe that the swine producers, the cattle producers, the dairies and all kindred industries, the corn growers, and the other producers of oil, could be made more prosperous in a small degree by that increase in the tariffs; but over and above that, I believe that the two measures, the increased tariff plus the use of section 22 of the A. A. A. Act of 1935, would certainly result in a great benefit to the domestic producers of fats and oils.

The articles which have attacked the position that I have taken in my extensions in the House on this subject have, with strange unanimity, attacked my position on the point that the tax on the coconut oil has resulted in a marked increase in the price of tallow. They make fun of me because they say that I am going into the garbage can for prosperity for the American people, but they fail to catch the significance of their own admission, which is that the tariff that we placed as a Congress upon coconut oil has had the desired results, and even though one of the beneficiaries may have been the tallow industry, they admit that it has materially aided in the prosperity of some American business.

Thank you, gentlemen, so much, for the time and attention you have given me.

Senator BAILEY. At this point I would like to introduce a citation of law from the recently issued pamphlet entitled "Taxing Power of the Federal and State Governments," being a report of the Joint Committee on Internal Revenue Taxation, pursuant to section 102 (b) (6), Revenue Act of 1926, just a paragraph. It is entitled "Effect of Treaties Upon Federal Taxing Power." [Reading:]

Some mention should be made as to the effect of treaties with foreign countries upon the Federal taxing power. Under the Constitution (art. VI, cl. 2), a treaty is placed upon the same footing as an act of Congress. If the two are inconsistent, the one last in date will be controlling. For example, a statute declaring that Russian hemp imported into this country shall pay a duty of $40 per ton was held by the Supreme Court to repeal the stipulation in a prior treaty with Russia which in effect declared that the duty on Russian hemp should not be more than $25 (*Ropes* v. *Clinch*, 8 Blatch. 304). The courts have also held that a steamship clearing from Bremen, a port in the Hanseatic League, was liable for tonnage duties imposed by a Federal statute, as it was of a later date than a treaty (*North German Lloyd Steamship Co.* v. *Hedden* (C. C. N. J. 1890), 43 Fed. 17). These cases seem to indicate that treaties are not a limitation upon the Federal taxing power.

I just wanted to get those authorities in the record.

Senator KING. Mr. Loomis is the next witness. How much time do you desire, Mr. Loomis?

Mr. LOOMIS. I am going to be quite brief. I may get through in 5 minutes, and certainly I won't be over 10.

Senator KING. Proceed.

## STATEMENT OF A. M. LOOMIS, WASHINGTON REPRESENTATIVE, DOMESTIC FATS AND OILS CONFERENCE

Mr. LOOMIS. My name is A. M. Loomis, 945 Pennsylvania Avenue Washington, D. C. I am appearing as the Washington representative of the Domestic Fats and Oils Conference, which was represented here by Mr. Johnson yesterday, and I have nothing at all to add to his statement except my complete endorsement.

I am appearing here also as the Washington representative of the Association of American Producers of Domestic Inedible Fats, and I am appearing as the Washington representative and secretary of the National Dairy Union.

I want first to put into the record, with just a little bit of detail, the attitude of the National Dairy Union on this matter which is before the committee. The National Dairy Union is a voluntary organization of dairy farmers and butter producers in 17 or more States—an old established organization. I have been here as its Washington representative for 15 or 16 years. It is well known, I think, to everyone in Congress.

That organization about 5 or 6 years ago definitely decided to add to its legislative program the effort to secure proper protection against foreign imported fats and oils, and in carrying out that instruction from the organization, I have been active in the promotion of such measures as those which are now before you. These three amendments have the complete endorsement of the National Dairy Union.

Perhaps I had better say just a brief word as to why the National Dairy Union and the dairy organizations have taken this position.

There was a time in which it was a purely selfish matter, a matter of trying to increase the cost in the United States of the products which are sold in the United States in competition with butter. Within the pas few years, however, a new feature has been added to this. That has come about through the artificial controls which have been passed by Congress with respect to surplus crops in the United States. The net result of such legislation, the activities under it by the Agricultural Adjustment Administration, has been to take land out of the production of certain crops, leaving a wide range of necessity for farmers to use those acres for other crops.

As the whole proposition has worked out and been summarized up to the present time, it has resulted in a large increase in the production of hay, grain, and forage, the products which are used and have been used to increase the livestock production and the livestock population of the United States.

Up to the past year, the dairy industry has been able to maintain itself on a purely domestic basis over a long period of time, at least as long as I have been connected with it, but due to the conditions which I have indicated, during the past year—due to these conditions and others, I might say, during the past year—the dairy industry has gone to a definite surplus basis, a basis which, if continued very much longer, will throw the whole dairy and butter industry of the United States to a foreign price, a world price level.

We are anxious, and we have been increasingly anxious for the past 4 or 5 years, to find some way to increase the opportunity of American farmers to use these surplus acres for crops which would not increase livestock production, to use those acres for the production of crops which will fill a deficiency need in the United States, and we think we have it in this tax-law program.

I will not put the details in the record, but we have an annual deficiency in this country of from 1½ billion to 2 billion pounds of fats and oils. That, I think, is the philosophy and the unassailable philosophy which is back of the dairy industry in support of this legislation.

I am going to reply very briefly to one or two suggestions which have been made here that this legislation is likely to decrease the opportunity for the export of American fat products. I want to read into the record just one brief list of figures—only three or four. I have before me a pamphlet entitled "The Fats and Oils Trade in the United States," by Mr. Charles E. Lund, the specialist of the United States Department of Commerce on fats and oils. That publication is dated on one of its inside pages "February 1939." Here is a statement of the average prices for the years 1930 to 1938 of various oils, including coconut oil. You will remember that the initial tax of 3 cents a pound went into effect in 1934. The prices of coconut oil in the United States, the 1934 average, was at 0.030. In 1935 it was 0.047; in 1936 it was 0.053; in 1937, 0.063. In other words, during the 4 years that the tax law has been in operation, the prices of coconut oil increased instead of decreased.

The figures are already in the record which shows that during this same period the importation of fats and oils into the United States did not decrease due to the 3-cent tax, but actually increased every year up to 1937, and the decrease between 1937 and 1938 has still left a substantial increase in the 4- or 5-year period.

Now, it is not perfectly logical to say that if this tax has not decreased the sale of foreign fats and oils in the United States it has not increased the trade in these foreign fats and oils which have gone into our competing markets abroad. If there has not been an increase of foreign fats and oils going into our markets abroad, they have had no influence upon the sale of our fats and oil products abroad. We believe that to be absolutely a true statement of the case, that this fats-and-oils program in the United States has not affected the sale of our fats and oils abroad in any slightest particular, and we believe by the same reasoning and by the same historical background that the 5-cent tax which is proposed here will not decrease in the immediate future, at least, our importations of fats and oils to any serious or great extent.

Gentlemen, this world commerce in fats and oils is one of the most stupendous pieces of business that there is in the world. While the United States is one of the large importers, it is not the largest importer of fats and oils in the world. We do not believe that under any conceivable circumstances will we decrease our purchases of foreign fats and oils to such an extent as to divert any foreign fats and oils into any markets which will interfere with the normal sale of our fats products abroad.

That, I think, is the extent of the statement that I wish to make, gentlemen.

Senator BAILEY. I would like to hear from you a little further. The gentleman who preceded Mr. Hobbs made a very intelligent and impressive argument to the effect that the presence of fats, to some extent, and the proposed tax, to a great extent, would tend to reduce the consumption here in American soaps, and therefore American fats and oils. What do you say about that?

Mr. LOOMIS. There is nothing in the historical record since 1934 that would tend to bear that out.

Senator BAILEY. His theory is that the coconut oil is a great carrier of soap and makes soap extremely acceptable, consequently the more soap we use the more American fats and oils go into it. He says that we are in reverse; that we are going in the wrong direction. If we really want to increase the consumption of American fats and oils in the soap business, the thing to do is to denature the edible fats that are imported and let them come in free. That will protect your cottonseed, he says, and protect all your edible fats, but leave the market open for more soap of a very high quality, and therefore create a market for your edible fats here that go into the soap business. I would like to hear you on that.

Mr. LOOMIS. I will reply to that briefly in two parts. We have the historical record since 1934 in which the 3-cent tax has not decreased the consumption in the United States in the soap kettle of the lauric-acid oils.

Senator BAILEY. His point there was that there had been no increase, notwithstanding the fact that there had been an increase in population. That is, of course, significant.

Mr. LOOMIS. The reply to that is that the same statement applies to very many other industries in the United States, including the butter industry and the lard industry and the cottonseed industry, and so on. That is quite likely to be the result of many conditions other than this tax matter.

On the second ground, I know of no argument that has been advanced since this fats-and-oil tax first came before Congress—and, like Mr. Holman yesterday, I have been connected and concerned with this since 1920—no single argument which has been advanced or brought before Congress and met with such a unanimous and complete opposition from the producers of domestic fats and oils in the United States, the people who ought to know best, than this argument that the taxes may be remitted or canceled on inedibles. We hold—and I believe the industries that I represent here will agree unanimously on this proposition—that that is a plea only for special privilege for the industrial users of fats and oils in the United States, and that as a matter of economics and the economic effect, it will have practically the same effect upon prices of domestic fats and oils as if you remitted or repealed the entire tax structure. The reason for that is the fact that practically all the fats and oils produced here or abroad, perhaps with the exception of butter and lard, are themselves inedible at their initial point and remain inedible up to a certain refining and deodorizing process. Therefore, if the tax on denatured oils is abandoned, the importation of inedible oils, denatured oils from abroad, would immedaitely be in competition with practically every fat and oil produced in the United States, and consequently would have the depressing price effect of which we are all afraid and because of which we asked in 1934 for the enactment of the 1934 Tax Act, and now asks for the Connally and other amendments.

Senator BAILEY. What do you say as to his other argument, that if we lift the tax, and therefore the price of soap, that we tend to put up an umbrella over the whole trade which will induce the chemists to bring in a new form of soaps—to use his words, "detergents"—and tend then to diminish and almost eliminate the use of fats and oils in the soap business. What do you say to that?

Mr. LOOMIS. I have three things to say to that. First of all, I defer to Mr. Edlund in his knowledge and much closer information on that subject than anything that I could possibly have. But, second, that I do not believe that the increase of 2 cents in the tax on the coconut oil or the other oils will either deter or spur that work, that effort which is now going on by the research chemists. I think whatever is going to be done on that will happen anyway. And I want, third, to point out to this committee that the new agricultural research laboratories which have been set up under the appropriation of Congress last year will undoubtedly immediately make an effort to determine whether or not we can produce the lauric-acid oils or convert some of our oils into lauric acid, so that we may have in the United States the necessary lauric-acid oils to take care of all requirements which Mr. Edlund has been speaking about.

I have no more reason to believe that that is impossible than these other research projects of which we have heard. If we can get an added price for our domestic oils, it will add to the effort to carry on this research project for our own oils.

Senator CONNALLY. If we can get a better price for our domestic oils, it will stimulate the investigation into the use of these other oils or lathering oils?

Mr. LOOMIS. Yes.

Senator CONNALLY. Are there any other witnesses here for these amendments that want to be heard?

Senator BAILEY. I would like to hear again from the gentleman who testified yesterday, Mr. Holman.

Senator CONNALLY. There is another witness, Mr. MacDonald, representing the National Paint, Varnish & Lacquer Association.

How long will it take you to make your statement, Mr. MacDonald?

Mr. MACDONALD. About 15 minutes.

Senator CONNALLY. Will your testimony cover what has been said?

Mr. MACDONALD. No; I think it will be along a different line. I will speak only about drying oils from the standpoint only of the paint and varnish industry.

Senator CONNALLY. Proceed, then.

## STATEMENT OF M. Q. MACDONALD, REPRESENTING THE NATIONAL PAINT, VARNISH, AND LACQUER ASSOCIATION

Mr. MACDONALD. My name is M. Q. Macdonald, representing the National Paint, Varnish & Lacquer Association, with headquarters at 2201 New York Avenue, Washington.

Mr. Chairman, I would like to say at the outset that the American paint and varnish industry is not in the slightest degree unsympathetic with American farmers, who are confronted with the surplus problem, and, like others who have preceded me, we certainly subscribe to the theory that the American farmer should, if possible, have the American market; and we go further: We would like to find an American farmer to supply the American market for drying oils.

Some years ago the American paint manufacturers undertook a campaign to investigate and experiment with soybean oil and to promote the development of a domestic supply. They imported seed for oil-extraction tests and for distribution, and secured the assistance of agricultural experiment stations to urge planting and commercial production of soybean oil. Since that time the paint industry established the first commercial planting of tung trees to demonstrate that they could be grown in the South, and there are now probably 100,000 acres planted, and the industry is growing, although it is still in its infancy.

For the last 3 or 4 years, the industry has developed experimental plantings of perilla with a view to determining whether it cannot give the domestic farmer another cash crop and render this country independent of foreign countries for its supply of drying oils, as today we are utterly dependent. The industry, before the depression, contributed over $139,000 to the so-called flax-development program, the purpose of which was to stimulate further flax production, and render us independent of foreign sources.

We oppose any additional tax on drying oils. As perilla, to us, is the most important of the oils listed, I will use that to illustrate our objection.

Perilla oil has high drying value—greater drying power than linseed oil, possessing in many ways superior properties. It is useful for blending with oils of lower drying values, such as soybean oil, classed as a semidrying oil. It thus provides an outlet for a valuable domestic oil that is a competitor of cottonseed oil. As it provides an outlet for soybean oil, it relieves the pressure on cottonseed oil.

In 1937 the paint and varnish industry used 31,776,000 pounds of perilla oil. A tax increase of one-half cent per pound would amount to a total of $158,880. The additional cost per gallon of paint would amount roughly to 1 cent. This tax burden cannot be passed on to the consumer. Paint cannot be priced at $3.01 per gallon, or $2.76, or any similar figure. The cost would therefore just be another tax on overburdened industry—with no corresponding benefit to the American farmer.

You may query why, if this tax tends to reduce the amount of oils imported, does it not benefit the farmer.

As the immediate problem appears to be an oversupply of edible oils—cottonseed oil for example—it is necessary to distinguish between these edible oils and drying oils, a class to which perilla oil belongs. They are not in the same class, have very different characteristics and uses, and are therefore not competitive. To clarify that a little, a drying oil is one which, when spread in a thin layer, draws oxygen from the air and forms a hard elastic film such as you see on painted or varnished surfaces. Oil for salads or for cooking, of course, does not have this marked characteristic. You would not use olive oil or cottonseed oil for varnish and you would not use drying oils for salad.

Much has been said about the interchangeability of oils—suggesting as a conclusion that practically all are competitive. Theoretically, certain oils may at times be interchangeable to a greater or lesser degree but the fact that they must be processed in some manner may serve to prevent the interchange. It adds to the price, which is important in a highly competitive market such as the edible-oil market.

A much more satisfactory guide for determining true interchangeability as distinguished from theoretical interchangeability is the price that has been paid for certain drying oils. To illustrate, some years ago perilla oil was scarce and sold as high as 27 cents a pound, while linseed oil was selling for about a third of that price. If cottonseed oil were interchangeable with perilla, would hardheaded manufacturers have paid such prices for perilla, even for a short time?

It may be asked why a tax to discourage the use of perilla would not benefit American flax growers, because perilla and linseed oil are more nearly interchangeable. Aside from the fact that it possesses certain characteristics not found in linseed oil is the very important fact that the American farmer has today a ready market for every pound of flax he can grow, and American industry is obliged to import about two-thirds to three-quarters of its flaxseed requirements. Even if it were possible to accomplish the switching, by artificial and burdensome means, the entire demand for perilla to flaxseed, the effect would be merely to increase the importation of flaxseed from India and Argentina, and the American farmer producing, as he does today, a deficiency crop is not receiving the benefit. The Indian farmer is benefited, the American manufacturer is restricted in his choice of drying oils, and the American consumer has a more limited choice of products.

On the one hand there may be a surplus problem involving edible oils, or at least oils that are semidrying or nondrying, and on the other hand there is not a shadow of doubt that there is, and has been for years, and will be for years to come, a decided deficiency in the supply of necessary drying oils.

You may recall that in the recent report of the Munitions Board on strategic and critical materials and their relation to national defense, flaxseed was listed as one of the critical materials. This list was reproduced in a recent committee report on this subject. (S. Rept. 119, Cal. No. 125, Feb. 28, 1939, Committee on Military Affairs.)

It is apparent that if cottonseed oil or any other edible oil were interchangeable, a drying oil would not be on the list of critical materials.

I have pointed out that the additional cost of a tax on perilla is such that it cannot be passed on to the consumer; that paint cannot be sold for $2.51 or $2.76 per gallon; and that this tax merely adds an additional burden on industry without benefiting the American farmer.

It may be said, however, that if and when such mounting taxes or other fixed costs reach a point when they can be passed along, the farmer would suffer rather than benefit.

Without reflection, one might think of the paint manufacturer as the consumer of the farmer's oil. More accurately, the manufacturer is the salesman who finds, and develops, and holds (if he can) the market for the oil. He sells the product that contains the oil, and he faces most severe competition.

The farmer raising flaxseed never thinks of brick or stone as competitors, but brick and stone and stucco displace wood which is painted. We believe brick and stucco should be painted, and when it is painted, we and not the farmers do the selling job.

The farmer, occupied with production problems, does not have in mind the real competitors of his oil, more serious than any oils imported to supply a domestic deficiency. His market is not the paint manufacturer, and his competitors are the industries that compete for the consumer's dollar.

He has no anxiety concerning the ever-widening city limits and fire regulations, and the gradual disappearance of frame houses in cities, but brick and stone and stucco often displace paint.

Indoors, there is further competition with oil-bearing products. The floor of this committee room is covered with carpet—not varnish which carries oil.

There is also the shellac floor, and shellac is an insect product dissolved in alcohol. No oil.

There is competition in finishing the great wall areas, and the farmer's competitors are wallpaper, tinted plaster, and water paints. Furniture may be finished with varnish which contain oil, or with lacquer which does not.

The importance of the farmer's wallpaper competitor can be realized by a check of wallpaper production:

| | Rolls |
|---|---|
| 1933 | 289, 120, 472 |
| 1935 | 344, 406, 067 |
| 1937 | 411, 180, 355 |

With a roll of 7½ yards, 18 inch wide, and the 1937 production represents nearly 14 billion square feet of surface, and, allowing a coverage of 350 square feet, two coats, for a gallon of paint, that surface represents over 39 million gallons.

Water paints for walls, containing no oil, have likewise made a place for themselves. Cold-water paint and calcimine production year by year from 1932 to 1937 is as follows:

| | *Pounds* | | *Pounds* |
|---|---|---|---|
| 1932 | 38,480,972 | 1935 | 94,419,009 |
| 1933 | 50,853,340 | 1936 | 103,480,204 |
| 1934 | 72,739,547 | 1937 | 121,044,420 |

There are some of the farmer's competitors that are taking the market for the paint manufacturer's product that carries the farmer's oil.

Something was said about the synthetics by the soap industry. I cannot speak as to that, but there are synthetics in the paint and varnish industry. They are not coming, they are here, they are perfectly splendid products. Some carry no oil, some carry only about 30 percent of the oil that would have been taken by the old form of products. I wish that I had some of them here this morning. If I had thought of it, I would have brought them along. They are perfectly astonishing, and, as Mr. Edlund pointed out this morning, added costs to raw materials, and particularly when the manufacturer cannot pass those costs along to the consumer, just add a premium to research and the development of synthetics, and they are perfectly splendid; and it is the higher cost of current raw materials that stimulates further research.

The farmer who raises an oil-seed crop does not concern himself after it is sold, but the work has just begun. Every tax and every added cost not borne by other industries places his market in further jeopardy. The fats and oils situation presents a difficult, not a simple, problem solved by just another tax.

It is worth remembering also that some States produce petroleum and other States produce turpentine, and that neither mineral spirits nor turpentine is used in the application of 411,000,000 rolls of wallpaper or 121,000,000 pounds of water paint.

I think that it can be stated without reservation that if this additional tax on drying oil—and remember that I am distinguishing sharply between the drying oils that we have to import, from the other oils that are not drying oils and that are the chief problem confronting the committee today—that if this additional tax on the drying oil would solve the surplus edible-oil problem, we would support it and not oppose it. If we looked at it from a wholly selfish point of view—and we do not—we would all share in the prosperity of the South and all the agricultural States.

We cannot discuss the merits of Senator Connally's amendment except insofar as it may be extended by further amendment to include drying oils, of which there is a very serious deficiency.

Without receding from the position outlined, we wish to invite the committee's attention to the necessity for exempting stocks of oils on which the current excise tax of 4½ cents per pound has been paid. Otherwise, manufacturers who have already paid a price which includes the 4½-cent excise tax would be required to pay a new processing tax of 5 cents—a total of 9½ cents per pound. We assume that neither Senator Gillette nor the committee would intend such double taxation.

Thank you.

Senator CONNALLY. Since the other members of the committee have gone, except Senator Bailey and myself, we will recess until 2:30 this afternoon and will meet in this room.

(Whereupon, at 12:10 p. m., a recess was taken until 2:30 o'clock of the same day.)

AFTERNOON SESSION

(The hearing reconvened at 2:30 p. m.)

Senator GEORGE. The committee will come to order.

General Burnett, do you desire to make a supplemental statement?

General BURNETT. Yes, sir; in view of the change in the present situation.

## STATEMENT OF BRIG. GEN. CHARLES BURNETT—Resumed

General BURNETT. Mr. Chairman and gentlemen of the committee, I am Gen. Charles Burnett, Chief of the Bureau of Insular Affairs of the War Department, and I am appearing here on behalf of the War Department.

I should like, with your permission, to introduce into the record at this time a telegram received yesterday from the President of the Philippines.

Senator GEORGE. You may place it in the record. Do you wish to read it?

General BURNETT (reading):

RESOLUTION PROTESTING AGAINST REPORTED PROPOSALS IN THE CONGRESS OF THE UNITED STATES TO INCREASE THE EXCISE TAX ON PHILIPPINE COCONUT OIL

Whereas there is now pending in the Congress of the United States a proposal to increase the excise tax on coconut oil coming from the Philippines from 3 to 5 cents per pound; and

Whereas notwithstanding the 2 cents preferential now enjoyed by Philippines coconut oil, the coconut industry is already suffering from bedrock prices, and the elimination of such preferential through the increase of the tax from 3 to 5 cents will further reduce to misery millions of Filipinos who depend on this industry: Now, therefore, be it

*Resolved by the national assembly* to express as it does hereby express its strongest, firm, and decided opposition to and protest against any measure designed to increase the present excise tax on Philippine coconut oil; and

*Resolved further*, That this resolution be transmitted through His Excellency, the President of the Philippines, to the President and Congress of the United States, with the request that such representations be made by the duly authorized representatives of the Philippines in the said Congress and before the proper officials of the Government of the United States, in order to carry out the purposes of this resolution.

Adopted March 3, 1939.

I shall not repeat at this time the facts which I presented to you in my previous statement on this subject. I would like to point out now, however, that by the terms of the proposed amendment the Philippines, not having any trade agreement with the United States, would find themselves subjected to a tax of 5 cents per pound on their coconut oil immediately, whereas the tax on palm kernel oil would not become effective until the expiration of the British trade agreement on January 1, 1942. The result of this would be that from the date of the passage of this act until January 1, 1942, every pound of coconut-oil business which the Philippines have would go to the palm kernel crushers of Great Britain, the Netherlands, and Germany, these three countries being the world's largest crushers of palm kernels.

I shall not go into detail on the question of coconut oil versus cottonseed oil, as that has been done very effectively, I think, this morning, by Mr. Edlund, but it is difficult to understand this discrimination against coconut oil, for it certainly is little, if any, competitive with cottonseed oil in our markets. In the United States Tariff Commission's Report on Excise Taxes on Fats and Oils and Oil-Bearing Materials, dated March 6, 1939, we find the following statement:

> Only a relatively small part of the total consumption (of fats and oils) for all uses is derived from "foreign" materials—inclusive of coconut oil made from Philippine copra. Fats and oils of foreign derivation ordinarily account for about 5 percent of those used for edible purposes, for about one-third of those used for soaps, for about three-fourths of those used in paints, varnishes, and linoleums, and about one-fourth of those used in miscellaneous products.

From the same publication it may be noted that for the year 1937, of the total consumption of oils and fats used in soap manufacture, 17.1 percent was coconut oil, while cottonseed oil furnished only one-half of 1 percent, as cottonseed oil is not suitable for such purposes. It is a well-known fact that the kind of soap the American people will buy must contain a certain percentage of lauric acid. Cottonseed oil does not contain such acid, while coconut oil and palm kernel oil do.

On the other hand, it will be noted that cottonseed oil is steadily driving coconut oil out of the edible field. In 1935, the proportion in margarine was 32 percent cottonseed to 56 percent coconut; in 1936, 33 percent cottonseed to 46 percent coconut; in 1937, 53 percent cottonseed to 22 percent coconut. In other food products, the discrepancy is even more marked; in compounds and vegetable shortenings 72 percent cottonseed to eight-tenths of 1 percent coconut; in other edible products, 55 percent cottonseed to 12 percent coconut. From these considerations, it is apparent that coconut oil is not a harmful competitor to cottonseed oil, but fills a need in our economy that cottonseed oil can not supply.

The matter is of such tremendous importance that I feel justified in again referring to the effect of the passage of this proposed amendment on S. 1028, a bill which was expected to fix the future trade relations between the United States and the Philippine Islands. It is not too much to say that the whole economic, and, to a considerable extent, the political future of the Philippines is wrapped up in that bill which is now before the Senate Committee on Territories and Insular Possessions. That bill is the result of months of careful labor on the part of unprejudiced, fact-finding experts. Speaking for the American members, they had no particular group or section in mind, but only that of the country as a whole. It was their endeavor to arrive at a result that would be fair and just to bot countries and both peoples. Anyone who will read the report of the Joint Preparatory Committee must be struck by the obvious efforts to do justice to both peoples. This proposed amendment will ruin that work and will vitiate S. 1028, as it will so alter the bases upon which that bill was formulated, that any further consideration of it in anything approaching the present form would be useless.

Senator KING. The next witness is J. M. Elizalde, Resident Commissioner of the Philippines.

## STATEMENT OF HON. J. M. ELIZALDE—Resumed

Mr. ELIZALDE. My name is J. M. Elizalde, Resident Commissioner of the Philippines to the United States, and I am appearing on behalf of my Government.

I want to thank the committee for giving me another opportunity to appear in opposition to this amendment which is going to be presented. I do not intend to go into any of the technical phases of this situation, as they have already been taken care of by the other statements, but it is my intention to make a personal appeal on behalf of the Philippine Government in relation to this bill.

If this amendment is carried through, the excise on coconut oil would really only affect the Philippine Islands directly, inasmuch as it covers and protects the countries that have already trade agreements, like Brazil on babassu oil, and the British and the Netherlands for palm kernel and palm oil.

The fact would be that the only country that would have its tax raised would be the Philippines, and that tax would be raised from 3 to 5 cents. It would stand 2 cents higher than palm kernel oil and palm oil. It would then be on the same basis as copra coming from the British possessions that is also protected by the reciprocal trade treaty.

If we are forced to pay 2 cents higher tax than the countries sending these babassu oil and palm kernel oil and palm oils in, our industry, I can say safely, would be completely destroyed. We would be unable to compete here under those conditions.

At the present time—I think I mentioned the other day—already our producers of copra are absorbing the bulk of this tax.

Senator KING. You mean of the present 3 cents?

Mr. ELIZALDE. Yes, sir. Our price has been reduced to about one-third of what it used to be, and it is most unprofitable to produce copra now except for the fact that most of the people that have those coconut plantations have no other alternative under such conditions than to produce copra.

It is for these reasons that I just am making an appeal on behalf of the Philippine Government, because I believe that this tax will not bring the benefit to the local producers of fats and oils, but would just simply drive Philippine copra out of this market and have it exchanged by copra imported from the British possessions and babassu, palm kernel, and palm oil coming from the British Empire, the Netherlands, and Germany.

I should like to insert in the record a cablegram from the United States Trade Commissioner at Manila to the United States Department of Commerce dated March 6, 1939.

Senator KING. Without objection, it may be placed in the record.

(The cablegram referred to is as follows:)

* * * local coconut oil industry perturbed on Congress bill to impose 5-cent excise tax on Philippine products, but feel that law will probably not pass since it will merely transfer consumption to palm oil, palm kernel oil, and babassu oil, now bound by treaty at lower rates. Certain that passage would wreck local industry and seriously affect Philippine economy.

Senator CONNALLY. I want to clarify this subject a little. Your contention is, as I understand it, that since the amendment has been modified, to not make it apply to these countries that have trade agreements, that that would operate in the case of Great Britain and Brazil and the Netherlands to allow palm oil and palm kernel oil to come in at a less rate than the Philippines would have to pay on their coconut oil, is that right?

Mr. ELIZALDE. Yes; that is exactly the case.

Senator CONNALLY. And your contention is that therefore we would turn to palm oil and palm kernel oil for these uses rather than coconut oil?

Mr. ELIZALDE. For the lauric acid containing oils. Obviously, if this would bring those products in at a lower price than copra, 2 cents lower, in fact, on the tax, that would be the result.

Senator CONNALLY. In other words, Mr. Elizalde, it is your contention, as I understand it, that the enactment of this amendment in its amended form would really amount to a preferential tax against the Philippines in favor of certain other nations?

Mr. ELIZALDE. That certain other nations during the duration of those trade agreements would get that benefit, which in the case of Great Britain will be at least 3 years more.

Senator CONNALLY. What I mean to say is that the nations which happen to be covered by trade agreements would, by the operation of this amended proposition, be given actual preference in the tax in the competitive products as against the Philippine Islands?

Mr. ELIZALDE. Exactly, sir. That is the case.

Senator CONNALLY. Is it not true, though, that in the case of Brazil, the trade agreement runs out within 6 months?

Mr. ELIZALDE. I could not say.

Senator CONNALLY. And also in the case of one other government; I am not sure about that, however.

Mr. ELIZALDE. I could not say how much longer all of them run.

Senator KING. Copra is one of the important products of the Philippines?

Mr. ELIZALDE. It is our second largest export, and we have 4 million people connected with that industry in the Philippines.

Senator KING. And if you are denied the market in the United States for your copra, the effect upon your economy would be most serious?

Mr. ELIZALDE. Most destructive, I would say.

Senator TOWNSEND. What percentage of the product comes to the United States?

Mr. ELIZALDE. Now, most of our product has been coming into the United States. I should say over 90 percent on account of the preference that we have in the excise tax, that we have been enjoying since the passage of the former bill.

Senator KING. Under the relations between the United States and the Philippines, your economy, as well as your political institutions have been tied, more or less, to the United States?

Mr. ELIZALDE. Our whole economy is tied to the United States at this time.

Senator KING. And so long as the United States has these relations, I assume you believe there is a sort of moral obligation on the part of the United States to deal with you very justly and fairly?

Mr. ELIZALDE. Yes, sir. And I would like to add that at the time of the passage of the first 3-cent excise tax, the President of the United States already made an appeal on our behalf against the passage of that 3-cent tax. I think that stands in the records.

Senator KING. Is there any other crop to which you might turn, or any other industry, if the copra industry were destroyed, to furnish employment or the livelihood to the 4 million who are engaged in the production of copra?

Mr. ELIZALDE. It would be practically impossible, sir; for the reason that, as I think I mentioned a moment ago, the coconut industry and the coconut plantations cannot be improvised or taken down on very short notice, because it is not a 1-year crop, like, for instance, one would say about sugar or vegetables. You plant coconut and it takes 7 years before it starts to yield. Therefore the people who own these plantations cannot destroy such plantations unless it was definite that there would be no more future whatsoever to that industry. It is not anything that they can turn away from.

Senator KING. No other questions. Thank you very much.

Senator CONNALLY. Let me ask you one other question. At present the Philippines enjoy a differential of 2 cents, do they not?

Mr. ELIZALDE. A differential of 2 cents on copra, but we pay the same tax as palm oil and palm-kernel oil.

Senator CONNALLY. You pay the same now?

Mr. ELIZALDE. Yes, sir.

Senator CONNALLY. Because the duty on palm oil and palm-kernel oil is nothing? It is on the free list, so the only tax that the palm oil and palm-kernel oil pay is the processing tax of 3 cents. Is that right?

Mr. ELIZALDE. I am not quite sure that palm-kernel oil is on the free list. I know that palm oil is, therefore palm oil and coconut oil from the Philippines stand on the same ground; in other words, 3 cents.

Senator CONNALLY. At present?

Mr. ELIZALDE. At present; and they serve the same purpose.

Senator CLARK. It amounts to this, does it not, Mr. Commissioner: That everybody pays the same tax on coconut oil, but you get yours back?

Mr. ELIZALDE. No, sir.

Senator GEORGE. No. The 1934 act was amended. You remember first that the act provided that the tax, when collected, be paid to the Philippine government. Some question of the legality of the tax in that form arose, and there was an amendment subsequently made which simply gave the Philippines and other insular possessions of the United States a preference of 2 cents.

Senator CONNALLY. The difference, as I understand it, is this: That these oils coming from other countries have a tariff duty of 2 cents.

Senator GEORGE. Not on coconut oil.

Mr. ELIZALDE. Palm oil does not, sir.

Senator CONNALLY. They have a tariff duty, as I understand it, of 2 cents.

Mr. ELIZALDE. Babassu oil does not pay a tax——

Senator CONNALLY (interposing). I am talking of these things that are taxed. There is a revenue duty of 2 cents, but we do not apply that to the Philippines. Therefore, when we put a processing tax on all of these, it gave the Philippines automatically a 2-cent preferential. Is that the way it happened?

Mr. ELIZALDE. No, sir. Palm oil pays no duty and pays a 3-cent tax.

Senator CONNALLY. Coconut oil from any other country would pay how much?

Mr. ELIZALDE. Five cents.

Senator CONNALLY. So the reason you get the differential is that there is a duty of 2 cents on it from other countries and none from the Philippines?

Mr. ELIZALDE. The differential is in the tax itself. Copra is on the free list. It is only a differential in the tax.

Senator CONNALLY. I did not think so.

Senator KING. Copra is on the free list from the Philippines according to the table.

That is all, thank you, Mr. Elizalde.

Senator BAILEY. I would like to have Mr. Holman come back.

Senator CONNALLY. Senator Bailey requested that he have the opportunity of asking some additional questions of Mr. Holman.

## STATEMENT OF CHARLES W. HOLMAN—Resumed

Senator BAILEY. One of the witnesses testified this morning, Mr. Holman, that coconut oil and copra were indispensible in the soap business for not only soap, but that they had such a peculiar value in making soap good and acceptable, that they were necessary to the fats and oils in this country, and that if we would denature the coconut oil and the copra and bring it in free, it would bring about a much larger sale of the American vegetable fats and oils. That was the argument. I would like to hear you on that subject. It may be true; I don't know.

Mr. HOLMAN. Mr. Chairman, regarding the first point, it may be true according to the present soap-manufacturing practices that those oils which have lauric acid in them are essential, although it was not true before we began importing oils of that character in this country. We had soap before that time.

Senator BAILEY. Is it not a fact that upon the introduction of the coconut oil and copra into American soaps, that the sale of soap became much more popular?

Mr. HOLMAN. The population of the country advanced, of course, in greater numbers, and not only is it true that there has been more soap used, but also other products out of which these imported oils and fats and the domestic oils and fats are used, have increased in consumption.

Senator BAILEY. Are you prepared to say whether or not it would be good policy for us to denature coconut oil and copra? Would it be good policy from the standpoint of American producers of vegetable oils and fats? That is the question that was raised here, and I would like to have it discussed.

Mr. HOLMAN. I will be very glad to discuss that particular point.

Senator KING. By denaturing, it would make it nonedible?

Senator BAILEY. That is as I understand.

Mr. HOLMAN. If the committee please, the question of denaturing imported oils for soap-making purposes—and we will have to extend that to other inedible uses—is an old question before this committee. It hinges around the question of interchangeability of the oils and fats.

The three greatest consumers of the most generally imported oils and fats are the soap industry to begin with, the shortening industry, and the oleomargarine industry. Of these, the soap industry probably consumes more imported oils and fats than any other industry.

Senator KING. There is no question about that, is there, Mr. Holman?

Mr. HOLMAN. I do not think so, Senator. And on that very fact hinges my argument. For example, in 1937, the soap industry consumed seven hundred and forty-four million-odd pounds of oils and fats that were imported, with this possible exception, that we have been unable to determine with regard to the marine and fish oils, which are domestic and which are imported.

Senator BAILEY. Except for one thing. The imported fish oils were about 10 percent domestic oils.

Mr. HOLMAN. Yes. We can give you the exact quantities, I assume; but what were imported and which were not, we do not know. It consumed almost an equivalent amount of domestic oils and fats, namely 731,569,000 pounds.

The shortening industry uses approximately one-quarter of a billion pounds of imported oils and fats, and the oleomargarine industry uses approximately 106,000,000 pounds of imported fats also. These major oils that we are discussing in the Connally amendment particularly are involved in all three of these industries.

If you permit any one of these great buyers to have the right to fill their vats free of duty or free of tax just because the product has been rendered unfit for edible purposes, you have removed from the market a tremendous buying force to sustain the prices of domestic oils and fats; and do not forget that, in this connection, nearly all of these large buyers are huge owners and operators of domestic crude oil mills. For example, Mr. Barnes, representing the Procter & Gamble Co., who testified 2 or 3 days ago, admitted the well-known fact of ownership of a string of mills in the South. Swift & Co., who are large makers of soap and large makers of compound and large makers of oleomargine and also large makers of lard, own—the last I heard, approximately a hundred cottonseed mills in the South. The pricing operations of these large buyers are dependent not upon having those cottonseed oil mills in the South make any money whatsoever; they can run them at a loss if necessary; but because of what we often call the blind broker system of selling domestic oils in this country. Suppose a little independent cottonseed oil mill, say in Mount Pleasant, Tex., where I used to live and I used to be in the cottonseed oil mill business there—would call up Dallas and say, "We have got three tanks of cottonseed oil to sell." The broker would call back in a few hours and say "I can offer you so-and-so much for it." The mill operator does not know whether that oil is to go into lard substitutes, into oleomargarine, into lard compounds, or into salad dressings.

Now, let us say that these large owners of oil mills in the South, these string mills, desire to break the market a quarter of a cent or a half a cent—and a quarter of a cent means a lot of difference in what kind of a formula you use in making either lard substitutes, soap, dressings, or even oleomargarine.

The offerings from the string mills into the market would affect the prices that we would get for our crude cottonseed oil, and it would be only after we had made a deal that we would know whether we were to ship it to Procter & Gamble, to Armour, Swift, or other buyers; and, since they are all engaged in the same business, we feel that if we permit this principle of denaturing to be made part of the governmental policy, we will simply have given the great users of these oils and fats the opportunity that they want of breaking down the price structure intended to be erected by the domestic producers of the raw materials by using the combined tariff and tax policy of the Government as the basis of some degree of price stabilization for domestic oils and fats.

That is very complicated, but I do not think it is difficult to understand if you realize the tremendous buying power which could be exercised by the soap manufacturers on three-quarters of a billion pounds of imported raw materials if allowed to come in free, and it would completely, in my judgment, nullify the operation for pricing purposes of the tariff and tax structure.

Senator BAILEY. Would they use more of the copra and coconut oil if it came in free?

Mr. HOLMAN. When they begin to buy from the cotton-oil mills or from the fish factories, they always talk of price. They say, "I can get something else for a quarter of a cent less." They do shift their formulas according to what price they can get the oils and fats for.

Now, as to the extent to which coconut oil is absolutely necessary in the soap trade, it has not been made clear to this committee. The facts are that only about a quarter of a billion pounds of coconut oil is used in the very great soap business. For example, in 1937, 252,241,000 pounds of it was used out of a total oils and fats consumption of 1,475,756,000 pounds.

Now, we all know, anybody knows that this coconut oil is not used in all types of soap. Many of the types of soap that we get are made exclusively out of the hard fats. I presume they desire these oils in part because of their lathering qualities.

In how many soaps do you get that lather? I travel 80 percent of the time; I am in the hotels, and half of the soap that I get in the hotels won't lather at all, and I know that they are made from combinations of beef scraps and other hard oils or fats. It is only certain brands of toilet soap for which they really want the coconut oil and possibly other imported oils.

As to whether lauric acid exists in palm-kernel oil or palm oil, I don't know. During the noon hour, I looked up Lewkowitsch, the greatest oil authority on the utilizations in the world, but unfortunately that particular edition is about 5 years old. The only reference to the existence of lauric acid in these oils and fats had to do with coconut oil.

If that should turn out to be the case, then no matter what duty you put on it or what tax, if it is essential, they will bring it in; but as I have stated before, we have never advocated a prohibitive duty but only what we believe to be a reasonable duty, taking into consideration the various needs of industry.

While I am on this subject, I was advised this morning that the list of prices which I gave to the committee yesterday had been brought into question. The statement was on a certain type of laundry soap that the price had not varied a cent a pound from 1934 to 1938. The quotations we took from the United States Bureau of Labor Statistics. They are based upon the price at Philadelphia wholesale per 11-ounce cake, and for the last 4 years, these 11-ounce cakes, as I stated, have been quoted as being 4.067 per pound. That happens to be upon inquiry, the best known and most widely used brand of soap for laundry purposes in the United States.

We have also secured from the Bureau of Labor Statistics their revised quotation on the wholesale prices of soap by index numbers from 1926 through and including 1937. Time did not permit us to carry this back clear to 1926 as to the actual prices per pound, but we understand this is a number of varieties of soap, yellow for laundering, for toilet, for chips and flakes; but from 1934 on to and including 1938, the variations in price on the laundry soap is as follows:

| | Cents | | Cents |
|---|---|---|---|
| 1934 | 3.87 | 1937 | 5.13 |
| 1935 | 4.42 | 1938 | 4.80 |
| 1936 | 4.56 | | |

Nowhere does even that combination of laundry bars represent a price variation of 1 cent per pound.

I would like to file this entire table with the committee only to sustain the fact that we tried to present this committee with facts as we find them.

Have I answered your question?

Senator BAILEY. Yes.

Senator CONNALLY. Mr. Holman, let me ask you. Did you hear the testimony of General Burnett awhile ago?

Mr. HOLMAN. I heard a part of it. If you could ask me a direct question, I will try to answer it.

Senator CONNALLY. I will ask the question now. Under the trade agreements with these foreign countries—are you familiar with them?

Mr. HOLMAN. To some degree; yes. I have read them all.

Senator CONNALLY. Are there any terms there that affect the duty or excise tax on copra or coconut oil?

Mr. HOLMAN. Yes, sir.

Senator CONNALLY. What are the terms with Great Britain?

Mr. HOLMAN. Under the treaty with Great Britain, which is effective from our point of view—that is, from our side—on the 1st of January 1939 but which probably is not yet in effect because of Parliament's failure to act, we have bound copra free. That applies both to the Philippines and to other countries, but that of course does not affect the internal tax of 3 cents on making crude oil from copra, whether from the Philippines or other countries, or any further processing of coconut oil in whatever form it comes in. That leaves the Philippines, however, in a preferential position with other countries of the world, of 2 cents per pound in terms of oil. This preference is due to the fact that there is an additional processing tax on coconut oil of 2 cents when imported from countries other than the Philippines.

Senator CONNALLY. You mean that this tax proposed as an amendment then would tax the processing?

Mr. HOLMAN. Yes; the proposed tax in the Connally amendment if it became effective would preserve the advantage the Philippines now enjoy.

Senator CONNALLY. What I am trying to ask you is, Under the British trade agreement, would this tax be effective on the processing of coconut oil coming from the British possessions?

Mr. HOLMAN. Not according to the way we understand the agreements. They have only bound the tariff on copra, so they have not affected the internal tax. I may be wrong.

Senator CONNALLY. That is what I am asking you. Would not this tax increase then, the processing tax on coconut oil made from copra coming from the British possessions?

Mr. HOLMAN. No, Senator. The Commissioner is right in my judgment, to this extent, that it binds any further increase from countries outside of the Philippines for the first 3 years of the British agreement. I think the Commissioner is right there.

Senator CONNALLY. I thought you said it did not make any provision about internal taxes—the treaty with Great Britain. This is an independent tax.

Mr. HOLMAN. My record here only indicates that the tariff is bound. I want to check into that.

Senator CONNALLY. I wish you would.

Mr. HOLMAN. I did not make that particular examination. It does not indicate that the internal tax was bound——

Senator CONNALLY (interrupting). If it is not bound, this tax will be effective, won't it?

Mr. HOLMAN. If the internal tax is not bound, then it would apply equally to the other countries. As a matter of fact—I beg your pardon—according to our studies, the internal tax is not bound, and the result of the Connally treatment would be as follows: Coconut oil from the Philippines would take 5 cents a pound, and coconut oil from other countries would take 9 cents a pound.

Senator CONNALLY. Seven cents, would it not?

Mr. HOLMAN. No; 9 cents. Coconut oil and copra from the Philippines would take 5 cents a pound. We do not think that the internal tax is bound.

Senator CLARK. Does not that trade agreement say in so many words "excepting only excise taxes in effect at the time of the entrance into that trade agreement"? That was the testimony both from Mr. Hull and Mr. Wallace before this committee.

Mr. HOLMAN. I do not recall the exact language of that treaty. I have before me only the analysis as we have made it of the changes in the duties and put into tables.

Senator CLARK. That was certainly the basis of the whole testimony of Secretary Hull and Secretary Sayre and Secretary Wallace. I am bound to say that I never read the agreement.

Mr. HOLMAN. The agreements themselves would stand as the best evidence, but our analysis is that such would be the result if the Connally amendment became effective. The Philippines would then have, as they now have, a monopoly on practically all of the copra and all of the coconut oil that comes into the United States.

Senator CONNALLY. That is very important, Mr. Holman, and I wish you would pursue that study and report later.

Mr. HOLMAN. Yes. And that is a very important monopoly. I will be glad to check this table, because we want to be absolutely accurate.

Following that out, the Philippines must of course be conscious of the possibilities of having their entire trade taken away from them provided adequate crushing facilities are furnished, and there is plenty of American capital to do it, with regard to the Brazilian supply of babassu nuts. And while we are on this subject, the babassu is just a palm like the coconut is a palm, and like what we call palm oil—the babassu is a palm. There are many varieties of palms.

I have information that the native supply of babassu nuts is practically unlimited, but the reason why Brazil is not shipping more is because she does not have the machinery for cracking and crushing. It is a rather difficult undertaking, but since babassu nuts were bound on the free list, the importations into this country have increased rather rapidly, and the absorption has been largely into two classes of utilization; one, the oleomargarine industry, and the other, the soap industry.

The Senators from the South will recall that certain large operators in lint cotton within the last 10 years have put millions into Brazil to develop plantations in competition with southern cotton lint. If this industry is profitable in Brazil, the same millions or different millions will be easily available to wipe out the Philippine competition if there is any lauric acid in, we will say, babassu oil. I don't know.

Senator CONNALLY. The Brazilian treaty expires in 6 months, does it not?

Mr. HOLMAN. It is now in a position where we can serve notice of termination for the purposes of the amendment.

Senator KING. Is that all?

Senator GEORGE. Have you kept up with the price of cottonseed oil since these hearings commenced?

Mr. HOLMAN. No, Senator; I have not. This week, you mean?

Senator GEORGE. Yes. I mean particularly since the State Department appeared here and offered testimony regarding these trade agreements as moral bars at least to legislation by the Congress as proposed in these amendments. You have not observed the quotations on cottonseed oil?

Mr. HOLMAN. No, sir; but I would be glad to have you illuminate the situation.

Senator BAILEY. Cottonseed oil dropped 30 points immediately.

Senator CONNALLY. The news being sent to the markets on the testimony of Mr. Hull and Mr. Wallace?

Senator GEORGE. The daily quotations indicated that. I thought you may have verified it.

Senator CONNALLY. I put a clipping into the record yesterday showing it.

Senator GEORGE. Well, I was not at the hearing yesterday.

Senator CONNALLY. On the other hand, I think it is fair to say that the other side claims that upon the introduction of these amendments the price of cottonseed oil had advanced, and then when Mr. Hull objected and said it could not be done on account of the trade treaties, it receded. It marched up hill and marched down.

Senator KING. There may be other factors.

Senator GEORGE. It all indicates that this tax must have some effect on prices of cottonseed oil. That is the point I wanted to make.

Mr. HOLMAN. May I make this point if it is the conclusion of my testimony? The adequacy of a combined tariff and tax upon this vast range of the oils and fats depends entirely upon the extent which holes are hacked in the so-called wall. Because of the interchangeability, the moment you cut down one little gap in your wall, immediately all of the users take advantage of that opportunity and shift their purchases from one oil to another.

Senator GEORGE. That is to say, they may shift it?

Mr. HOLMAN. They do. Our records show how much. I could prove to you over years and years how, just as soon as an advantage of that character is given them, they stop using an oil, or they at least lower the amount of utilization and go over to the other oil where it is more profitable for them to take in a supply. And that is natural; I would do it myself.

Senator KING. There are some commodities, however, that stand in an exclusive capacity or position, and you may not find in the other branches of the industry anything that would take the place of that particular commodity. You do not find anything that takes the place of silk. You have rayon and other commodities, but still silk stands out there. Of course, you may use cotton or rayon, but silk, silk is silk, and coconut oil is coconut oil and is essential for soap and gives a better saponification, and unless they find something that is equally as good or better, they will continue to use coconut oil.

Mr. HOLMAN. But with regard to oils and fats, that is more relative than absolute?

Senator KING. Are you through?

Mr. HOLMAN. Yes, sir.

Senator KING. I want to read just a paragraph from the Tariff Commission pamphlet Excise Taxes on Fats and Oils and Oil Bearing Materials, dated March 6, 1939, page 4. I understand that the entire pamphlet is in the record, but I want to read just one paragraph to challenge attention to it:

*Soap.*—Table 2 shows the oils and fats used in the manufacture of soap in the United States during the years 1931–37. It will be noted that there has been little variation in the total quantity of oils used from year to year. There has been a decline in the proportion of animal greases used and an increase in the proportion of fish oil. The proportions of coconut oil, palm-kernel oil, and babassu oil have also changed somewhat from year to year, but the proportion of the total of these oils has remained almost constant. All three of these foreign oils contain lauric acid, a necessary constituent of free-lathering soaps of the varieties most in demand in the United States. To produce them, a substantial fraction of the oil ingredient must be some oil containing lauric acid. The proportion of such oil can be altered within limits, however, and to this extent other oils and fats can replace it. No oil or fat now produced in the United States or likely to be produced in any appreciable quantity contains any lauric acid.

(Mr. Holman submitted the following table:)

*Wholesale prices—Soap, index numbers (1926=100), 1926 to 1938, inclusive, and average price, 1938*

[U. S. Department of Labor, Bureau of Labor Statistics, Washington]

| Year | Yellow laundry bars | | Toilet | | Chips and flakes, packaged | |
|---|---|---|---|---|---|---|
| | Index number | Average price | Index number | Average price | Index number | Average price |
| | | *Cents* | | *Cents* | | *Cents* |
| 1926 | 100.0 | 5.46 | 100.0 | 25.16 | 100.0 | 10.18 |
| 1927 | 95.3 | .......... | 99.1 | .......... | 93.8 | .......... |
| 1928 | 98.9 | .......... | 93.0 | .......... | 90.0 | .......... |
| 1929 | 105.5 | .......... | 93.5 | .......... | 87.8 | .......... |
| 1930 | 103.4 | .......... | 94.3 | .......... | 92.7 | .......... |
| 1931 | 90.8 | .......... | 94.3 | .......... | 74.9 | .......... |
| 1932 | 75.3 | .......... | 82.4 | .......... | 59.4 | .......... |
| 1933 | 71.5 | .......... | 70.9 | .......... | 58.6 | .......... |
| 1934 | 70.9 | 3.87 | 65.1 | 16.38 | 58.9 | 6.00 |
| 1935 | 80.0 | 4.42 | 68.4 | 17.21 | 68.0 | 6.92 |
| 1936 | 83.5 | 4.56 | 71.8 | 18.06 | 71.3 | 7.26 |
| 1937 | 94.0 | 5.13 | 76.5 | 19.25 | 78.7 | 8.01 |
| 1938 | 87.9 | [1] 4.80 | 76.3 | [2] 19.20 | 71.7 | [3] 7.30 |

[1] Average price 4.8 cents per pound.
[2] Average price 19.2 cents per pound.
[3] Average price 7.3 cents per pound.

(Subsequently the following communication was received from Mr. Holman and ordered to be printed in the record:)

THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION,
*Washington, D. C., March 13, 1939.*

Hon. PAT HARRISON,
*Chairman, Senate Finance Committee, Washington, D. C.*

DEAR SENATOR HARRISON: During the course of my testimony before the Senate Finance Committee on Thursday afternoon, March 9, 1939, having been recalled at the instance of Senator Bailey, the question of the effect of the terms of the trade agreement with the United Kingdom on the duty or excise tax covering copra or coconut oil was directed to me by Senator Connally. My reply, upon reference to a table compiled by our organization and which appears in the record in connection with my previous testimony, was to the effect that only the tariff on copra was bound and not the internal taxes. Senator Connally requested that I pursue the subject further and report. This I have done and my conclusions are set out in this communication.

Under the tariff act and amendments thereto, copra, as such, bears neither a duty nor an internal tax. Coconut oil, on the other hand, when imported from countries other than the Philippines, carries a duty of 2 cents per pound, a first domestic processing tax of 3 cents per pound and an additional processing tax of 2 cents per pound. This results in a total combined tariff and internal tax imposition of 7 cents to which would be added a further 2 cents per pound internal tax by virtue of the Connally amendment, or a total of 9 cents per pound.

Both copra and coconut oil imported from the Philippines are duty-free but coconut oil is subject to the 3 cents per pound first processing tax. Coconut oil is expressly excepted from the additional 2 cents processing tax levied against similar importations from other countries. The present 3 cents per pound processing tax on coconut oil from the Philippines would be increased to 5 cents by the Connally amendment. The result would be:

| | Duty | Present internal tax | Connally amendment | Total |
|---|---|---|---|---|
| | *Cents* | *Cents* | *Cents* | *Cents* |
| Coconut oil: | | | | |
| Philippines | None | 3 | 2 | 5 |
| Other countries | 2 | 5 | 2 | 9 |
| Copra: | | | | |
| Philippines, when converted to oil | None | 3 | 2 | 5 |
| Other countries, when converted to oil | None | 5 | 2 | 7 |

Hence importations from the Philippines, under the proposed Connally amendment would retain their present favorable differential of 2 cents per pound on copra and gain an additional 2 cents per pound, or total of 4 cents per pound on coconut oil, assuming the trade agreement with the United Kingdom does not bind internal taxes.

Turning then to the agreement with the United Kingdom, we find that coconut oil is not listed in schedule IV, being the schedule of articles applicable to the United Kingdom and subject matter of the agreement. Copra is listed in said schedule and is bound duty free, according to both the language of the schedule as contained in the agreement and the following language embodied in article XII of the agreement:

"Articles the growth, produce, or manufacture of any of the territories to which this agreement applies on the part of His Majesty the King, enumerated and described in schedule IV annexed to this agreement, shall, on their importation into the United States of America, from whatever place arriving, be exempt from ordinary customs duties other or higher than those set forth and provided for in the said schedule IV, subject to the conditions therein set out. The said articles shall also be exempt from all other duties, taxes, fees, charges, or exactions of any kind, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this agreement or required to be imposed thereafter under laws of the United States of America in force on the day of the signature of this agreement."

This quoted language is apparently that to which Senator Clark referred when he injected the following into the record:

"Senator CLARK. Does not that trade agreement say in so many words 'excepting only excise taxes in effect at the time of the entrance into that trade agreement'? That was the testimony both from Mr. Hull and Mr. Wallace before this committee."

In addition, however, the trade agreement contains the following provision:

"ARTICLE III

"Articles the growth, produce, or manufacture of the territories of either high contracting party shall, after importation into the territories of the other, be exempt from all internal taxes, fees, charges, or exactions other or higher than those payable on or in connection with like articles of domestic or any other origin, except as otherwise required by laws in force on the day of the signature of this agreement and subject, in the case of the United States of America, to the constitutional limitations on the authority of the Federal Government."

This language, in our opinion, is open to the possible interpretation that internal taxes are bound as of the day of signature of the agreement. If that be true, then the agreement binds internal taxes on copra, when converted to oil, at the present rate of 5 cents per pound on importations from countries other than the Philippines.

Furthermore, if this is true, then the fears expressed by the Philippine Commissioner would be justified, namely, that the Philippines for the life of the agreement (3 years), or longer until denounced, would lose its preferential position under the Connally amendment. This would assume that the amendment could be applied as to the Philippines but not as to other countries during the life of the United Kingdom agreement.

In this connection we were informed in a conversation with the Trade Agreement Division of the State Department that internal taxes on coconut oil are not bound in the United Kingdom agreement. Irrespective of this fact, we deemed it advisable to apprise the committee of the language contained in the agreement and the possible construction that may be placed thereon.

In concluding, one further fact should be called to the committee's attention. An examination of the trade agreement with the United Kingdom has revealed that wherever an internal tax is bound a notation to that effect follows the listing of the commodity in the schedule. For example, in the agreement at schedule IV, page 61, following the commodity "palm-kernel oil" appears a notation to the effect that no Federal internal tax in excess of the rate of 3 cents per pound shall be imposed in the United States in respect of palm-kernel oil. No such notation follows the listing of the commodity "copra" as it appears at page 62 of the trade agreement. Failure to so notate may have resulted, however, from the fact that copra as such, and as we have stated, carries no internal tax—rather only its oil equivalent, namely, coconut oil.

The important point is, however, that the only authority we find in the agreement for binding the present internal tax on palm-kernel oil, for instance, is the language of article III, set out above. This provision, in our opinion, may apply equally as well to copra which is imported duty free but thereafter converted into its oil equivalent. Under this reasoning on that oil equivalent, the internal tax would be bound at 5 cents on importations from countries other than the Philippines.

Sincerely yours,

Chas. W. Holman, *Secretary*.

## STATEMENT OF J. A. COULTER, VICE PRESIDENT, COLGATE-PALMOLIVE-PEET CO., JERSEY CITY, N. J.

Mr. Coulter. Gentlemen, I have been in the soap business for 35 years, starting out as a chemist. From that, I gradually went into the operating end of the business where I now am.

It came to me as a surprise today—I do not presume to know all there is to know about the business—but it came to me as a very definite surprise to learn from reading the record——

Senator Connally (interrupting). Will you speak a little louder so that the other witnesses can hear you?

Mr. Coulter. Certainly. It came to me as a surprise that soybean oil can be processed to replace coconut oil or palm-kernel oil. Gentlemen, whoever can do that, I don't care what his present compensation is, can find a better opportunity in the soap business. That has never been done. The oils are so diametrically opposite, you cannot possibly convert one into the other. You can make a hard oil out of the soft oils. In so doing, you may replace a tallow or palm oil, but coconut oil, never.

When the gentleman who preceded me on the stand I thought rather bitterly complained on the poor quality of soap that he finds in hotels, I am disposed to agree with him. That is due to the fact that the present price of coconut oil prevents the soap maker from using as high a percentage as he would like to use and still give the consuming public the goods at a price. If these oils could be used interchangeably with coconut oil, why has not that fact become known to the United States Government?

I have before me the Federal Standard Stock Catalog, section 4, part 5, Federal Specifications on Soap, Salt Water. Under d-1:

Salt-water soap shall be a soap well made from pure coconut oil, pure palm-kernel oil, or a mixture thereof and the necessary alkali.

And so forth. The United States Navy uses annually from 2 to $2\frac{1}{2}$ million pounds of coconut-oil soap because their technicians are convinced of the fact that no other soap will give anything approaching a profuse lather in salt or hard water.

I have a few little exhibits here [producing].

There seems to have been a good deal of confusion about what lauric acid is. I have these samples of pure coconut-oil soap. I have samples here of pure tallow soap. It would be a great favor to me if any one of the distinguished gentlemen here would take a sample of each outside for just a moment and then report.

Senator BAILEY. I am not going to do it. [Laughter.]

Mr. COULTER. If I had the facilities here, I should be glad to make the demonstration for you here.

I have here a sample of soap that is commonly found in hotels. It is, in my opinion, one of the earliest coconut-oil-bearing soaps introduced, to the best of my recollection, in 1878, and because of the fact that it had coconut oil in it, it immediately sprang to a prominence and a position that it retains to this day. Because of the use of that coconut oil it has made it possible to use millions and millions of pounds of tallow.

The gentleman who preceded me made some reference to yellow soap, manufactured, I would suspect, in Philadelphia, as representing the largest volume in that particular type of soap. In that, with due respect to him, I think the gentleman is misinformed. The company that it is my privilege to represent manufactures and sells the largest amount of yellow laundry soap using nothing but American fats, tallows, greases, and resin of any sold in the United States. We are not using 1 pound of coconut oil in that, but I must admit at the same time that the volume of that particular brand of soap is definitely on the decline, because in the territory in which it has enjoyed in the past a very substantial reception, it is losing out to the soaps that contain coconut oil.

Now, if you will look at the record of soap production over the past several years, you can see that statement confirmed that yellow laundry soaps are on the decline and soaps containing coconut oil are on the increase; soaps, particularly the powdered and granulated soaps, have the field. The American housewife today, while from a dollars-and-cents standpoint knows that they are not as economical, but they do away with the back-breaking work of the washtub and over the scrubbing board, and they must contain coconut oil.

There is a class of foreign oils that contain this much-discussed lauric acid. To the lay mind, lauric acid is a name. All oils are very complex substances. In coconut oil alone there are, perhaps, seven or more fatty acids, I cannot say that I am sure that I could name them all, but they start out with something very similar to vinegar, and they go up the line until you reach something called stearic acid, from which candles are made. That is the basis of tallow. But tallow does not contain lauric acid. It only occurs in these foreign oils.

There is the palm-kernel oil, the coconut oil, the babassu oil of the babassu nut, the palmichi, the cohune nut, coquito—there is a whole list of them. Coconut oil is more generally used because it has been under cultivation, it is easier to control, the cost of production, because of what you recover from the oil is much less, and you have a valuable byproduct in the meal.

The statement has been made that if the price of coconut oil, these imported oils, advances much further, it will create what you might term an umbrella that will be held over the technician. That is so true that it is almost axiomatic. Within the past 3 years there have appeared in the United States market two nationally advertised materials that have a small percentage of fat as their base; they have been developed by the technician to a point where they are getting a good reception. In comparison with the soap, taking the value of soap at 100, these have a value of 130. That covers what we call the detergent properties and the wetting-out properties. The largest-selling shampoo in the United States market today was introduced less than 5 years ago, and no longer contains soap. It has something else. The success of that is almost phenomenal.

There are three nationally advertised dentrifices that have replaced soap with this material.

I have as an exhibit here two samples of a synthetic detergent, the base of which is crude oil, and can be bought for less than 2 cents a pound. That can be manufactured and put on the market for 6 cents a pound, and will be.

Senator BAILEY. Do they make a good lather?

Mr. COULTER. I say that if the lather of a standard soap—take a tallow soap—is 100, that will be 130 or more.

Senator BAILEY. How does that compare with your coconut oil soap?

Mr. COULTER. Not quite so good, but coconut oil soap, Senator, is not suited for all purposes.

I regard oils about as I would regard metals. We produce in the United States copper and lead and iron, no tin. One might just as well say, "Why do we import tin? Why don't we use American metals?" It would be good if they could.

You take copper by itself, that will serve relatively few purposes; but you incorporate a little bit of tin with it and you have bronze. Iron can be used for a multiplicity of purposes, but iron by itself, or even in the form of steel, is limited as to its use; but you put a small percentage of tungsten, chromium, nickel, or other metals that I do not recall for the moment, and you convert that oxidizable iron into a material that will not rust. You have your stainless steels as a result of incorporating with this iron some other metals.

The same is true with oils. Oils are not interchangeable. You can use for edible products, cottonseed oil. Cottonseed oil is similar in some respects to soybean oil. I am told by manufacturers of edible products, an industry with which I have scant familiarity, but I know from limited experience that soybean oil can be used in substantial quantities in making lard compounds and cooking compounds. I know that coconut oil can be used in a small percentage in them.

But the manufacturer who takes pride in his trade-mark will not use coconut oil if and when he can get these other oils at a price at all commensurate.

Senator KING. I do not quite understand you. Do you mean to say that there are other oils that will take the place of coconut oil, and he will not use the coconut oil if he can get the other oils?

Mr. COULTER. A manufacturer of an edible compound will not use coconut oil if he can get cottonseed oil or soybean oil—there may be other oils with which I am not familiar.

Senator BAILEY. Peanut oil.

Mr. COULTER. Peanut oil; yes. A manufacturer of soap must use a coconut oil. He does use tallow. We use tallow, tons and tons and tons of tallow.

Senator BAILEY. What is the ratio?

Mr. COULTER. The average ratio is about 75 to 80 percent of oils other than coconut oil to coconut oil. That is in the run-of-mine soaps.

Senator BAILEY. You use 75 percent of other oils?

Mr. COULTER. That would consist principally of tallow and rosin.

Senator BAILEY. In 100 pounds of soap how many pounds of fat would there be?

Mr. COULTER. I would have to ask you the kind of soap that you are referring to. Shall I take this? [Indicating.]

Senator BAILEY. I will name Ivory soap.

Mr. COULTER. The formula for Ivory soap is——

Senator BAILEY. I don't want you to give any trade secrets.

Mr. COULTER. There is nothing particularly secret about it. Any soap chemist knows the approximate formula; to that extent we know his and he knows ours. It would be approximately 75 percent tallow and 25 percent coconut oil.

Senator BAILEY. What do they mean that it is 99.44 percent pure?

Mr. COULTER. A finished bar of Ivory soap as you would buy it contains approximately 22 to 24 percent water. Let us give the boys the benefit of the doubt and say that it is pure water. Then you have 78 percent of something else. Take 0.56 of 1 percent off and you have soap. Now, that decimal point 0.56 of 1 percent consists of two- to three-tenths of 1 percent of glycerin, about 0.15 of sodium chloride, which is common table salt, and about 0.10 of sodium carbonate, about 0.05 or half of 1 percent of what is termed unsaponifiable material. Does that answer your question?

Senator BAILEY. Yes. That is where it comes in.

Senator CONNALLY. Do you mean that in 100 pounds of soap there is not 100 pounds of oil? There are some other alkalis?

Mr. COULTER. Yes.

Senator CONNALLY. Out of 100 pounds of soap how much of that would be oil? What percentage?

Mr. COULTER. In 100 pounds of soap there will be 66—I would like to go at it the other way. I will take 100 pounds of oil. If it is tallow, I will add to that 10.4 pounds of sodium oxide or caustic soda—that is the alkali. That reaction cannot take place in a solid or dry condition, and it must be in the presence of water. So that when your reaction is complete, you will have 151.5 pounds of what a soap maker terms neat soap; that is, soap containing a moisture content of around 30.5 to 31, depending upon the type of oils.

Senator CONNALLY. About two-thirds of the soap is oil, then; 66 percent?

Mr. COULTER. Two-thirds of the soap is oil.

Senator CONNALLY. Of one kind or another.

Mr. COULTER. Yes.

Senator CONNALLY. That is what I was getting at.

Senator KING. If you call that tallow, oil.

Senator CONNALLY. Yes; fat.

Senator BAILEY. And if 25 percent of that is coconut oil, is that a good soap?

Mr. COULTER. If it is a soap similar to the ivory or any of the so-called floating soaps; yes. The oil mixture may be 80 percent tallow and 20 percent coconut oil, or 70 percent tallow or its equivalent and 30 percent of coconut oil.

Senator KING. In your experience as a manufacturer or a vendor, do you find that the soaps that do not contain coconut oil experience a buyer's resistance, that they do not want to buy it?

Mr. COULTER. That is rather evident in reading the record. The statistics which have been issued by the Government—I don't recall just what department issued it, perhaps the Bureau of Statistics—showed that these soaps containing coconut oil had increased, the yellow laundry-soap type containing no coconut oil had been on the decline. Our yellow-soap business, speaking for the company that I represent, has declined substantially in the last 5 years. That is just the trend.

Senator KING. And the sale of your soap with the coconut-oil content has increased?

Mr. COULTER. Has increased.

Senator LODGE. Can you give us some idea what these amendments would do to the price of soap to the consumer?

Mr. COULTER. That question has been asked on several occasions here, and it is one that is very difficult to answer because you are dealing with a great many variable factors. If it affected only the price of coconut oil the answer might be easy. You have about 2,000,000,000 pounds of soap containing coconut oil, the tax on that would be $10,000,000, or approximately a half cent a pound. That is just a quick calculation. Temporarily it would certainly increase the price of other oils, and then over a period of time—3 to 6 months—there would be a readjustment. If the Philippine Islands continued to supply coconut oil they would have to depress their price over there. I am told that it now approaches the low beyond which it cannot be produced.

So it is difficult to answer your question.

Senator LODGE. It is a very important consideration, is it not?

Mr. COULTER. Yes, I understand that; I appreciate that. I think it is the consensus of opinion that it would add anywhere from 0.3 of a cent to 0.5 of a cent a pound to soap. That is the increased cost of production to the manufacturer which would result from the coconut-oil tax alone. To get the cost to the consumer you must add 10 percent for the jobber's mark-up and 10 percent for the retailer's mark-up.

Senator KING. Of course, if the price of coconut oil reached a very high level there may be a reduction in the exports and a reduction in the quantity of the coconut oil used in the production of soap, and some of these other synthetic compounds to which you have referred might be used in the place of the coconut oil, but perhaps without the same beneficial results.

Mr. COULTER. If synthetic lauric acid can be developed, and needless to say scientists have been working on that for a long time, if and when synthetic lauric acid can be developed, then the American soap maker will no longer be at the mercy of these fluctuating conditions that are so entirely out of his control. And there is no question but that with a detergent of this quality and of this type that can be produced in the price range that I indicated——

Senator GEORGE (interrupting). What do you call that [indicating] exhibit?

Mr. COULTER. It has no name.

Senator KING. Is there any considerable quantity of it produced?

Mr. COULTER. I don't think so; not of this particular one. I just happened to get these because they were the only two available. I can bring you others. I can give you the names of nationally advertised brands. One of them has met outstanding success, almost phenomenal. That is a matter of record.

Senator KING. Have you utilized any of it yourself on your face?

Mr. COULTER. Have I used it?

Senator KING. As an experiment.

Mr. COULTER. I have used the shampoo; it is not an experiment; it is an established fact. We have a shampoo on the market with which we are pretty well satisfied. We have a packaged product on the market. While it is in its infancy, but we are fairly well satisfied with the progress that is being made.

Senator KING. Is there any lauric acid in that?

Mr. COULTER. None.

Senator KING. So there is a possibility of a synthetic or other products being provided that are devoid of lauric acid that will produce the same results that you get from soap in which the coconut oil containing lauric acid is an ingredient?

Mr. COULTER. That is a difficult question to answer, because the American public is the most discriminating in the world. They are willing to try something new, but until you convince them that the new thing you have is superior to that to which they are accustomed they will buy it once, but no more. I do not mean to intimate—I would not lead anyone to think that I fear that the use of coconut oil will be discontinued in the next many years. I do not think it can be.

Senator BAILEY. But you say that your shampoo is selling in a phenomenal way without lauric acid.

Mr. COULTER. As far as the shampoo is concerned, and other highly specialized uses. Coconut oils have been the best shampoos since shampoos have been on the market.

Senator BAILEY. You do get a very fine lather with that synthetic product?

Mr. COULTER. Yes, sir.

Senator KING. Would the product have all the virtue of the coconut-oil soap?

Mr. COULTER. We do not think so.

Senator KING. It might have the virtue of producing an abundance of lather, but perhaps might lack in the accomplishment of cleanliness or some other quality that is produced by a good soap?

Mr. COULTER. I am becoming involved in a very broad subject. I have spoken of the two or three types. Within the past week I have looked over not less than 50 patents that have been issued by the Patent Office having for their purpose materials in this general class.

Senator BAILEY. As I understood, I think in 1936 there was testimony from the soap people, as they had a chemist here—I think it was the Ivory soap people—and he said it was the lather and fineness of the bubble in the lather that was responsible for cleansing. Is that correct?

Mr. COULTER. That is correct.

Senator BAILEY. There is no solvent there? The water is a solvent and the lather does the cleansing; is that right?

Mr. COULTER. An efficient cleansing agent must have two characteristics; first, the wetting. If you cannot get your hands wet, if you do not get a cloth wet, you do not get very far; but after it is wet, then you have this detergent property which makes the lather, which carries out, floats out, the soil.

Senator BAILEY. That was the testimony. And the argument then for the copra or coconut oil was that it made a finer bubble and floated the dirt off more efficiently and more quickly and more cleanly.

Mr. COULTER. That is correct.

Senator BAILEY. That is what was said here.

Mr. COULTER. That is correct.

Senator BAILEY. Could you make a soap altogether of coconut oil, or do you have to use these fats?

Mr. COULTER. Here is one that is all of coconut oil [exhibiting].

Senator BAILEY. Is that a very good soap?

Mr. COULTER. No.

Senator BAILEY. It is not as good as one that is just partially coconut oil?

Mr. COULTER. It is not as good as this one [indicating].

Senator BAILEY. That is your Ivory?

Mr. COULTER. That is not my Ivory.

Senator BAILEY. But it is Ivory all the same?

Mr. COULTER. It is Ivory.

Senator BAILEY. Then there is some advantage in having the tallow instead of all coconut?

Mr. COULTER. You have tempered it.

Senator BAILEY. Tempered it?

Mr. COULTER. You have tempered the tallow with the coconut oil.

Senator BAILEY. What will this do to you? I would like to know. This one that is all coconut.

Mr. COULTER. With your indulgence, may I explain?

Senator BAILEY. Yes.

Mr. COULTER. Coconut oil requires 14.4 percent of sodium oxide or caustic soda for its saponification, or the conversion of the coconut oil into soap. Tallow requires 10.4 percent. When you put soap in solution, you effect what is termed "hydrolysis," with the liberation momentarily of the combined—I hope there are not too many scientists here—with the combined caustic soda, which has an irritating effect on the skin, which is not true of soap made from oils with what we term a lower saponification value, or those requiring a smaller percentage of caustic soda for their saponification.

Senator BAILEY. So if we make a provision for the denaturing of the coconut oil, there would be no danger of its being used for the displacement of the American fats; is that the argument?

Mr. COULTER. There would be no danger.

Senator BAILEY. The percentage would run about the same as it now runs?

Mr. COULTER. Yes; the percentage has not varied. If the soap makers, dumb as the proponents of this measure would have you believe, could have found a substitute to use in the place of coconut oil, they would not be yelling around about this business; they would go and use it.

Senator BAILEY. I thought they would cut down the coconut-oil content on account of the prices.

Mr. COULTER. They do in a way, but there is a limit beyond which you cannot go. There you get into the trouble that my good friend just mentioned—you cannot get lather out of the soap, and the people won't buy it.

Senator KING. Have you finished? Is there anything else? We have three more witnesses and the time is going on. We are going to concluded this afternoon.

Mr. COULTER. That is all, thank you.

Senator KING. Mr. J. D. Craig.

## STATEMENT OF J. D. CRAIG, REPRESENTING SPENCER KELLOGG & SONS, INC., BUFFALO, N. Y.

Mr. CRAIG. My name is James D. Craig; I am with Spencer Kellogg & Sons, Inc., Buffalo, N. Y., and I am going to speak in behalf of a large segment of the domestic crushing industry engaged in crushing copra in the United States and in the Philippines, and another segment engaged in the crushing of a number of important oil-bearing materials of the type embodied in the Johnson amendment of last year's revenue act.

Our company's business is that of crushing oil-bearing materials into the resultant vegetable oils and the oil meal. Our company is one of the largest soybean crushers, our volume constituting between 15 and 18 percent of the total soybeans crushed in this country. We are also one of the largest crushers of flaxseed from which linseed oil is produced, and we are one of the very large crushers of copra.

Let me make the fundamental position of our industry clear. We recognize that the American farmer is entitled and should have the preference in supplying the American market. But when the American farmer cannot furnish a specific material which the American consumer demands, then the ability of American industry to serve the consumer and to provide employment to labor should not be impaired. Yet the pending amendments, if enacted, would do just that. Harsh burdens will be inflicted upon a large segment of the domestic crushing industry with no compensating benefits accruing to the farmer producing oil-bearing materials. I want to talk specifically about the effect of the modification of the Connally amendment, which I understand the Senator is going to propose, and which was first referred to yesterday afternoon.

From the standpoint of the crushing and consuming industries, this proposed modification presents an entirely different situation from what has been discussed before this committee prior to Wednesday afternoon.

The additional 2-cent tax would become immediately applicable to Philippine coconut oil, for the obvious reason that there is no trade agreement in effect with the Philippines. On the other hand, there could be no compensating levy applicable to palm-kernel oil for approximately 3 years, as it is bound at its existing 3-cent rate under the terms of the United Kingdom trade agreement.

There was much discussion by one of the witnesses preceding me concerning the tariff applicable to palm-kernel oil under the terms of that agreement. Palm-kernel oil, if denatured, enters duty-free, but it is subject to the same processing tax which the coconut oil entering from the Philippines bears, namely, 3 cents a pound. The excise-tax rate on palm-kernel oil was likewise bound in the United Kingdom trade agreement, so the effect of Senator Connally's modified amendment would be to impose a tax of 5 cents a pound on coconut oil only, while the existing rates applicable to palm-kernel oil and babassu oil would remain unaltered for the duration of the respective trade agreements in which they are now bound.

The net effect is that palm-kernel oil would displace coconut oil, from which would follow the inevitable destruction of the industry engaged in producing coconut oil. The plants in the continental United States and the plants of the American crushers located in the Philippines would alike be closed. Palm-kernel oil would enter from the foreign crushing mills located in Germany, the Netherlands, and Great Britain.

It is unnecessary to mention the adverse effect upon employment and the destruction of large capital investments. In short, it is plain discrimination against the Philippines, and just as much a violation of our moral obligation in existing statutes, the Tydings-McDuffie Independence Act, as was the original amendment a violation of the reciprocal trade agreements.

Senator CONNALLY. May I interrupt you there to ask you a question?

Mr. CRAIG. Yes, sir.

Senator CONNALLY. Do you contend that palm-kernel oil has the same properties that coconut oil has?

Mr. CRAIG. Palm-kernel oil has essentially the same chemical composition which coconut oil has and therefore its properties will be practically identical. The major difference is that the keeping qualities of palm-kernel oil are, under certain conditions, not quite as satisfactory as coconut oil. Otherwise they are alike.

Senator CONNALLY. What about palm oil?

Mr. CRAIG. Palm oil is not a so-called lauric-acid-containing oil. It is an entirely different oil from either coconut oil or palm-kernel oil.

Senator CONNALLY. Would palm oil substitute?

Mr. CRAIG. Practically not at all. It is more a companion oil to tallow. It is used for the same purposes in soap that tallow is.

Senator CONNALLY. How about palm-nut kernel?

Mr. CRAIG. The palm-nut kernels must first be converted into oil, and the oil that you obtain is the palm-kernel oil about which we are speaking.

Senator CONNALLY. So that would be the only oil that could compete with coconut oil?

Mr. CRAIG. That and babassu oil, which comes from Brazil.

Senator CONNALLY. That does not bear any duty or excise tax?

Mr. CRAIG. Babassu oil is on the free list, as is babassu kernels and babassu oil is likewise not subject to an excise tax.

Senator CONNALLY. It is bound against the excise tax?

Mr. CRAIG. It is bound against the excise tax and it is likewise bound on the free list against any tariff levy.

Senator CONNALLY. That has only 6 months to run.

Mr. CRAIG. I do not know the date of expiration.

Senator CONNALLY. It has 6 months to run and then can be canceled on notice.

Mr. CRAIG. I should also like to discuss the effect of the Gillette amendment. That proposed legislation would destroy completely the preferential protection which is now accorded domestic crushers. We crushers would be placed on the same basis as the oriental and German mills, and, as has been demonstrated in the past, the American crusher cannot compete on an equal basis with mills in the Orient or in Germany.

Senator KING. Would you have any objection to stating substantially the number of crusher mills that would be affected if these crushers were to pass out, and the number of employees and the amount of capital invested in all of them?

Mr. CRAIG. There would be approximately 25 companies adversely affected. The number of individual mills would be somewhat in excess of that, as several of those companies operate two, three, or even more mills. The number of employees would reach several thousand, but, to be conservative, I would think it would not exceed seven to eight thousand in the direct crushing operations. There would be about an equal number engaged in the auxiliary handling of the supplies, the transportation, and so forth, of the various products connected with crushing industry.

As to capital invested, it really represents very large sums of money, because the cost of equipping a crushing plant to carry on business on the scale in which crushing must be carried on today requires large financial outlays.

Senator KING. Most of the crushers to which you refer are in the United States, are they?

Mr. CRAIG. Most of them are in the United States, although there are three or four companies with plants in the Philippines, of which our company is one. We also have a crushing plant on the Pacific coast which can handle copra, but the effect of the modification in the Connally amendment would be the same on both of these mills. It makes no difference. Coconut oil would be shut out and palm-kernel oil crushed in the European mills would enter.

Senator LODGE. Would there be the same percentage of foreign oils coming in as today?

Mr. CRAIG. The percentage would be practically unaffected. And there is much more than sufficient palm-kernel oil produced to take care of the requirements of the United States for lauric-containing oils. Last year the combined production of palm-kernel and babassu oils was approximately 850,000 tons, whereas the United States consumption of coconut oil averages only slightly over 300,000 tons.

Senator LODGE. There would be an increase in the price?

Mr. CRAIG. No. It simply means that—well, it would be analogous to building a dam across the lower end of the Mississippi River in an effort to control the level of water in the Gulf of Mexico. What would happen is that the water would back up, pass through the drainage canal through Chicago, to follow a circuitous route through the Great Lakes and St. Lawrence River to the Atlantic Ocean, and finally back into the Gulf of Mexico so that the level would remain the same. That is precisely what the Connally amendment will accomplish. It will shut coconut oil and copra out of this country, forcing it to go to the European markets, while palm kernels, originating in Africa, Sumatra, and Java, will flow through the foreign mills in Germany, and the oil will come to this country.

When this issue first came up before the committee, much was said concerning an emergency and the immediate need for corrective action to remedy it. But now it appears that the emergency is a myth for the proponents of this legislation are willing to accept a compromise which will not become effective for nearly 3 years, so I fail to see the wisdom in enacting legislation which is going to be nonoperative for a minimum of 3 years. If that compromise is acceptable, then it is difficult to see where any emergency ever existed. The two are simply inconsistent.

Senator LODGE. Just a minute; may I ask you a question there about the 3 years? I wish you would clear me up on that. It takes 3 years to denounce the whole treaty, or does it take 3 years to get one item changed?

Mr. CRAIG. The United Kingdom trade agreement became effective the first of this year, and the duration of the period it covers extends for a minimum of 3 years. That is my understanding. Then at the end of the 3-year period, neither government making any notice to the contrary, it would continue on until such notice is given on the part of either contracting party 6 months in advance of the date on which they want to make such change, but if any change is requested, even on one item, it would, I believe, throw the entire treaty open again to renegotiation.

Senator LODGE. It is your understanding that, between now and the time the 3 years is up, no modification of individual items could be effected?

Mr. CRAIG. No, sir. And that binds the lauric-acid-containing oils, specifically palm-kernel oil.

Senator KING. Proceed.

Mr. CRAIG. I was about to say that the Gillette amendment affects only approximately 12 percent of the oils imported into the United States. The Bailey amendment affects ninety-five one-hundredths of 1 percent. But the Connally amendment, when it becomes effective, would affect 51 percent of the oils entering; yet the major amendment is altered to a compromise which won't become effective for 3 years for the major part of the imports, but the ones of less importance and small significance would become effective immediately.

The enactment of this proposed legislation would not alter the fundamental position of American producers one iota. It simply diverts the United States consumption of lauric acid from Philippine coconut oil to palm-kernel oil. The issue therefore is not between American farmers and the Philippine copra producers, but rather between Filipinos and the natives of Africa, Sumatra, and Java. In such an issue, there should be no question as to who should be favored.

Lauric-acid oils will continue to be used in the same ratio as before, but no one can foretell possible changes in the demand for soap and the resultant effect in the quantities of such oils which would enter. As the witness who just preceded me stated, the ratios would remain constant, and that is borne out as shown in table 2 of the special Tariff Commission report of March 6, 1939.

Senator KING. You mean the ratio of the content?

Mr. CRAIG. As revealed by the constant ratio of the coconut-oil content of soaps in any particular given year. Let me illustrate. In the years immediately preceding the levying of the excise tax in 1934 the coconut oil used in the soap kettle constituted the following ratio of the total fat consumed: 1931, 26.5 percent; 1932, 26 percent; 1933, 26.9 percent; and in 1934, 25.2 percent. For the 3 years following it was as follows: 1935, 19.9 percent; 1936, 24.4 percent; and in 1937, 25.6 percent. Just note the slight variation.

Various Government reports confirm this point very clearly.

Mr. Holman, who preceded me, drew attention to the declining amount of coconut oil in 1937, but he failed to point out the greatly increased consumption of palm-kernel oil during that same year, which brought the total up to the constant of about 25 percent. The decline in coconut-oil consumption was due to a very obvious reason, namely, crop damage to the copra crop in the Philippines resulting in a short supply. That pushed the price of coconut oil above the parity of other world prices for fats and oils, particularly that of palm-kernel oil, which in turn entered to take up the vacuum created by the abnormal shortage in the supply of Philippine coconut oil.

As I have just illustrated by citing the Tariff Commission report, the combined percentage of coconut, palm-kernel, and babassu oil going into the soap kettle for the 3 years preceding the application of the excise tax was practically identical to the ratio for the 3 years following the application of the excise tax, and I think that bears out more conclusively than any other statement that can be made that coconut oil or lauric-acid-containing oils are essential and cannot be displaced by other essential oils.

I cannot too strongly urge nonaction on each of the three amendments now under consideration. The Connally amendment, if amended as proposed by the author, will not reduce the competition cottonseed oil meets in our domestic markets but merely change the competition from coconut oil to palm-kernel oil, as under the British trade agreement for 3 years palm-kernel oil would replace coconut oil, a situation which will not benefit our domestic producers of oil, but will merely replace coconut oil with palm-kernel oil.

Then, again, the enactment of these amendments in any form, however amended, will increase the maladjustment of our present oil-seed tax and tariff structure and produce additional confusion and inequalities. Some of these oils now enter under duties which would continue under these amendments, thereby imposing higher combined duties and taxes on some oils than is contemplated by these amendments.

The statement was made here yesterday by a witness to the effect that soybean oil could be used in place of coconut oil without adversely affecting the quality of the soap. One of the best refutations to that erroneous contention is the respective price relationships between soybean oil and coconut oil. Soybean oil can be bought today at 4¾ cents a pound, Illinois points, but coconut oil laid down at those same Illinois points, tax paid and freight paid, is 6⅝ cents. Why would any soap company be paying almost 2 cents a pound premium for an oil if they could produce a product from a substitute which would still give the same result and meet consumer demand? Such a contention just does not hold water. And particularly when we are all so hard-pressed trying to scratch around to find ways to make a profit, we would not be penalizing ourselves by paying 2 cents a pound premium for our raw materials if we could substitute other cheaper ones for it. The answer might be found by explaining that 20 years ago it was the custom for the housewife to employ a scrubbing board and a boiler to do her laundering. With the advent of coconut oil or lauric-acid-containing soap, the drudgery was removed, and she now can do the laundering with one-tenth of the effort required by that old and laborious method. And I do not think any soap manufacturer wants to try to force her back to her Monday morning slavery.

The conflict which besets the domestic producers of fats and oils is an internal one and not a foreign one. Again let me repeat that we have the greatest sympathy for the American producer of oil-bearing materials, but we must emphasize that his problem involves internal conflicts, not competition from foreign fats and oils. The conflict is between increasing supplies of lard on the one hand and cotton oil and soybean oil on the other. Also between tallow and fish oil on the one hand, or oils of that same type which go in to form the hard fat base of soap.

There is a very close price relationship between the hydrogenated fish oil and the price of tallow. Those oils are interchanged, and the buyer will not pay a very wide margin for one over the other, usually not more than a quarter of a cent, but when it comes to a lauric-acid oil, as already demonstrated, he is paying a premium of 2 cents a pound over soybean oil, and, let me add, coconut oil is almost a cent a pound above the price of tallow.

Any increased tariff or tax levy on imported oils will not lessen the severity of this competition between domestic fats. True, there may be temporary price benefits to the speculator and the processor, but certainly such benefits will not be reflected back to the primary producer as a general thing.

As the chairman developed through questions to the proponents yesterday, he brought out that the taxes levied in 1934 did not correct the situation, but brought only temporary benefits. According to the proponents, the situation is nearly as bad now as when they sought to correct it in 1934. In our opinion, lasting benefits cannot be expected from further doses of this same kind of tariff medicine, the impotency of which has already been demonstrated.

One other factor which has not been clarified before your committee concerns the problem which would be involved if the philosophy as advanced here were followed out to its conclusion, namely, displacing all foreign fats and oils with domestic oils. The principal potential sources are from soybeans and cottonseed. This year we had a crop of approximately 57,000,000 bushels of soybeans. That quantity of soybeans produced 2,907,000,000 pounds, or approximately 1,500,000 tons of meal. If we were to displace the entire 1938 importations of foreign oils of 1,900,000,000 pounds with soybean oil, it would result in an enormous increase in the production of soybean meal, of four times, what it is at present, or there would be over 6,000,000 tons of this meal, and I do not think it needs very much explanation on my part to illustrate the pressure which that would create on cottonseed cake. We simply have not yet found the means of disposing of any such tonnages of feeding stuffs if the existing price structure is to be preserved. To dispose of such tonnages of cattle feed would in all probability bring about further increases in many of the products which Mr. Holman cited yesterday, milk and dairy products, and so forth, of which there is already danger of reaching the saturation point on the basis of the present per capita consumption, if I understood his testimony correctly. To utilize these increased quantities of oil meals would certainly place a terrific problem on the crushing industry and on the producers as well.

Senator KING. That would mean, then, if I understand you, that there is a limit of production in relation to the consumption of soybeans?

Mr. CRAIG. Yes, sir. In crushing soybeans the oil is essentially the byproduct. We get only 15 percent of oil but 85 percent of meal, if our operation is efficient. The ratio is relatively the same in crushing cottonseed, although there may be a slightly higher oil yield, but you have enormous quantities of meal to dispose of.

Senator KING. An excessive quantity of meal would, of course, cheapen the price of feed products?

Mr. CRAIG. It cheapens the price of feedstuffs, which in turn cheapens the price of the oil-bearing material from which it is produced. If you cannot get the price out of the meal, and there is a limit above which you cannot sell the oil, then you have to reflect it in the price you pay for the soybeans. Our company, as I explained earlier, is one of the largest crushers of soybeans, and we are only too familiar with these problems. Despite the statements made yesterday, it has not been easy to market the meal from this year's crop of soybeans. Even with linseed meal selling at prices of $40 a ton, Minneapolis, soybean meal has been ranging between $18 and $20 a ton—almost half—yet the protein content of the soybean meal is in excess of that of linseed meal.

Senator KING. Then the intimation of one of the witnesses yesterday, if not one of the Senators, that there would be a great increase in the number of acres devoted to the production of soybeans is not quite accurate, or, at any rate, he may not realize that situation?

Mr. CRAIG. They may not realize that objective. There is that tendency now. The acreage is increasing rapidly, each year showing a marked increase. This year we produced 400,000,000 pounds of soybean oil, which was quite a little in excess of last year's crop.

We also have much to learn about how to utilize this soybean oil. It is the oil which is creating considerably more pressure on cottonseed oil than on almost any other oil. It likewise seems to me, referring to the provisions of the Gillette amendment, that it would be to the cottonseed people's best interests not to shut out perilla oil, because perilla oil makes possible a great usage of soybean oil for drying-oil purposes.

Senator KING. The soybean then may become a competitor with cottonseed?

Mr. CRAIG. There is much more of an element of competition between soybean and cottonseed than there is between any of the lauric-acid-containing oils as illustrated by the disparity in their prices.

I thank you, gentlemen.

Senator KING. I understand that Mr. Edlund desired to make an additional statement.

## STATEMENT OF R. C. EDLUND—Resumed

Mr. EDLUND. Mr. Chairman, I need not take a great deal of time unless the Senators have some questions, but I do want to correct one or two things that have gone into the record and which should be corrected.

For example, on the question of the price of soap, the table that was submitted by Mr. Holman with the statement that generally speaking the price of soap had not gone up after the tax on coconut oil—well, Mr. Holman got, I suppose, the latest information that was available to him from the Bureau of Labor Statistics, but it happened that I was working on that very subject with the Bureau of Labor Statistics, because we realized and they realized that their statistics were incomplete and misleading, and they had been based upon too small a variety of kinds of soap, and too few brands under the different soaps. So that, knowing that they were preparing new material, I secured new material, and in order to make sure that this would be official, this [exhibiting] is a preliminary release subject to revision, from the Bureau of Labor Statistics showing the wholesale price index of laundry soaps.

Senator KING. What is its date?

Mr. EDLUND. This is right now; it has not been issued yet. This is a release which they typed on here "Preliminary, subject to revision." The figures which Mr. Holman produced were, of course, produced in good faith. That was based on the Fels Naphtha soap and it showed a straight line, as the chart [indicating chart 5] shows for a period from 1926 to 1931. It then dropped down until the time of the 1934 tax, and we have ourselves drawn here in red lines so as to indicate where the tax went on. From then on Fels Naphtha has been steady; but if the Senators will look at that table, they will see that an advance shows when it is based on a larger representation of the yellow laundry soap in the country. The chart shows that yellow laundry soap as a whole has gone up.

The same thing is true, Mr. Chairman and Senators, of every other kind of soap. The dotted line [indicating] represents the old series and the new series which the Department will shortly be issuing, subject to revision, showed in every instance right through half a dozen or more different classifications of soap that, immediately after putting on the tax in 1934, the price has gone up and continued to go up right through 1937.

We have ourselves drawn the 1938 figures based upon the actual figures which the Bureau has published and which I will submit for the record with these charts. All you have to do to see the effect of the tax on the coconut oil on the price of soap is to take a look at any one of those tables for any class of soap or for soap as a whole.

Senator KING. Can your explanation be made clear to a reader of the record without the diagram?

Mr. EDLUND. I will leave the diagrams.

Senator KING. They will be inserted in the record.

(The charts of the Bureau of Labor Statistics referred to are as follows:)

(These charts are preliminary and subject to revision. The extended block in each chart refers to the year 1938.)

CHART 1

WHOLESALE PRICE INDEX OF ALL SOAP
(Former and Revised Series)

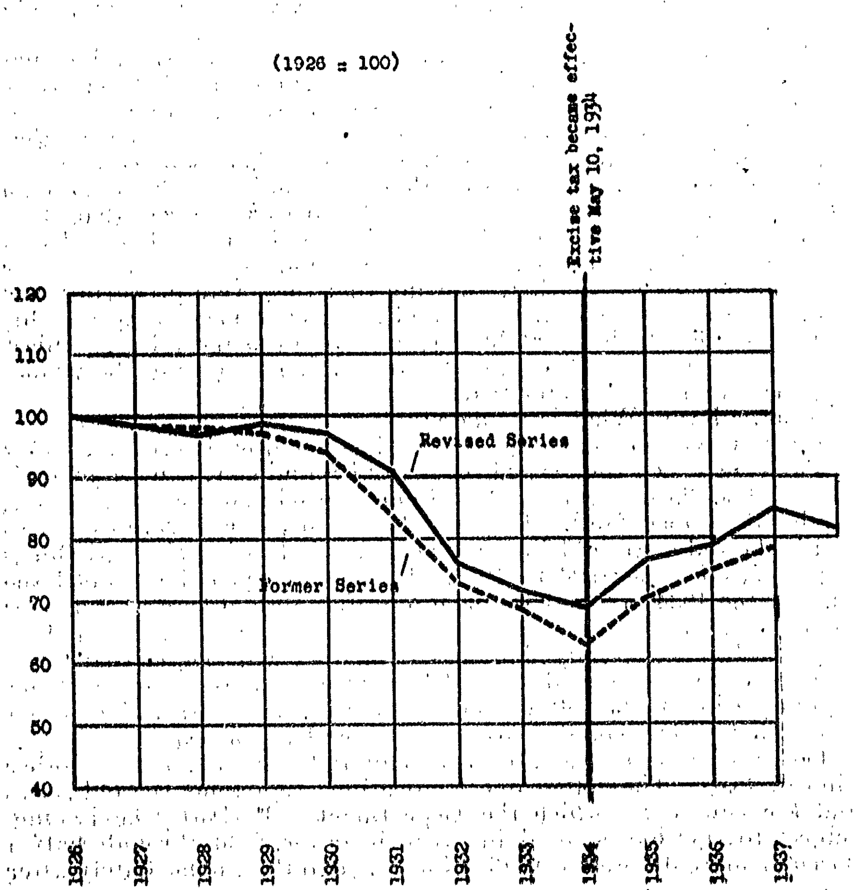


CHART 2

WHOLESALE PRICE INDEX OF CHIPS OR FLAKES, BULK
(Former and Revised Series)

(1926 = 100)

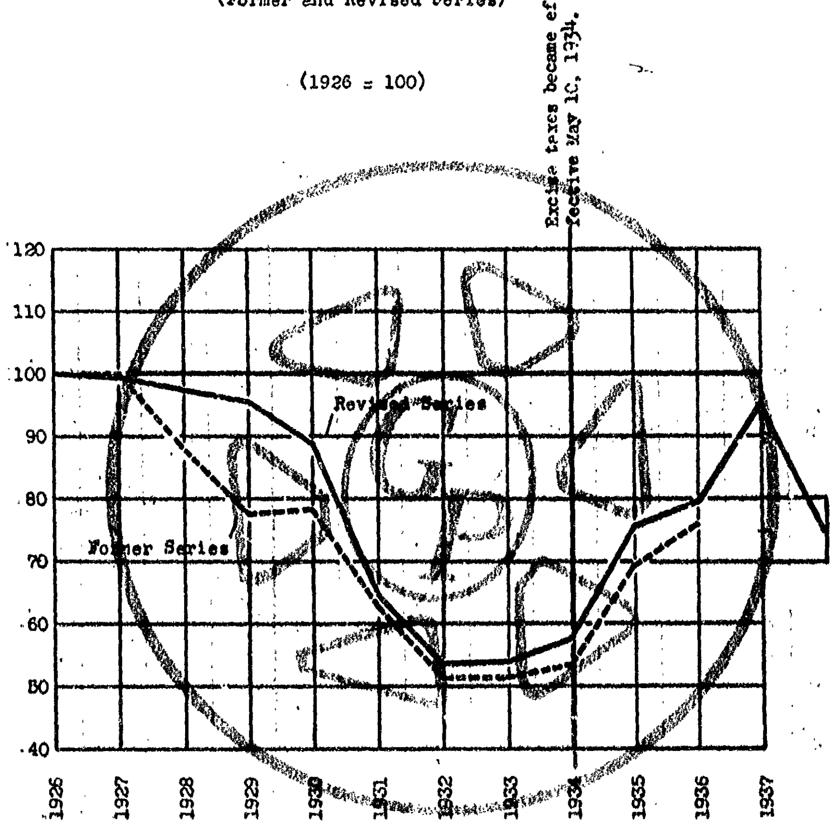


CHART 8

WHOLESALE PRICE INDEX OF CHIPS OR FLAKES, PACKAGED
(Revised Series)

(1926 = 100)

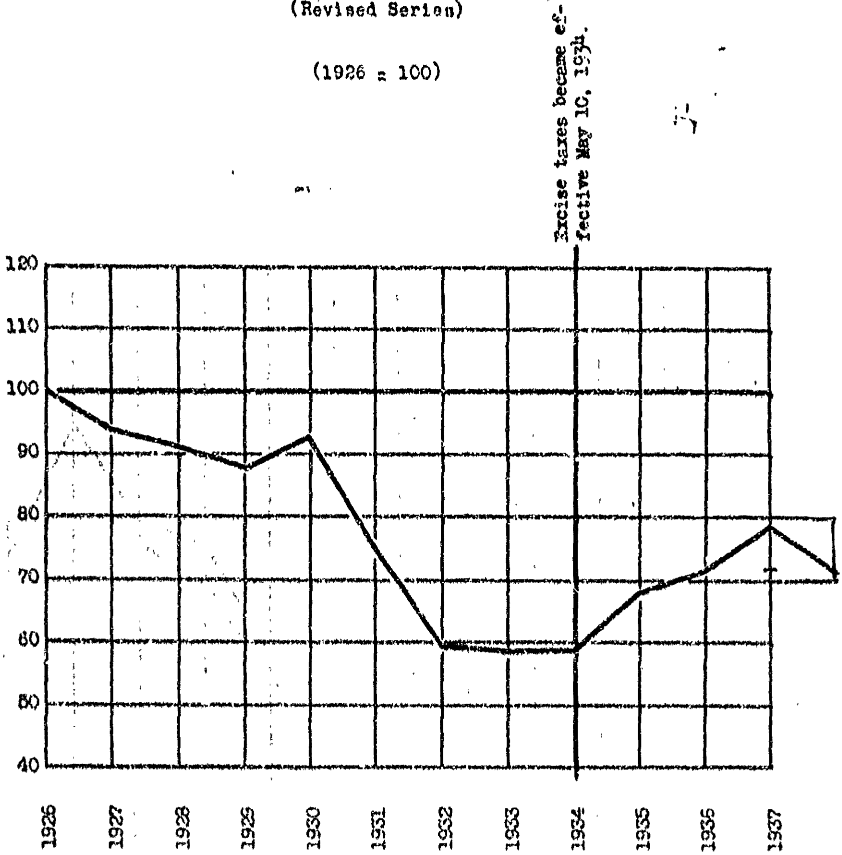


CHART 4

WHOLESALE PRICE INDEX OF LAUNDRY BARS, WHITE
(Former and Revised Series)

(1926 = 100)

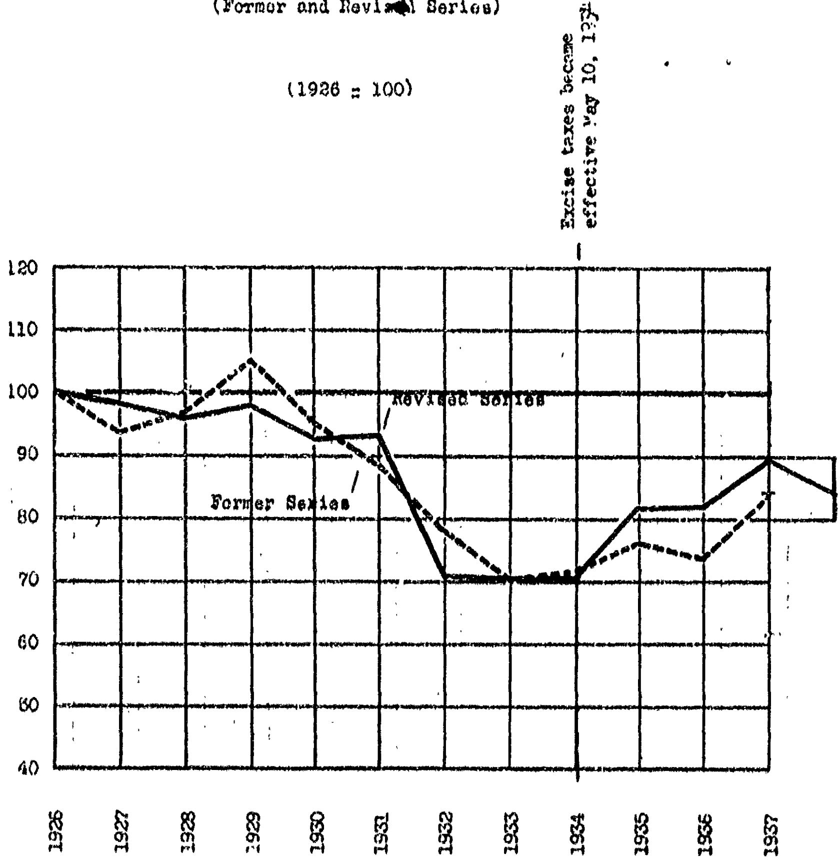


CHART 5

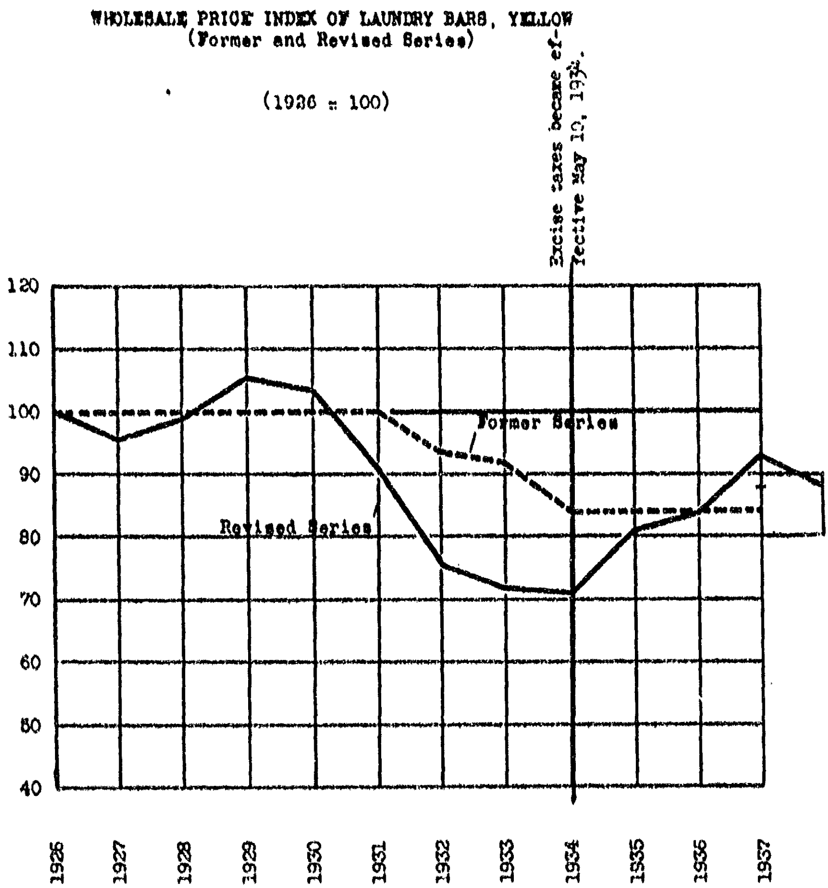

WHOLESALE PRICE INDEX OF LAUNDRY BARS, YELLOW
(Former and Revised Series)
(1926 = 100)
Excise taxes became effective May 10, 1934.
Former Series
Revised Series
120
110
100
90
80
70
60
50
40
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937

CHART 6

WHOLESALE PRICE INDEX OF POWDERED OR GRANULATED, BULK
(Former and Revised Series)

(1926 = 100)

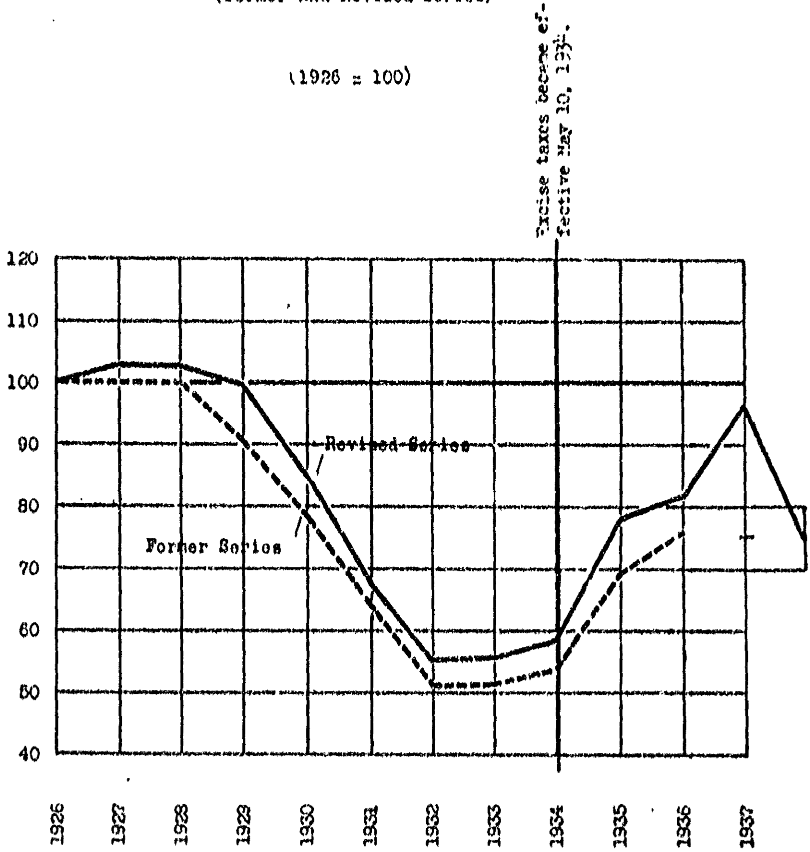


CHART 7

WHOLESALE PRICE INDEX OF POWDERED OR GRANULATED, PACKAGED
(Revised Series)

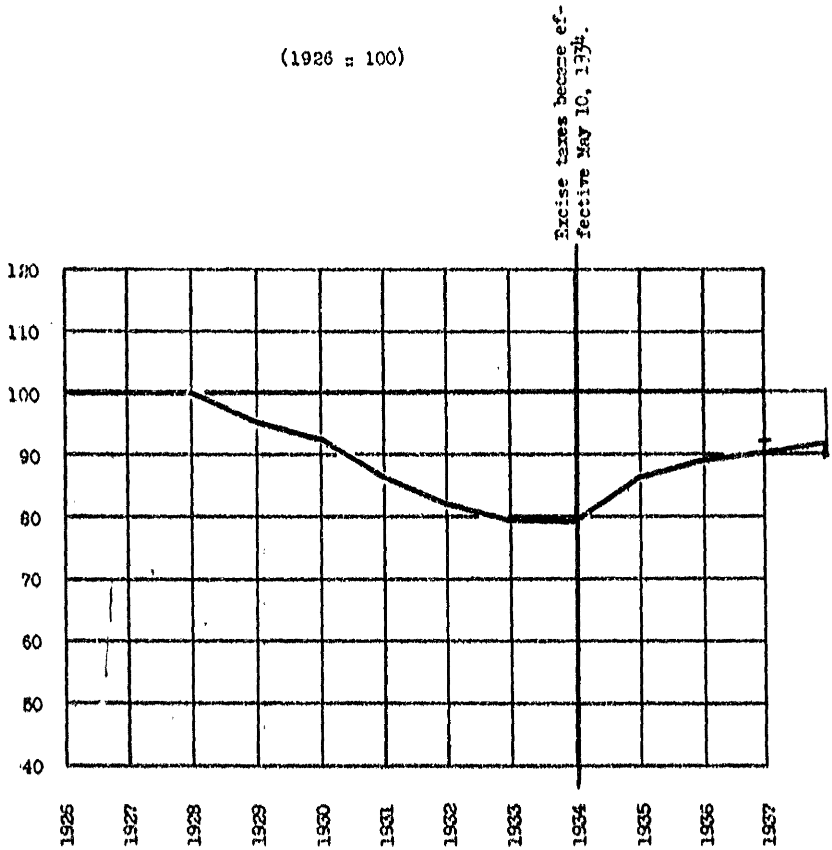


CHART 8

WHOLESALE PRICE INDEX OF TEXTILE SOAP
(Revised Series)

(1926 = 100)

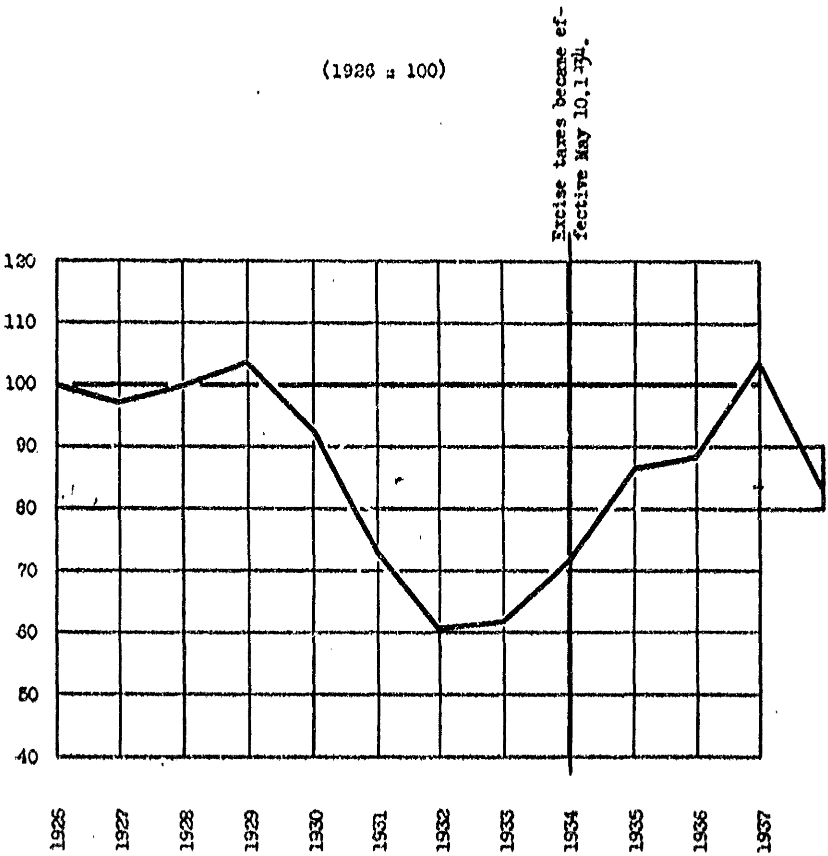
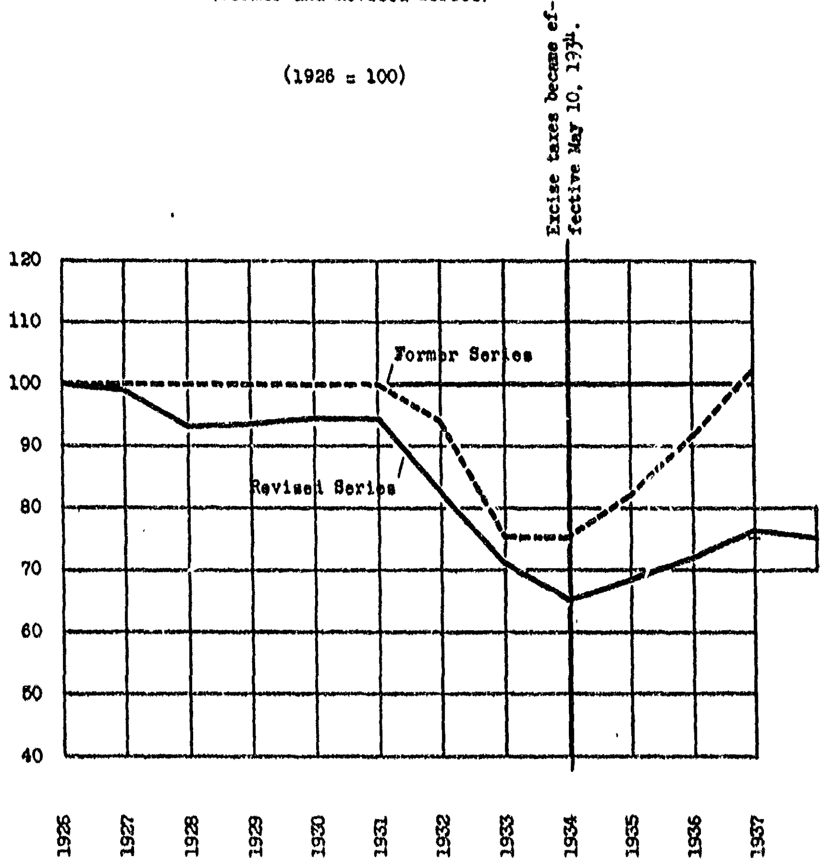


CHART 9

WHOLESALE PRICE INDEX OF TOILET SOAP
(Former and Revised Series)




Senator CONNALLY. Even with all these rises in prices you talked about, they are still not as high as they were in 1926?

Mr. EDLUND. That is correct.

Senator CONNALLY. There was no excise tax in 1926?

Mr. EDLUND. That is correct. The general level of all prices, of course, is much lower, as the Senator is well aware.

I think I need take no further time beyond one other thing. I do represent here scores, and actually more than a hundred, small soap manufacturers. I have selected from the letters and telegrams which they have sent me, a few excerpts which I would like to insert in the record.

Senator KING. Hand it to the reporter and it will be inserted in the record.

(The excerpts are as follows:)

We are enclosing herewith statement of the Iowa Soap Co., an Iowa concern owned by Iowa people. It has been a successful company for many years, but owing to this enormous tax, it is a serious question as to its future prosparity. In fact, owing to the enormous increase in expenses, we were obliged to close the Camden, N. J., plant. * * *

The strange part of this tax is the processing tax, viz $125,000. This tax instead of being passed on to the Government to help pay our extravagant spending is passed on to the Philippines as a subsidy to help pay their expenses. The Government even goes to the expense of collecting it and in this case the Iowa stockholders contribute their share of the $125,000 instead of receiving this dividend on their investment.

In addition to this, the State of Iowa loses in income tax, $2,500. The Government loses from the company's income tax, $20,625. They also lose the income on the dividend that the stockholders would receive. * * *

There is a move on foot to increase the tax from 3 cents a pound to 5 cents a pound. Should this pass we may as well lock our doors. * * *

W. A. MAURER,
*Council Bluffs, Iowa,*
*(Iowa Soap Co. Stockholder).*

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Certainly no benefit will be derived from this amendment insofar as cotton growers are concerned, due to the fact that 1938 crop of cottonseed marketing brought the highest percentage of parity obtained from any crop marketed. * * *

The soap-making oils such as coconut oil imported has no substitute in domestic oil market, be it either cottonseed or peanut oil. * * *

This company sells the greatest bulk of soap products throughout the entire South, and the placing of these processing taxes would simply be increasing the cost of these certain types of soaps necessarily manufactured from these certain oils and our own southern customers would be paying the bill and, in the final analysis, domestic producers of cottonseed and peanut oil would derive no additional benefit from the soap-making industry because, as previously stated, certain types of soaps cannot be made from these domestic oils and therefore high processing taxes would not act as a deterent to the use of the imported oils in question but only add expense to the consumer.

THE SELIG CO., *Atlanta and Dallas.*

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We are paying 100-percent processing tax on coconut oil now. We think that is plenty. Ours is the only large soap factory in the Northwest and the owners have never received a dollar in salaries or dividends. Our employees get good wages and they like to live and not become mendicants.

NATIONAL SOAP CO., *Tacoma.*

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* * * Coconut oil is essential in liquid soaps and cleansers of our manufacture and cannot be substituted by any domestic fat or oil for this purpose. Proceeds of this tax to go to Philippine government, therefore tax is not justified as revenue producer. Strongly believe if dairy and agricultural interests insist on excise tax it should apply only when used in edible products not when used in soaps or industrial uses. * * *

FLASH CHEMICAL CO., *Cambridge, Mass.*

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As a small soap manufacturer we are already harassed with a large number of taxes from Federal and State and this increased proposed tax will in all probability force us out of soap-manufacturing business. * * *

It is impossible to buy anything but imported coconut oil as there is no domestic coconut oil produced. Our business is the manufacturing of coconut-oil soaps and if these taxes are increased we fear we will have to discontinue operation.

FULD BROS., *Baltimore.*

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* * * There is no substitute raised or produced in this country, to take the place of the oils and fats to which this tax applies, so that it would not

foster home production; it would only mean, increasing cost of all soaps to the consumer.

Under present conditions increasing cost means less consumption, less consumption creates more unemployment, and you should foster employment, not hinder it. * * * We believe that every true American should work against anything that will make conditions in this country worse than they are today.

GEO. A. SCHMIDT CO., *Chicago, Ill.*

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Should these amendments pass it would mean additional heavy increases in cost of soap, a necessity in every home, and would be in addition to the 104 separate and distinct taxes which this commodity now has to pay.

MARTIN F. SCHULTES, *New York.*

Senator KING. Before we adjourn, I desire to insert in the record a statement prepared by Mr. Lucien H. Mercier, of Washington, D. C., counsel for the American Chamber of Commerce of the Philippine Islands.

STATEMENT OF LUCIEN H. MERCIER, 401-403 METROPOLITAN BANK BUILDING, WASHINGTON, D. C., COUNSEL FOR THE AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINE ISLANDS

I should like to have the privilege of reading to the gentlemen of the committee a cablegram received from the American Chamber of Commerce of the Philippine Islands. This cablegram is as follows:

"American businessmen here interested coconut industry, and American Chamber of Commerce at large greatly alarmed possible passage Connally bill increasing coconut oil excise tax 5 cents, inasmuch as would undoubtedly force immediate liquidation American capital invested this industry, and even more important, directly affect income 5 or more million buyers American goods throughout islands. Decrease in purchasing power will naturally affect sale American goods, all kinds, in Philippines, thereby decreasing American exports to Philippines and through it to the decrease of turnover of American manufactures and producers of all kinds. Please make strong representations our behalf against passage. Must act immediately. Furnish copies Bureau Insular Affairs. Elizalde Haussermann, other interested parties."

In connection with the statements made in that cablegram, the report of the Joint Preparatory Committee on Philippine Affairs which the President of the United States released a few months ago, contains a study of the coconut industry in the Philippine Islands, and which said study will be found at pages 49 to 67 of the report (vol. 1). I should like to have the privilege of having these pages of the report inserted along with my brief remarks.

On page 50 of said report it is stated that over 4 million people are directly dependent on the coconut industry for part or the whole of their livelihood, and this number represents about 30 percent of the total population of the Philippine Islands.

On page 65 of said report the statement is made that the imposition of a nonpreferential rate of 5 cents per pound, which is the proposal of Senator Connally's, would result in adversely affecting the competitive position of coconut oil in the United States market in respect of other foreign oils and fats, and would seriously injure the whole coconut industry in the Philippines.

Naturally, anything which affects approximately one-third of the population of the Philippines is going to seriously affect the ability of the Philippine people to purchase United States manufactured and farm products which they are now purchasing. At the present time the United States exports to the Philippines products of farm and factory of which we are producing a surplus in the United States. This surplus which we produce must be sold somewhere if employment is to continue in the United States. The products which we sell to the Philippines are the following: Iron and steel and manufactures thereof, cotton goods, mineral oils, automobiles and accessories, meat and dairy products, wheat flour, tobacco products, paper and manufactures, electrical machinery and apparatus.

I thought that the committee might like to have this brief statement in connection with its study of the so-called Connally amendment with reference to coconut oil.

(Pages 49-67, excerpts from vol. 1, Joint Preparatory Committee on Philippine Affairs—Report of May 20, 1938, referred to by Mr. Mercier are as follows:)

## COCONUT PRODUCTS—THE COCONUT INDUSTRY IN PHILIPPINE ECONOMY

### DEVELOPMENT OF THE PHILIPPINE COCONUT INDUSTRY

The coconut industry is one of the oldest and most important in the Philippines. When Magellan first arrived in Philippine waters, Siamese junks were already engaged in the copra trade. Throughout all but the last 60 years of the Spanish regime, however, exports of coconut products (as well as other products) were strictly limited.

The demand for copra and coconut oil was greatly stimulated during the World War period. The prices of all oils and fats rose to extremely high levels, but the price of coconut oil rose somewhat more than the prices of most others. (Coconut oil has a high glycerin content and is therefore in demand for the production of explosives.) The Philippines at that time not only expanded the acreage devoted to coconut palms, but also began to develop a coconut-oil export industry. By the termination of the war there were over 40 crushing mills in operation in the Philippines.

The cessation of hostilities was followed shortly by a world-wide depression, in consequence of which the demand for both oil and its byproduct, copra cake, declined sharply. Most of the oil mills had been capitalized on the basis of the high prices of oil and the high costs of equipment which prevailed during the war. By 1920, every coconut oil mill in the Philippines, with one exception, was forced into liquidation.

Most of the mills closed down, and the remainder modernized their equipment. At present there are 7 major firms (operating 8 plants) engaged in the production of coconut oil for export. There are also 10 small mills which crush oil for local consumption. The survival of the copra-crushing industry in the Philippines on an export basis was made possible largely because of the protection afforded by the United States Tariff Act of 1922, which imposed a duty of 2 cents per pound on coconut oil. This duty has served practically to exclude imports into the United States from sources other than the Philippines.

### ORGANIZATION OF THE PHILIPPINE COCONUT INDUSTRY

The coconut-growing industry in the Philippines consists for the most part of small enterprises. The groves on which most of the coconuts are grown consist of plots of less than 10 acres, large plantations being comparatively few and confined chiefly to the more recently developed sections in the islands of Negros and Mindanao. Plantations in excess of 1,000 acres account in the aggregate for less than 1 percent of the total acreage devoted to coconuts.

In point of area under cultivation, coconut-production ranks second in importance in the Philippines, being exceeded only by rice; it generally ranks third in value, being exceeded only by sugar and rice. There are no accurate data available concerning the number of people engaged in the production of coconuts. The Philippine Department of Agriculture and Commerce, however, estimates that about 4,000,000 people, or over 30 percent of the total population, are directly dependent on the industry for a part or the whole of their livelihood.

Coconuts are grown in every province in the Philippines, but the provinces on the island of Luzon account for approximately one-half of the total acreage under cultivation to this crop, and a single province (Tayabas) on Luzon accounts for almost one-half of the coconut acreage on this island. The island of Mindanao is second in importance in the production of coconuts, accounting for about one-sixth of the total acreage. None of the remaining islands accounts for as much as one-twentieth of the total coconut acreage in the Philippines. About 1,500,000 acres, or nearly one-fifth of the total area planted to all crops in the Philippines, are devoted to the cultivation of coconuts.

A number of the provinces in the Philippines depend predominantly or largely upon the coconut industry for their tax receipts. Tayabas obtains over

75 percent of its income from this industry; 6 other provinces obtain between 50 and 75 percent of their total from it; and at least 10 others obtain 25 to 50 percent from it.

### INVESTMENTS IN THE COCONUT INDUSTRY

Reliable data are not available concerning the value and ownership of either the lands devoted to the cultivation of coconuts or the mills and refineries engaged in the preparation of coconut products. Most of the estimates of land-value are based on the assessed valuations of the properties involved, and these do not reflect accurately either costs or market values. Estimates relating to the values and ownership of mills and refineries are not satisfactory because of the large number of extremely small establishments concerning which little information is available.

According to an unofficial Philippine estimate, the coconut industry in the Philippines represented a total investment value of $221,215,000 on July 31, 1935. Ownership of land and mills was distributed among various nationalities as follows:[1]

TABLE 6.—*Investments in Philippine coconut industry*

| | Land and improvements | Mills, refineries, etc. | Total investments |
|---|---|---|---|
| Philippino | $194,665,000 | $905,000 | $195,570,000 |
| American | 8,375,000 | [1] 5,545,000 | 13,920,000 |
| Spanish | 4,185,000 | 525,000 | 4,710,000 |
| British | | 3,495,000 | 3,495,000 |
| All others | 2,095,000 | 1,425,000 | 3,520,000 |
| Total | 209,320,000 | 11,895,000 | 221,215,000 |

[1] The American Trade Commissioner at Manila reported on July 9, 1936, that the 6 American companies engaged in producing coconut products represented investments in land and buildings amounting to $1,112,500, and in machinery and equipment amounting to $1,200,000. These firms employed 45 Americans whose aggregate annual salaries amounted to $233,000.

### PRINCIPAL COCONUT PRODUCTS

According to recent estimates, approximately 93 percent of the coconuts harvested are first converted into copra and 6 percent into desiccated coconut; the remaining 1 percent enter directly into local edible consumption. About 0.75 percent of the bearing coconut trees are devoted to the production of tuba, a native beverage made from the sap of the coconut palm. Nuts are not harvested from the trees tapped for this latter purpose.

No official quantitative data are available concerning the Philippine consumption of coconut products, but various estimates place it at from 10 to 20 percent of the annual production. The remainder is exported in a variety of forms, but primarily as copra, coconut oil, desiccated coconut, and meal and cake. These constitute the principle coconut products of the Philippines.

*Copra.*—Philippine copra usually commands a price in world markets which is much below that offered for the best qualities, and one which is only slightly above that offered for the very poorest qualities.

The quantity and value of Philippine exports of copra to all countries and to the United States for each year during the period 1928–37 are shown in table 7. It will be noted that unit prices declined sharply from the beginning of the period under review until 1934, the year during which the processing tax of 3 cents per pound on coconut oil became effective. In that year, the Philippines shipped to the United States a smaller percentage of the quantity and value of its total exports of copra than in any preceding year in the period, a situation which Philippine producers atttributed to the imposition of the aforementioned excise tax. In terms of absolute quantities, however, the exports of copra from the Philippines to the United States in 1934 were exceeded in only 2 earlier years in the period. Moreover, the quantities shipped to the

[1] The Philippine Statistical Review (Manila, 1936), vol. 2, no. 4, p. 310.

United States in the year immediately preceding and the year immediately following 1934 were the highest in the decade.

Unit prices of copra rose sharply after 1934, and by 1937 the unit price reached its highest annual level since the year 1930.[3] The total quantity of copra exported in 1937 was lower than in any preceding year since 1932, but the quantity shipped to the United States in 1937 was close to the highest in the decade. Of particular significance is the fact that the exports to the United States in that year constituted almost 88 percent of the exports to all countries, the highest percentage for any year in the period under review.

*Coconut oil.*—The coconut-oil business in the Philippines is primarily an export industry which sells in a single market, the United States. It is estimated that the Philippines exports over 90 percent of the coconut oil it produces. The remainder is consumed in the Philippines, or is exported in the form of margarine, cooking fats, soap, or other manufactured products.

There are 8 large coconut-oil plants in the Philippines supplying principally the export trade, and 10 small plants supplying solely the domestic trade. Six of the larger plants are in Manila and 2 in Cebu. The 10 smaller plants are in 7 different cities in various parts of the Philippines. Two of the 8 larger plants are owned by Americans, 2 by British, 2 by Spaniards, 1 by Chinese, and 1 by Filipinos. None of the smaller plants are American-owned; Chinese own 5 of them, Filipinos 4, and Swiss 1.

TABLE 7.—*Copra: Quantities and values exported from Philippines to all countries, and to the United States, 1928–37*

| Year | Exports of copra to all countries | | | Ratio of value of exports of copra to total value of all Philippine exports | Exports of copra to the United States | | Ratio of quantity of copra exported to the United States to total quantity of copra exported to all countries |
|---|---|---|---|---|---|---|---|
| | Quantity | Value | Value per ton | | Quantity | Value | |
| | *Short tons* | | | *Percent* | *Short tons* | | *Percent* |
| 1928 | 258,400 | $22,542,341 | $87.24 | 14.5 | 201,265 | $17,603,832 | 77.9 |
| 1929 | 191,331 | 15,565,820 | 81.36 | 9.5 | 142,878 | 11,440,898 | 74.7 |
| 1930 | 192,133 | 13,433,438 | 69.92 | 10.1 | 155,603 | 10,654,348 | 81.0 |
| 1931 | 194,526 | 9,150,404 | 47.04 | 8.8 | 133,251 | 6,052,328 | 68.5 |
| 1932 | 151,282 | 5,133,227 | 33.93 | 6.4 | 91,522 | 3,056,066 | 60.5 |
| 1933 | 340,342 | 6,956,028 | 20.31 | 8.5 | 229,270 | 5,951,226 | 67.4 |
| 1934 | 377,768 | 8,605,124 | 22.78 | 7.8 | 169,186 | 3,900,060 | 44.8 |
| 1935 | 278,774 | 10,987,330 | 39.41 | 11.7 | 229,382 | 9,100,010 | 82.3 |
| 1936 | 320,864 | 14,999,784 | 46.75 | 10.2 | 201,103 | 9,772,482 | 62.7 |
| 1937 | 260,742 | 15,984,700 | 61.30 | 10.4 | 228,695 | 14,424,980 | 87.7 |

Source: Annual Reports, Insular Collector of Customs.

The quantity and value of coconut oil exported from the Philippines to all countries and to the United States for each year in the decade 1928–37 are shown in table 8. It will be observed that, as in the case of copra, the unit price of coconut oil declined sharply from the beginning of the period under review until 1934, and then rose sharply in the following years. The unit price of coconut oil in 1937 was above that for any preceding year subsequent to 1929.

Practically all Philippine shipments of coconut oil have been to the United States. Both the quantity and the value of those shipments reached their lowest levels, in the decade under review, in 1934. The quantities shipped in 1933 and 1935, however, were exceeded only once in any preceding year in the period (1929). In 1937, the quantity, as well as the value, of coconut oil shipped to the United States was the third largest in the decade.

[3] The average unit price for the first quarter of 1938 was much below that for the year 1937.

TABLE 8.—*Coconut oil: Quantities and values exported from the Philippines to all countries and to the United States, 1928–37*

| Year | Exports of coconut oil to all countries | | | Ratio of value of exports of coconut oil to total value of all Philippine exports | Exports of coconut oil to the United States | | Ratio of quantity of coconut oil exported to the United States to total quantity of coconut oil exported to all countries |
|---|---|---|---|---|---|---|---|
| | Quantity | Value | Value per ton | | Quantity | Value | |
| | *Short tons* | | | *Percent* | *Short tons* | | *Percent* |
| 1928 | 156,706 | $23,480,172 | $149.81 | 15.1 | 155,241 | $23,239,520 | 99.0 |
| 1929 | 210,011 | 29,181,042 | 138.97 | 17.7 | 207,990 | 28,900,587 | 99.0 |
| 1930 | 162,442 | 19,155,382 | 117.92 | 14.4 | 161,051 | 18,991,826 | 99.1 |
| 1931 | 181,848 | 15,035,322 | 82.68 | 14.6 | 180,948 | 13,585,081 | 99.2 |
| 1932 | 126,405 | 7,651,144 | 60.53 | 8.0 | 125,539 | 7,335,830 | 99.2 |
| 1933 | 175,951 | 9,169,823 | 52.12 | 8.7 | 173,622 | 9,025,075 | 98.7 |
| 1934 | 159,654 | 6,791,871 | 42.59 | 6.2 | 149,843 | 6,896,557 | 93.9 |
| 1935 | 182,095 | 12,254,581 | 67.30 | 13.0 | 178,781 | 12,005,098 | 98.2 |
| 1936 | 175,951 | 13,871,759 | 78.84 | 9.4 | 166,365 | 13,137,171 | 94.6 |
| 1937 | 180,002 | 20,525,537 | 114.03 | 13.4 | 176,700 | 20,173,703 | 98.2 |

Source: Annual Reports, Insular Collector of Customs.

COMBINED TRADE IN COPRA AND COCONUT OIL

As shown in table 9, the combined exports of copra and coconut oil from the Philippines (expressed in terms of quantities of oil) fluctuated erratically, both to the world as a whole and to the United States, during the period 1928–37. The annual proportions shipped to the United States generally ranged between 80 and 90 percent of the total exported to all countries, but in 1934 the proportion declined to less than 65 percent. The absolute amount shipped to the United States in that year, however, was only slightly below the annual average for the 10-year period. The quantity shipped to the United States in 1937 was higher than in any preceding year in the decade except 1935, and the proportion shipped to the United States in 1937 was the highest in the decade.

TABLE 9.—*Copra and coconut oil combined: Quantities (expressed in terms of coconut oil) exported from Philippines to all countries with percentages thereof exported to the United States, 1928–37* [1]

| Year | Total quantity exported | Share of total exported in form of coconut oil | Total quantity exported to United States | Share of exports to United States in form of coconut oil | Ratio of quantity of copra and coconut oil exported to United States to total quantity exported to all countries |
|---|---|---|---|---|---|
| | *Short tons* | *Percent* | *Short tons* | *Percent* | *Percent* |
| 1928 | 310,588 | 49.1 | 282,940 | 55.0 | 88.8 |
| 1929 | 330,550 | 63.5 | 299,006 | 71.7 | 90.2 |
| 1930 | 283,485 | 57.3 | 259,083 | 62.2 | 91.4 |
| 1931 | 302,850 | 60.0 | 247,800 | 69.1 | 81.8 |
| 1932 | 221,712 | 57.0 | 179,100 | 67.8 | 80.8 |
| 1933 | 390,307 | 45.1 | 318,071 | 54.6 | 81.5 |
| 1934 | 397,648 | 40.1 | 256,433 | 58.4 | 64.5 |
| 1935 | 357,723 | 50.9 | 323,294 | 55.3 | 90.4 |
| 1936 | 378,095 | 46.5 | 293,117 | 59.8 | 77.5 |
| 1937 | 344,269 | 52.3 | 320,784 | 55.1 | 93.2 |

[1] Copra is converted into its equivalent in coconut oil on the basis of 63-percent oil extraction.

Source: Annual Reports, Insular Collector of Customs.

### COPRA CAKE AND MEAL

The residue remaining after the coconut oil is expressed from the copra is either marketed as cake or ground and marketed in the form of meal. Since the chief use for these products is for cattle feed, and since the Philippine requirements for this purpose are small, practically the entire production of cake and meal is exported. Copra cake is also used as a fertilizer material, but the price which it commands in such use is not attractive except under emergency conditions. Copra cake does not possess the chemical properties which would permit it to be substituted in any appreciable degree for the fertilizer materials which the Philippines now imports primarily for use in the cultivation of sugarcane. The only important markets for Philippine copra cake, as such, have been in north Europe, whereas the only important market for the meal has been in the United States.

During the period 1928-33, as shown in table 10, the Philippines exported 85 percent or more of its combined cake and meal shipments to countries other than the United States. Since 1934, largely because of the feed shortage in the United States, the proportion sold in that market has increased very appreciably. Over 40 percent of the total exports went to the United States in 1937. Unit prices reached extremely low levels during 1933 and 1934, but in the following years they advanced sharply, reaching in 1937 the highest level since 1929.

TABLE 10.—*Copra meal and cake: Quantities and values exported from the Philippines to all countries and to the United States, 1928-37* [1]

| Year | Exports of copra cake and meal to all countries | | | Ratio of value of exports of copra cake and meal to total value of all Philippine exports | Exports of copra cake and meal to the United States | | Ratio of quantity of copra cake and meal exported to the United States to total quantity of copra cake and meal exported to all countries |
|---|---|---|---|---|---|---|---|
| | Quantity | Value | Value per ton | | Quantity [1] | Value [1] | |
| | *Short tons* | | | *Percent* | *Short tons* | | *Percent* |
| 1928 | 89,808 | $2,880,137 | $32.07 | 1.9 | 10,541 | $358,854 | 11.7 |
| 1929 | 125,434 | 3,792,780 | 30.24 | 2.3 | 11,676 | 407,170 | 9.3 |
| 1930 | 90,102 | 1,802,224 | 20.00 | 1.4 | 14,953 | 327,934 | 16.6 |
| 1931 | 108,716 | 1,620,802 | 14.90 | 1.5 | 6,328 | 97,048 | 5.8 |
| 1932 | 83,008 | 1,053,060 | 12.69 | 1.1 | 3,840 | 55,741 | 4.6 |
| 1933 | 110,139 | 1,057,554 | 9.60 | 1.0 | 11,874 | 129,154 | 10.8 |
| 1934 | 109,847 | 1,051,120 | 9.57 | 1.0 | 36,381 | 447,410 | 33.1 |
| 1935 | 112,280 | 1,639,424 | 14.60 | 1.7 | 35,359 | 617,680 | 31.5 |
| 1936 | 119,343 | 1,829,539 | 15.33 | 1.2 | 57,046 | 1,034,247 | 47.8 |
| 1937 | 121,836 | 2,900,170 | 23.80 | 1.8 | 51,034 | 1,418,801 | 41.9 |

[1] Small amounts of copra cake and meal exported to the Hawaiian Islands are not included.

Source: Annual Reports, Insular Collector of Customs.

### DESSICATED COCONUT

Desiccated coconut first appeared among the Philippine exports in 1922, when the United States placed a duty of 3.5 cents per pound on this product and a duty of 0.5 cent each on raw coconuts.[8] Since then Philippine exports of desiccated-coconut products have been almost exclusively to the United States, all of the other markets combined never having taken much in excess of 1 percent of total exports.

There were 12 desiccated-coconut factories in the Philippines on September 1, 1937, 10 of which were in operation and 2 of which were temporarily closed.

[8] The term "desiccated coconut," as here employed, refers to all varieties of dried coconut meat—"grated," "shredded," "wafered," and "ribbed"—intended for use in the preparation of confections and bakery goods. Such products, unlike copra, are handled and artificially dried under sanitary conditions.

The plants owned by American investors account for approximately 80 percent of the output of the Philippines.

The unit price of desiccated coconut has tended to follow the general price movements of other coconut products, such as copra and coconut oil, but the fluctuations have been much more moderate. The exportation of desiccated coconut to the United States, as shown in table 11, has increased very rapidly during the past several years, both the volume and value in 1937 being much higher than in any preceding year.

**Table 11.**—*Desiccated and shredded coconut: Quantities and values exported from Philippines to all countries, with percentages thereof exported to the United States, 1928–37* [1]

| Year | Exports of desiccated and shredded coconut to all countries: Quantity [2] | Value | Value per ton [3] | Ratio of exports of desiccated and shredded coconut to total value of all Philippine exports | Exports of desiccated and shredded coconut to the United States: Quantity [2] | Value | Ratio of quantity of desiccated and shredded coconut exported to the United States to total quantity of desiccated and shredded coconut exported to all countries |
|---|---|---|---|---|---|---|---|
| | *Short tons* | | | *Percent* | *Short tons* | | *Percent* |
| 1928 | 22,448 | $3,723,586 | $197.47 | 2.4 | 22,419 | $3,718,268 | 99.9 |
| 1929 | 24,596 | 3,540,124 | 171.36 | 2.2 | 24,547 | 3,537,064 | 99.9 |
| 1930 | 21,972 | 2,962,844 | 160.53 | 2.2 | 21,948 | 2,958,710 | 99.9 |
| 1931 | 18,548 | 1,822,128 | 116.98 | 1.8 | 18,522 | 1,819,091 | 99.9 |
| 1932 | 17,717 | 1,616,701 | 108.63 | 1.7 | 17,704 | 1,615,446 | 99.9 |
| 1933 | 19,761 | 1,682,804 | 101.38 | 1.6 | 19,733 | 1,679,007 | 99.9 |
| 1934 | 25,944 | 2,254,840 | 103.45 | 2.0 | 25,931 | 2,253,230 | 100.0 |
| 1935 | 37,443 | 3,962,316 | 125.08 | 4.2 | 37,275 | 3,941,738 | 99.6 |
| 1936 | 37,161 | 4,397,063 | 140.86 | 3.0 | 36,694 | 4,353,138 | 98.7 |
| 1937 | 44,913 | 6,346,032 | 168.23 | 4.1 | 44,573 | 6,304,206 | 99.2 |

[1] The major portion of the small annual shipments not credited to the United States in this table is shipped to the Hawaiian Islands.
[2] Includes weight of containers.
[3] In computing unit values, 16 percent has been deducted from the gross weight shown in order to allow for the weight of containers.

Source: Annual Reports, Insular Collector of Customs.

### COMBINED EXPORTS OF MAJOR COCONUT PRODUCTS

On the basis of value, the aggregate exports from the Philippines of the four principal coconut products fell in 1932, as shown in table 12, to the lowest level reached in the 10-year period 1928–37. The trade in that year was the smallest both in absolute value and in relation to the total value of all Philippine exports to all countries. Philippine trade in these products with the United States followed an almost identical course.

Commencing with 1934, the aggregate value of the aforementioned coconut exports both to the world as a whole and to the United States increased steadily. The value of these exports to all countries in 1937 was higher than in any earlier year since 1929, and it constituted a larger proportion of the value of the total exports of all commodities than in any year since 1929, with the exception of 1935. The same was true of the corresponding trade with the United States. In 1937, however, the value of the exports of the aforementioned coconut products to the United States constituted a greater proportion of the total value of such exports to all markets than in any other year in the period under review.

TABLE 12.—*Principal coconut products: Values of total exports from the Philippines to all countries and to the United States, 1928–37* [1]

| Year | Value of principal coconut products exported to all countries | Ratio of value of exports of principal coconut products to total value of all Philippine products | Value of principal coconut products exported to the United States | Ratio of value of exports of principal coconut products to the United States to the value of exports of principal coconut exports to all countries |
|---|---|---|---|---|
| | | *Percent* | | *Percent* |
| 1928 | $52,641,236 | 34.0 | $44,920,474 | 85.3 |
| 1929 | 52,068,072 | 31.7 | 44,285,558 | 85.0 |
| 1930 | 37,443,888 | 29.1 | 32,902,818 | 87.9 |
| 1931 | 27,528,657 | 20.5 | 21,555,351 | 78.3 |
| 1932 | 15,454,738 | 16.2 | 12,063,082 | 78.1 |
| 1933 | 20,866,200 | 19.7 | 16,785,452 | 80.4 |
| 1934 | 18,705,658 | 16.9 | 12,997,262 | 69.5 |
| 1935 | 28,843,650 | 30.6 | 25,670,720 | 89.0 |
| 1936 | 35,098,145 | 23.8 | 28,207,038 | 80.4 |
| 1937 | 45,767,048 | 29.8 | 41,321,780 | 90.3 |

[1] The coconut products included are copra, coconut oil, copra cake and meal, and desiccated coconut.

Source: Annual Reports, Insular Collector of Customs.

### MINOR COCONUT PRODUCTS

Philippine production of coconut products of minor importance has increased appreciably in recent years. Among the more important of these are soap, margarine, cooking-oils, cooking fats, fatty acids, glycerin, charcoal, and coir (fiber made from coconut husk). None of these has as yet attained great importance in the export field, although several show considerable promise.

*Recent legislation affecting the exportation of Philippine coconut products to the United States.*—Among the factors which have recently assumed major significance with respect to Philippine exports of coconut products to the United States are the following: The United States agricultural program, the droughts of 1934 and 1936 in the United States, the Philippine Independence Act, and the United States Revenue Acts of 1934, 1935, and 1936. The operation of some of these factors has tended to obscure the force of some of the others; and the operation of at least one of them, the Independence Act, has not as yet been significant. The purpose of the following discussion is to consider the present and probable future effects on Philippine interests which may properly be assigned to the provisions of (1) the Independence Act and, (2) the United States Revenue Acts of 1934, 1935, and 1936, so far as they affect, or are likely to affect, the exportation of coconut products to the United States. The effects of this legislation cannot be fully isolated from the effects of other factors, and any estimate for the future is particularly subject to error because of the unforeseen technological and economic changes which may develop.

### INDEPENDENCE ACT

The Independence Act provides for certain restrictions on the movement of Philippine coconut products to the United States. The major products—copra, coconut oil, copra cake and meal, and desiccated coconut—are to be affected as follows:

(1) During the first 5 years of the Commonwealth government, the maximum quantity of coconut oil which may be admitted into the United States free of duty in any calendar year is 200,000 long tons (224,000 short tons). Any excess is subject to the full United States duty. No restrictions of any kind are placed on the movement of the other major coconut products from the Philippines to the United States.

(2) From the sixth through the tenth year of the Commonwealth government the duty-free quota on coconut oil will remain unchanged, but will become subject to the progressive Philippine export taxes to be applied against all Philippine

exports to the United States which would be subject to duty if entered from a foreign country. Exports of coconut oil to the United States in excess of the duty-free quota will not be subject to Philippine export taxes, but they will be subject to the United States duty. The export taxes will also apply to desiccated coconut and to cake and meal, but not to copra, assuming the continuance of the present United States tariff rates and classifications.

(8) After the Philippines attains its independence on July 4, 1946, Philippine coconut oil will no longer be subject to the quota restrictions previously imposed by the Independence Act, nor will it be subject to the export taxes provided for in the act. At that time all Philippine products entering the United States will be dutiable at the tariff rates applicable to similar imports from other countries.

The following table shows the export taxes to which the major coconut products will be subject during the period of the Commonwealth government and the United States duties to which they will become subject thereafter. All computations are based on the United States tariffs now in effect; they do not take into account the excise taxes imposed by United States revenue acts, which will be considered later.

TABLE 13.—*Philippine export taxes and United States duties applicable to the principal Philippine coconut products marketed in the United States*

[Cents per pound]

| Period [1] | Copra | Coconut oil [2] | Copra cake and meal | Desiccated coconut |
|---|---|---|---|---|
| First 5 years of Commonwealth period | Free | Free | Free | Free |
| Sixth year export tax=5 percent United States duty | do | 0.1 | 0.015 | 0.175 |
| Seventh-year export tax=10 percent United States duty | do | .2 | .030 | .350 |
| Eighth-year export tax=15 percent United States duty | do | .3 | .045 | .525 |
| Ninth-year export tax=20 percent United States duty | do | .4 | .060 | .700 |
| Tenth-year export tax=25 percent United States duty | do | .5 | .075 | .875 |
| After independence, beginning July 4, 1946, full United States duty | do | [2] 2.0 | .300 | 3.500 |

[1] The sixth year of the Commonwealth will begin Nov. 15, 1940; the Commonwealth period will end July 3, 1946.

[2] Coconut oil in excess of 200,000 long tons (224,000 short tons) per calendar year during the Commonwealth period is exempt from Philippine export taxes, but is subject to the full United States duty.

It does not appear that during the first 5 years of the Commonwealth period, the exports of the principal coconut products will be curtailed in consequence of the provisions of the Independence Act. Coconut oil is the only coconut product whose export to the United States is subject to any restrictions. The duty-free limitation in this case, however, amounts to 200,000 long tons per year.

During the second 5 years of the Commonwealth period the exports of coconut products in the aggregate are not likely to be affected appreciably in consequence of any provisions of the Independence Act. But the composition of the major coconut exports is likely to undergo some important changes, since the export taxes will constitute a progressively increasing disadvantage for the Philippine producers of coconut oil in their competition with crushers located in the United States.

Philippine producers maintain that their costs of converting copra into coconut oil are substantially the same as those of producers in the United States. The advantage of the lower wage scales in the Philippines, they contend, is offset by the lower efficiency of the labor and by the greater costs for power, machinery, and replacement parts. Any possible advantage which crushers in the Philippines may actually have at present over producers in the United States must be confined principally to some fraction of the relatively small cost of converting copra into oil, since mills in the United States and in the Philippine buy copra on substantially similar terms. It is highly improbable, therefore, that the oil-producers in the Philippines will be able to compete with mainland producers even for the whole of the Commonwealth period. In the last year of that period the export tax on coconut oil will, on the basis of present United States duties, amount to 0.5 cent per pound. Such a tax exceeds the entire present cost of converting copra into coconut oil either in the Philippines or in the United States.

To the extent that the Philippines will be obliged to curtail its exports of coconut oil to the United States during the second 5 years of the Commonwealth period it should be able to increase its exports of copra. Consumption of coconut oil in the United States presumably will not be affected by Philippine export taxes so long as these are not applicable to copra. The export taxes, therefore, will operate to transfer the crushing industry from the Philippines to the United States. Should the transfer in fact occur the Philippines would necessarily cease exporting copra cake and meal. The loss of the crushing industry would entail a small decline in employment in the Philippines, a shrinkage in Government revenues, and a loss of some capital (chiefly American and British) invested in the crushing mills. The export of desiccated coconut is not likely to be very seriously affected by the export taxes, since even in the last year of the Commonwealth period (on the basis of present United States duty) Philippine producers will still have a tariff preference in the United States market of over 2.0 cents per pound over other foreign suppliers.

After the Philippines attains its complete independence any further important changes likely to affect the coconut industry in consequence of the provisions of the Independence Act will depend primarily on (1) whether the present United States excise taxes on oils and fats will then be in effect, and, if so, (2) whether coconut oil derived from Philippine copra will continue to enjoy its present preferential excise-tax status in the United States market. The existing United States revenue acts are not clear on this latter point.

If the present United States tariff and the present excise-tax legislation remain in effect after July 3, 1946, and if Philippine-derived coconut oil remains in its present preferential excise-tax status, the only further change likely to affect the coconut industry in consequence of the provisions of the Independence Act will be a reduction of the output and profitableness of the desiccated-coconut industry. The exports of coconut oil to the United States presumably will have been discontinued and replaced by copra in the second half of the Commonwealth period. But if this should not have taken place then, it appears practically certain that, on the basis of present tariff rates, coconut oil would no longer be exported to the United States after becoming subject to the full United States duty, inasmuch as it could not then compete in the American market with coconut oil crushed in the United States from imported, duty-free Philippine copra. Once the Philippines ceases exporting coconut oil it will, as was previously observed, cease exporting copra cake and meal.

The ability of producers in the Philippines to continue exporting desiccated coconut will depend principally on the degree to which they will be able to compete in the United States or in other world markets with Ceylon producers. Under competitive conditions which have existed during recent years, Philippine desiccators have been able to operate very profitably and on an increasing scale while selling their product in the United States at a price not greatly above that of the Ceylon product, duty unpaid. By the time Philippine independence is achieved, it is to be expected that Philippine production costs and profit margins will be reduced somewhat. It may well be, therefore, that the Philippines will be able to retain a substantial fraction of its market in the United States for desiccated coconut even after that product becomes subject to the full United States duty. Some part of its market, however, the Philippines will doubtless lose to United States manufacturers and to Ceylon producers, chiefly the latter. A partial liquidation of the manufacture of Philippine desiccated coconut would not greatly affect the coconut industry as a whole in the Philippines. It would, however, result in a somewhat lessened demand for coconuts, in some curtailments in employment and government revenue, and in a loss of private capital, almost all of which is American.

Considering the effects of the provisions of the Independence Act for the whole period of the Commonwealth government and for the period after independence, it does not appear that they will of themselves operate to restrict greatly the aggregate value or volume of exports of the major coconut products, except so far as reduced shipments of desiccated coconut will be a factor, provided that, if the present excise taxes remain in effect after July 3, 1946, coconut oil derived from Philippine copra will continue to be taxed at the present rate. Throughout the Commonwealth period and thereafter, however, the United States excise taxes, independently of the provisions of the Independence Act, will continue to have an important effect on the Philippine coconut industry.

### UNITED STATES REVENUE ACTS

The United States Revenue Act of 1934 placed excise taxes on the importation of certain fish and marine-animal oils and on the first domestic processing of certain vegetable oils, among which Philippine coconut oil was specifically included.[4] The tax amounted to 3 cents per pound on the oil extracted (either in the Philippines or in the United States) from copra of Philippine origin, as compared with 5 cents per pound on oil extracted from copra of foreign origin.[5] The tax on the principal foreign competitive oils was 3 cents per pound. Section 602½ of the act also provided that the excise taxes which the United States should collect on coconut oil produced either in the Philippines or in the United States from Philippine copra would be paid to the treasury of the Philippine Commonwealth. The remittance of this money was made conditional on the Philippine government not paying any subsidies to producers of copra, coconut oil, or allied products.

The Revenue Act of 1935 amended that of 1934 so as to place a compensatory tax on imported articles manufactured or produced in chief value from taxable oils. The rates were substantially the equivalent of the excise taxes which would have been collected had the oil ingredients been imported into the United States in the form of oil.[6] The principal effect of this law on the Philippines was to subject Philippine-made fatty acids, vegetable lard, soap, and other products made from coconut oil to the equivalent of the excise tax imposed on coconut oil.

The Revenue Act of 1936 amended both of the preceding revenue acts.[7] The most important changes, from the standpoint of the Philippines, were the extension of the list of taxable oils and the increases in rates on some of the oils already taxed. The rate on coconut oil was not changed.

Excise taxes on coconut oil are collected by the United States Bureau of Internal Revenue on the first domestic processing. The aforementioned taxes are credited to a special fund in the Treasury of the United States to the account of the Philippine treasury.

The net effect of the recent Revenue Acts, even as amended to date, has been to alter adversely the competitive position in the American market of Philippine-derived coconut oil as compared with oils and fats produced wholly in the the United States, inasmuch as the excise taxes have been applied only against oils and fats of foreign and of Philippine origin. This legislation has also altered adversely the competitive position of Philippine coconut oil in comparison with several foreign oils, of more or less minor importance at present which are exempt from the excise taxes and, in a few instances, exempt from import duties as well.

The preferential tax position accorded coconut oil of Philippine derivation has given the Philippines a larger share of the United States copra market than it previously had, but in view of the fact that it is still obliged to sell in the world market, there is considerable doubt that this has redounded as much to its advantage as might appear to be the case. The Philippines sells its copra in the United States generally at no price advantage over its sales in the world market, and foreign copra which formerly entered the United States now supplants substantially equivalent amounts of Philippine copra in other markets. The preference, however, has admittedly been of some actual benefit, and of even more potential benefit to the Philippines.

To the extent that the use of coconut oil in the United States has been lessened or the price (exclusive of the tax) depressed in consequence of the excise-tax legislation, the Philippine copra and coconut-oil interests have been affected adversely. What effect this legislation may be expected to have after independence, even should it continue in force unaltered, is a matter for speculation.

The revenue acts provide that the preferential rate shall be accorded to coconut oil crushed from copra originating in "the Philippine Islands or any other possession of the United States". Although the Philippines will no longer be a

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[4] The act became effective May 10, 1934, as to processing taxes, and May 11, 1934, as to import taxes.

[5] Coconut oil imported as such from countries other than the Philippines and Cuba is also subject to an import duty of 2 cents per pound. Coconut oil from Cuba, if any were imported, would be subject to an import duty of 1.6 cents.

[6] This change went into effect September 30, 1935, or 30 days after the 1935 act became operative.

[7] This act was approved June 22, 1936, and the new rates became effective August 21, 1936.

possession of the United States commencing July 4, 1946, coconut oil derived from Philippine copra may possibly be held to be entitled to preferential treatment in the United States on the basis of the wording of the existing laws. The present preferential rate on Philippine coconut oil (3 cents per pound) is the same as the rate applicable to a number of other imported oils which are competitive with coconut oil in varying degree. The imposition of the nonpreferential rate (5 cents per pound) on Philippine coconut oil, therefore, would result in adversely affecting the competitive position of this product in the United States market in respect of other foreign oils and fats, and would seriously injure the whole coconut industry in the Philippines.

The remittance of the proceeds of United States excise taxes on Philippine coconut oil to the Philippine treasury represents gains for the Commonwealth government which very likely exceed any monetary losses which the Philippine coconut industry has suffered in consequence of the United States excise-tax legislation. The processing tax has been high in relation to the price of oil—about 100 percent when the law was introduced; but it appears that a large but indeterminate portion of the tax has not been shifted back to Philippine producers. By the end of March 1938, the United States Treasury had collected $61,115,123 for remittance to the Philippine Government, as shown in the following table:

TABLE 14.—*United States Treasury receipts from processing taxes on coconut oil derived from Philippine copra* [1]

| Period | Quantity | Tax |
|---|---|---|
| | *Pounds* | |
| 1934 (May 10 to Dec. 31) | 254,679,382 | $7,640,381 |
| 1935 | 596,296,765 | 17,888,903 |
| 1936 | 580,370,062 | 17,411,102 |
| 1937 | 511,275,202 | 15,338,256 |
| 1938 (Jan. 1 to Mar. 31) | 94,549,352 | 2,836,481 |
| Total May 10, 1934, to Mar. 31, 1938 | 2,037,170,763 | 61,115,123 |

[1] As provided for under sec. 602½ of the Revenue Act of 1934, effective May 10, 1934.

Source: U. S. Bureau of Internal Revenue.

*Character of recommendations.*—Under existing legislation, Philippine coconut products shipped to the United States during the Commonwealth period will be subject to Philippine export taxes and, in the case of coconut oil, to United States quota limitations as well; but after the Philippines becomes independent on July 4, 1946, such products will no longer be subject to the aforementioned taxes or quota limitations. At that time they will become subject to the United States tariffs and excise taxes applicable to similar products of other foreign origins, except that coconut oil made from Philippine copra may be held to be taxable at a preferential excise-tax rate, by virtue of certain ambiguous provisions in the United States Revenue Act of 1934.

The committee recommends that the following changes should be made in the treatment to be accorded Philippine coconut products which enter the United States during the Commonwealth period: Coconut oil should be exempt from Philippine export taxes but, in lieu thereof, should be subject to annually declining duty-free quotas commencing with 200,000 long tons (of United States imports) for the calendar year 1940. This amount should be reduced by 5 percent for each succeeding calendar year until it equals 150,000 long tons for the calendar year 1945. For the period January 1 through July 3, 1946, the quota should be one-half of the quota for the preceding year, or 75,000 long tons. Shipments in excess of the aforementioned quotas should be subject to whatever United States duty may be in force at the time.

The committee also recommends that the imposition of full United States duties should be postponed from July 4, 1946, to January 1, 1961, during which interim United States imports of coconut products, except coconut oil, should be subject to preferential tariff rates, commencing with 25 percent of the United States tariff rates in force on July 4, 1946, and increasing on each subsequent January 1 by 5 percent of the then-existing rates. Coconut oil should be subject to the above duties only on those amounts in excess of declining, duty-free quotas, fixed as follows: For the period July 4, through December 31, 1946, the quota should be 75,000 long tons; for the following calendar year, it should be 140,000 long tons; and thereafter it should be reduced annually by 10,000 long tons (5 percent of $200,000 long tons) until 1961.

The committee further recommends that the United States excise-tax rate applicable to all foreign coconut oil, if excise taxes on oils be in existence after the Philippines becomes independent on July 4, 1946, thenceforth be no higher than the rate applicable to palm oil (except for making tin plate) or to palm-kernel oil.[8]

The committee believes that if the above recommendations were adopted, the Philippine coconut industry would have an adequate opportunity to adjust itself to a position independent of preferential tariff and excise-tax treatment in the United States market.

(Subsequently Mr. Fred Brenckman, Washington representative, The National Grange, submitted the following brief, which was ordered printed in the record:)

BRIEF OF THE NATIONAL GRANGE IN SUPPORT OF AMENDMENTS TO H. R. 3790 OFFERED BY SENATOR CONNALLY, SENATOR BAILEY, AND SENATOR GILLETTE TO INCREASE CERTAIN FATS AND OILS TAXES TO 5 CENTS PER POUND

By Fred Brenckman, Washington representative

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: The position of the National Grange in support of imports and processing taxes on fats and oils has been a matter of record for a long period. It was restated at the annual meeting of this Nation-wide farmers' organization held at Portland, Oreg., in November 1938 in the following language:

"The National Grange reaffirms former declarations favoring excise or import taxes on all imported oils and fats which compete with domestic agricultural products. Such tax be sufficient to protect American-produced oils and fats and thus encourage increased domestic production. That we approve the present schedule of taxes on fats and oils and will support such additions or changes as necessary to make these taxes effective in protecting American production."

The farmers of the United States approve the principle of excise and import taxes on foreign fats and oils because they have found out that there is a great opportunity to produce these facts and oils on their farms, to meet the domestic shortage, provided only that prices may be established at a level here which will pay them a profit for their work and the use of their land.

We do not like to continue to shift our acres from wheat, corn, and cotton, to feed grains and forage, just to produce more livestock and thereby produce a surplus of livestock products.

Jungle oils and oils produced by coolie labor now take the place of our lard, tallow, cotton oil, soybean oil, etc., even to serious competition with our butter. We cannot produce at a price of 3 or 4 cents a pound, but a price increased by these import taxes on the competing oils will give us a chance to produce here and use many thousands of acres in soybeans and other oil-bearing crops.

Our exports on agricultural products, once our greatest national asset, is shrinking to a minor item, while the balance of trade in agricultural products, not so long ago substantially in favor of the United States, has been adverse to the United States continuously for the past 14 years. The last year in which we had a favorable trade balance in agricultural products was 1934, when our exports were 287 million larger than our imports. For the past 4 years our agricultural exports have been smaller than our agricultural imports by the following enormous totals: 1934, $265,000,000; 1935, $375,000,000; 1936, $805,000,000; and 1937, $104,000,000. The imports of oilseeds and oilseeds products in 1937 amounted to $16,000,000, while animal and marine oils imports amounted to at least $5,000,000 more.

Facts shown by Government reports do not bear out the claim that increased use of coconut oil in soap adds to the quantity of domestic oils used in soap.

[8] The excise taxes on Philippine coconut oil, palm oil (except for making tin plate and terne plate), and palm-kernel oil are 3 cents per pound under existing law.

If this were true then such increased use would tend to increase domestic prices as coconut-oil prices decline and more is used. The facts are that the prices of domestic oils have declined almost in the same proportion that coconut-oil prices have dropped. The census figures on consumption of all oils in the manufacture of soap show that as coconut oil has increased the use of domestic oils has declined.

The number of farmers whose economic position will be improved if an effective excise tax is imposed on foreign competing oils and fats is indicated by the following table which gives the number of farms on which oil- and fat-bearing products are produced:

*Number of farms producting fats and oils, 1934*

| | |
|---|---|
| Swine growing | [1] 3,971,122 |
| Butter producing | 3,816,340 |
| Cattle producing | 5,480,775 |
| Peanut growing | 576,985 |
| Cotton producing | 1,920,123 |
| Soybean growing | 622,746 |

[1] 1935.

Source: Census Bureau.

## CONCLUSION

In conclusion it should be pointed out that these tax proposals will substantially increase domestic revenue. It is true that that part of this revenue which will come from the processing tax on coconut oil will be remitted to the treasury of the Philippine Commonwealth. However, the imports of Philippine coconut oil are only about one-third of our total fats and oils imports and of the remaining two-thirds a substantial quantity when used in the United States will be subject to this additional 2-cent tax. No official estimates of this has been made but it is likely that a 2-cent tax will be turned annually into the United States Treasury on the importation or use of from 400,000,000 to 500,000,000 pounds of imported oils other than coconut oil or a total of from $8,000,000 to $10,000,000 annually. Such an increase in revenue is highly desirable at this time.

Respectfully submitted.

FRED BRENCKMAN,
*Washington Representative.*

(Subsequently Mr. John B. Gordon, secretary, bureau of raw materials for American Vegetable Oils and Fats Industries, submitted the following supplemental brief, which was ordered printed in the record:)

## SUPPLEMENTAL BRIEF OF JOHN B. GORDON, SECRETARY, BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES

In the course of the hearings conducted by the Senate Finance Committee on the taxes on oils and fats under date of Tuesday, March 7, Senator King, of Utah, asked one of the witnesses, Mr. F. M. Barnes, a member of the executive committee of the bureau of raw materials for American Vegetable Oils and Fats Industries, if he was familiar with the use of coconut oil in the manufacture of plastics. This supplemental brief is submitted by the writer to supply the Senate Finance Committee with the information which was requested by Senator King, plus additional data on the specialized usage of higher alcohols obtained from coconut oil in the textile, leather, paper and pulp, electroplating, polish and wax, and numerous other industries.

Plasticizers, made from coconut oil, are used in the production of plastics. One of these plastics, in the manufacture of which coconut oil is an important factor, is cellulose acetate molding powder, of which there is upwards of 10 million pounds consumed yearly at the present time and the use of which is rapidly increasing. Among the products manufactured from this cellulose acetate molding powder are automobile parts, radio parts, toothbrush handles, combs, buttons, ashtrays, and ornaments.

New plasticizers developed from coconut oil have made possible a new and greatly improved type of safety glass, which is now on the market. It is expected that this product will supplant other types of safety glass now being sold. Increasingly large quantities of coconut oil will be required in the manufacture of this product. Up to the present time no other oil has been found which will take the place of coconut oil for this purpose, owing to its lauric-acid content and the distribution of the free fatty acids which go into its chemical make-up.

USAGE IN INDUSTRY OF SULFATED HIGHER ALCOHOLS OBTAINED FROM COCONUT OIL

Coconut oil is the basic raw material from which is produced certain higher alcohols (which should be distinguished from ordinary alcohols derived from grains or from wood, which cannot be sulfated). These higher alcohols obtained from coconut oil are used in the manufacture of certain chemical products, which have a multitude of uses in commerce.

Most important of these chemical products are the sulfated higher alcohols. Due to their many unique properties they are useful for finishing agents for textiles, penetrating and wetting agents, dyeing assistants, detergents, etc. The greatest industrial use of these sulfated higher alcohols derived from coconut oil is in the processing of cotton fabric. They are also used extensively in the manufacture of rayon, silk, and woolen fabrics. Other industries in which these sulfated higher alcohols perform a very important function are the pulp and paper, leather, insecticide, electroplating, insulating material, and polish and wax industries.

In the essence it may be stated that the reason for the employment of the sulfated higher alcohols obtained from coconut oil in the manufacture of textiles, leather goods, etc., is to insure a better finish, and kindred attributes of higher quality. In as few words as possible, it should, therefore, be stated that these products have a tremendous influence on the salability of textiles, leather goods, etc., in the manufacture of which they are employed.

Senator KING. The hearings are now closed, and the committee will stand adjourned subject to the call of the chairman.

(Whereupon, at 4:30 p. m., the hearings were closed.)

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