

## TEMPORARY FREE IMPORTATION OF CASEIN

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

## REPORT

[To accompany H. R. 38]

The Committee on Finance, to whom was referred the bill (H. R. 38) to amend the Tariff Act of 1930 to provide for the temporary free importation of casein, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

## PURPOSE

The purpose of H. R. 38 is to suspend the import duty under paragraph 19 of title I of the Tariff Act of 1930, as amended, until March 31, 1960, on casein or lactarene and mixtures of which casein or lactarene is the component material of chief value.

## GENERAL STATEMENT

Casein (or lactarene) is derived from skim milk and is used primarily in the manufacture of coated paper, plastics, adhesives, paints, and edible derivatives. One of the chief uses of this product is in the manufacture of various types of coated papers. However, there is considerable use of the product as a basic raw material for production of water-resistant glue which is used in making exterior and other plywood products. It thus is a very important raw material not only to our domestic coated-paper industry, but also to our domestic building-supply industry.

Prior to the Tariff Act of 1922, casein or lactarene was free of duty, but in the act of 1922 a rate of 2½ cents per pound was established, and this duty was increased to 5½ cents per pound in the Tariff Act of 1930. The present rate of duty, in effect pursuant to trade agreements, is 2¾ cents per pound (2.2 cents per pound if the product comes from Cuba). The reduced rate of 2¾ cents per pound first became effective on November 15, 1941, pursuant to a trade agreement with Argentina, and was later included in a trade agreement with Uruguay and in the General Agreement on Tariffs and Trade.

Information presented to your committee indicates that, while domestic production and imports of casein have fluctuated during the past three decades, the general trend of domestic production has been downward and the general trend of imports has been upward. Although available official statistics on domestic production and imports of casein do not distinguish between the edible and the inedible production, the domestic production consists almost entirely of edible casein while imports consist almost entirely of inedible casein. Reports indicate that since 1937 the domestic annual production of casein has declined from 67.5 million pounds to only 3.1 million pounds in 1955, and that the 1956 production did not exceed 1 million pounds. The Department of Commerce estimates that the 1956 production was less than 1½ percent of the total domestic supply. Thus, the great bulk of the domestic consumption is being supplied by imports.

Domestic production of casein has not risen or fallen with demand in recent years because the raw material from which casein is made (skim milk) is more profitably converted into other products. This was the case especially during the war because of the heavy demands for whole-milk products and for dry skim milk, primarily for overseas shipment. Since 1952 the milk price support program, under which the price of nonfat dry skim solids is supported, has constituted a prime inducement for converting skim milk into products other than casein. The production of dry skim milk is much more profitable than the production of casein (each of which is made from skim milk). This automatically reduces the quantity of skim milk available for conversion into casein and also makes it much more unprofitable to convert to casein.

Favorable departmental reports on this bill were made by the Departments of State, Commerce, and Agriculture. Informative reports were made by the Tariff Commission and the Treasury Department. The Department of Labor made no substantive comment on the bill.

The Secretary of Commerce in his report on the bill pointed out that the Department's position was based—

on the relative unimportance of domestic casein production, the availability of substitute material, and the availability of a more profitable and seemingly unlimited dried-milk market provided by the current milk price support program.

The Secretary of Agriculture in favorably reporting to the Ways and Means Committee on the bill pointed out that recent developments in the domestic production trends in casein, in the light of the trends apparent over the past several years, indicate that the tariff on casein is not presently a substantial factor in the domestic situation. That report also points out that the elimination of the duty probably would result in a reduction in the price of imported casein to the domestic consumer, and thus increase its competitiveness with substitute productions, which would be not only of general economic benefit but would also improve the long-run position of casein to the possible eventual benefit of the domestic industry.

It should be emphasized that the bill does not provide for a permanent duty-free status of casein, but rather suspends the duty on this product for a period of less than 3 years, that is, until March 31, 1960. There is thus provided an adequate safeguard in the event developments should make a change in policy desirable at that time.