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Report of Proceedings

Hearing held before

Committee on Finance

H. R. 4410

March 21, 1944

Washington, D. C.

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H. R. 4410.

Tuesday, March 21, 1944.

United States Senate

Committee on Finance

Washington, D. C.

The Committee met at 2:00 o'clock p.m., pursuant to call, in the District Committee room, U. S. Capitol, Senator David I. Walsh presiding.

Present: (Senators Walsh (presiding), Guffey, George, La Follette, Byrd, Gerry, Vandenberg, and Brewster.

Senator Walsh. The Committee has met for the purpose of considering H. R. 4410. This bill has passed the House and the report of the bill and the reasons for the Committee action in the House is on the table and before each member of the Senate.

(H. R. 4410 is as follows:)

Senator Brewster. Mr. Chairman, there is a gentleman who came to me and he is desirous of appearing before us.

Senator Walsh. There are some names on the list. The first we have is Mr. Carl C. Farrington.

STATEMENT OF MR. CARL C. FARRINGTON,

VICE PRESIDENT, COMMODITY CREDIT CORPORATION.

Mr. Farrington. At the time the original bill was enacted, the War Food Administrator supplied a report in which he tried to evaluate the possible effect by commodities. He indicated at that time there was a good prospect that the bill would be of assistance in connection with hay. He indicated that with respect to the other commodities, the results were very doubtful, that is, under the very tight transportation situation that existed, and the demand in this country for the feed, it was very doubtful that the bill could have the effect of increasing the total quantity of the commodities imported or reducing the cost of the commodities to the ultimate consumers.

Nevertheless, because of the very great interest in doing anything he could to get more feed in and lower the cost to the consumer, he recommended an approval of the bill.

I would like to have our statement appear in two parts, Mr. Jasspon, who is the director of our Oil Feeds Division, to discuss that portion of the bill relating to flaxseed and I would like to read a brief statement on the effects of the bill as we have been able to observe them and measure them, with respect to commodities other than flaxseed, if that meets with your approval.

Senator Walsh. You may present your statement.

Mr. Farrington. When H. J. Res. 171 became effective as Public Law 211 on December 23, 1943, it was generally hoped that there would be an increase in the imports of various grains and feed products and a reduction in the prices of these grains and products as a result of this legislation which suspended for a 90-day period import duties with respect to such products imported for feed. The results of the legislation, except with respect to hay, however, have been very disappointing from the standpoint of increased supplies and reduced prices to farmers in the United States. These results in so far as they can be measured by the incomplete data on hand may be summarized as follows:

(1) Substantial quantities of hay have been imported into the United States from Canada during the past 90 days and much of this hay has been distributed under a special program which was in effect in the drouth-affected areas of Delaware, Maryland, Virginia, North Carolina, West Virginia, and Pennsylvania, and it appears that the cost of this hay to U. S. purchasers was reduced somewhat by the removal of the duty. This was made possible by the fact that an unusually good hay crop was produced in the eastern Canadian Provinces in 1943 and transportation facilities were made available

for bringing this hay into the United States. It is believed, however, that movement of this hay has been substantially completed.

Senator Gerry: Does that cover all kinds of hays?

Mr. Farrington: Most likely mixed hays brought in from the eastern Provinces. The bill did cover all types of material. It appears, however, that this movement is approaching an end. We are getting into the pasture season now and it may not much longer continue.

(2) There is little, if any, evidence that imports of the various grains and feeds have been stimulated during the past 90 days by the duty-free provisions. On the contrary, the import of oats which were badly needed may actually have been discouraged by this legislation. It appears that the export equalization fee on oats was maintained during most of this period at a level about 5 or 6 cents a bushel above the level that would have prevailed had duties remained in effect and this increased fee applied to all oats exported from Canada, whether for feed or other uses. The fee increased an additional two cents in the past few days.

Senator Vandenberg. Canada capitalized on our action and took a few pennies off a dead man's eyes.

Mr. Farrington. That is essentially what happened, Senator.

The removal of the import duty, however, applied only to oats to be used for feed so that oats imported for food purposes had to pay the duty of 8 cents per bushel plus the increased equalization fee. The equalization fee on oats now amounts to 43 Canadian cents per bushel for oats destined to move from or east of Fort William and 35 cents per bushel for oats moving west of Fort William, except from British Columbia, where the rate is 28 cents per bushel.

(3) Transportation is the real key to the volume of imports at the present time, and this being the case, any reduction in duty tends to be reflected in a higher price to the seller in the exporting country rather than in a lower price to users in the United States. Through the equalization fee system which applies to Canadian oats, instead of the duty being paid to the United States Treasury, it is in effect paid to the Canadian Wheat Board for distribution to the farmers in the Prairie Provinces.

(4) There have been no export licenses granted for feed barley by the Canadian Wheat Board during the period this law has been in effect. Accordingly, the legislation has had no effect on imports from Canada. All barley imported from Canada is for malt purposes and pays not only the full U. S. duty but an equalization fee which is distributed to Canadian producers.

(5) Commodity Credit Corporation has continued to pur-

chase wheat for use as feed in the maximum volume permitted by transportation facilities and the removal of the duty with respect to wheat imported for feed has had no effect except that it may have been a factor in the increased price which Canada is asking for wheat. At the present time the price CCC is paying for Canadian wheat is about 5 cents per bushel higher than on December 23 when Public Law 211 became effective.

(6) With regard to grain imports from countries other than Canada, and notably Argentina, which is an important potential source of feed supplies, transportation again is a chief limiting factor. On a c.i.f. basis, including the full import duty, the cost of Argentine wheat, corn, barley, oats, rye, and protein meal at U. S. Atlantic or Gulf ports would be less than current U. S. prices in these areas, a fact which I think proves rather conclusively that imports of feeds from that country depend solely upon shipping space.

(7) Brazilian cottonseed meal: The effect of the reduction in duty on Brazilian meal can best be seen by a historical review of the situation as it developed over the past 8 or 9 months, with respect to cottonseed meal imports. The Commodity Credit Corporation purchased a total of 53,000 tons between May 22, 1943 and August 24 of the same year. The first prices paid were as low as $19.50 per long ton f. o. b.

but the last 30,000 tons were purchased at a price of $28.00 per long ton. This was prior to any discussion of a reduction in the duty which would have had no effect in any event since the material was being imported by a Government agency.

This meal was purchased for shipment July through September and adequate ocean shipping space was arranged to move it to the United States. Yet, at the present writing there are still approximately 18,000 long tons of this meal unshipped in Brazil because of the inability of the sellers to move their produce from the interior to Santos. Strong representations to the Brazilian Government have been effective in getting export permits and the promise of a railroad priority sufficiently high to move the meal, but it is apparent that the bottleneck here is niehte price nor ocean shipping space and a reduction in the duty could do nothing to expedite the movement of this meal.

However, return of meal to private purchase and the cancellation of the duty last December has had the effect of raising sellers' prices to $34 a ton f. o. b. point of shipment (which compares with the last price bid by Commodity Credit Corporation of $28 per long ton). The sellers in Brazil are well aware of our need for cottonseed meal and know that buyers here will pay the maximum price possible under OPA ceilings. With the cancellation of the duty buyers simply raise their quotation $4.50 per long ton ($4.00 per short ton), and the corresponding loss of revenue to the U. S. Treasury does not increase the quantity of meal available for shipment to the United States by a single ton. Incidentally, the market value of cottonseed meal in Brazil is much lower than its value for export even on a dutiable basis, so that there is adequate incentive for the Brazilian producers to export their meal without any increase in the price.

(8) Mexican oilseed meals: During 1943 Mexican oilseed meals were being sold into the United States at prices far in excess of domestic ceiling prices. This was possible because the buyers took title to the merchandise in Mexico and the Office of Price Administration had no control over sales prices of goods sold in a foreign country. We are informed that prices as high as $85 per short ton on cottonseed meal and $110 per ton on sesame meal were paid by California consumers. When the reduction in duty first went into effect the price to consumers was not reduced by $4 per ton as Congress apparently expected since the cancellation of the duty simply made it possible for buyers to pay that much more in competition for the available supply. In January the War Food Administration took steps to rectify this situation and stipulated in import permits that no meal could be brought in at prices above the comparable domestic ceilings.

As a result of this action, we understand that cottonseed meal is now being imported at the ceiling price, but here again without the duty U. S. buyers will merely bid $4 per ton more for the meal since it is a foregone conclusion that they will bid the maximum permissible price under OPA regulations.

The Mexican government on its part has oilseed meals under export control, and it is understood that they will grant export permits only on that part of the production which they consider to be an exportable surplus. Thus, the increased price made possible by the reduction of the duty will not increase the quantity of oilseed meals available to the United States from Mexico.

(9) Argentine Oilseed Meals: Commodity Credit Corporation purchased approximately 18,000 tons of peanut, cottonseed, and linseed meal in the Argentine during November and December last year. The price paid on the cottonseed and peanut meal was $30.00 per metric ton. The meal was purchased for prompt shipment, but the Argentine Government established an embargo which is still in effect and as in the case of Brazil an increase in the buying price would not increase the available supply. The production of oilseed meal in the Argentine is expected to exceed one million tons this year and the limiting factor is ocean shipping space and the embargo of the Argentine Government. Most of the Argentine

production will be consumed as fuel, which sets the market value so that at $30 per metric ton there is more than ample incentive to the Argentine producers to export the metal. The price of $30 will permit the importation of the meal and the payment of the duty by the American consumers.

The effect of the duty reduction last December was not reflected in the Argentine market for the reason that no Argentine meal was being shipped to the United States and the only purchases which were being made were by a government agency. However, we are informed by the U. S. Commercial Company, which has been handling the procurement of oilseed meal since January 1, that the Argentine producers are using the reduction of duty as an argument for getting an increase in their sales price. Were the situation to change and shipments to the United States to commence, it is certain that the asking price of the Argentine producers would increase by the amount of the duty without any increase in the quantity of meal offered for sale. Furthermore, since the United States is the purchasing agent for the United Nations any increase in price for shipment to the United States would also be reflected in increased costs to others.

Senator Walsh. Are you opposed to the passage of this resolution?

Mr. Farrington: The War Food Administrator asked me to give this full statement of the results as far as we have been able to measure them.

Senator Walsh. Apparently the results have not been as expected or anticipated?

Mr. Farrington. They have been disappointing to us, yes, Senator.

Senator Walsh. What harm is there in passing the resolution?

Mr. Farrington: If the objective is to lower the prices to consumers or to increase the supply, we do not see how it has been effective.

Senator Walsh: You do not think it is of any special benefit?

Mr. Farrington: And possibly it will be just as well to have the duty in the Treasury instead of an additional price to the exporters.

Senator Walsh: We will call the next witness, W. H. Jasspon.

STATEMENT OF MR. W. H. JASSPON,

DIRECTOR OF THE OIL FEEDS DIVISION, COMMODITY CREDIT CORPORATION.

Mr. Jasspon: My name is W. H. Jasspon and I am the Director of the Oil Feeds Division of the Commodity Credit Corporation.

2- Senator Walsh: You want to talk on what subject?

Mr. Jasspon: As Mr. Farrington stated, I will confine my remarks to the flaxseed division of H. R. 4410.

I would like to present to the committee a copy of a letter which Administrator Jones wrote Senator George on March 15, dealing with the flaxseed resolution covered by House Joint Resolution No. 231. It will have the identical effect in the bill, as it would have had in the resolution, and therefore it is pertinent.

May it go into the record?

Senator Walsh: It may go into the record.

(The letter follows:)

March 15, 1944.

Hon. Walter F. George
Chairman, Committee on Finance
United States Senate.

Dear Senator George:

Reference is made to your communication of February 15, requesting a report on H. J. Res. 231, a joint resolution "To permit the importation free of duty of flaxseed from foreign countries during a period of ninety days."

The passage of the resolution probably would have little, if any, effect in expanding the supply of protein feed for livestock as is apparently the intention. The Government is already bringing in all the available flaxseed from Canada and Mexico and all from Argentina, for which shipping facilities can be obtained. If the resolution is enacted, it may be interpreted by American farmers that the Government is discouraging domestic flaxseed production. Since the resolution would probably be in force during the period when most flax growers are planting their crops, it might influence them to put in a smaller acreage and thus work in the direction of a smaller, rather than a larger, protein feed supply.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely,

Marvin Jones

Administrator.

Mr. Jasspon: I have a brief statement on this question from our point of view and if I may be permitted to do so I would like to summarize the points as we see them and then amplify slightly.

Senator Walsh: The whole statement may go into the record.

Mr. Jasspon: In summarizing I would say:

1. The proposed legislation will not increase the supply of protein feed within the time limit provided therein for duty-free imports or lower the cost under present conditions.

2. The crushers are able to purchase flaxseed for processing on a basis of existing import tariffs at a profit.

3. The effect of the proposed legislation will be to

rebate to crushers the amount of the tariff paid on imported flaxseed purchased since the effective date of the resolution, and lower the cost of any further purchases to the amount that foreign countries do not advance the price.

4. The passage of the pending resolution will serve no economic purpose or aid the war effort at this time, or result in any benefits to domestic consumers.

Regarding H. R. 4410, the flaxseed provision: Existing linseed oil and oil meal price levels enable crushers to purchase and process on a profitable basis imported flaxseed with the duty added; in fact, flaxseed crushers are willing to contract for large quantities at existing costs.

The importation of duty-free flaxseed will not lower the price of linseed oil meal as long as there is an over-all shortage of high protein feeds. All oil meals are in demand at ceiling prices. Nor will it increase production. The volume of production is limited entirely by plant capacities which are being fully utilized on the Atlantic Seaboard at this time. The extent to which such capacities will be necessary for the production of oil and meal over the twelve months period beginning with July, 1944, will determine the quantity of imports we shall make available later. Stocks of linseed oil at this time are practically at a record high, as a result of an all-time record 1943-44 production.

Eastern seaboard crushing plants, which are the principal users of imported flaxseed, have a total quantity of flaxseed in inventory, under contract, and allocated to them to provide for continuous operation until July 1 or beyond. We are committed to Canada to import its entire surplus production out of which, according to present estimates, there will still be 1,500,000 bushels or more available for later allocation. In connection with the importation of Canadian flaxseed, Commodity Credit Corporation has given the Canadian Wheat Board allocation by mills for 2,000,000 bushels which will be ready for shipment at the opening of navigation on the Great Lakes. However, the Canadian Wheat Board has not yet named a price on this quantity, evidently awaiting the outcome of pending legislation, to determine whether they can ask a higher price.

It seems to be the custom for foreign countries to increase their selling prices whenever duties are lowered or removed. The proposed bill, if enacted, will enable certain processors to make additional margins at the expense of the U. S. Treasury on the quantity of flaxseed already imported and presently held in bond, if the duty is removed.

The resolution might act as a serious deterrent to domestic production, as set forth in War Food Administrator Jones' letter of March 13 to the Chairman of the Committee on Finance. Indicated acreage for 1944 shows a decline of 31 per cent. From the latest available quotations, flaxseed from the Argentine (which is the largest normal source of import supply) may be purchased duty paid, at a price which figures less than $2.75 per bushel delivered Atlantic seaboard ports, compared to a comparable cost of domestic flaxseed of approximately $3.30 per bushel.

Commodity Credit Corporation has outstanding an open offer to all flaxseed processors by which they are underwritten against market losses, by an offer to purchase linseed oil and oil meal at prices slightly below ceiling levels. Since the importation of all flaxseed is controlled either by direct purchase through a Government agency or by import permits granted by the War Food Administration, it is possible to regulate the flow in accordance with plant capacities and the need for the products. The quantity of flaxseed which may be imported from the Argentine also depends upon the availability of shipping space.

Senator Walsh. We appreciate having your views.

Mr. Jasson: I would like to have this in the record and if there are any questions I will be glad to answer.

Senator Walsh: The next witness is Mr. John C. Murray. We will be pleased to have your views.

STATEMENT OF MR. JOHN C. MURRAY,

MANAGER, GRAIN DEPARTMENT, QUAKER OATS COMPANY, CHICAGO, ILL.

Mr. Murray: Thank you, sir; I am very glad to have this opportunity to present to you the problems that confront the oat meal millers of the country in supply oat meal and oat products to the Army, Navy and for civilian requirements. I have prepared a short statement of the facts as I see them and I would like to read it to you.

Should you have any questions, I will be happy to answer them as best I can or get any further information you may want.

As you know, the over-all grain picture in our country is a dark one and I do not see much hope of improvement until this year's crops are harvested. Terminal and country elevator stocks are down to the vanishing point. I am told country stored stocks in the surplus areas are not coming to market and probably will not for the next couple of months, as farmers are going to be too busy with planting operations to deliver their surplus to country elevators.

The only stock piles of graines are in western Canada and I for one am all for bringing into this country as much of those grains as available transportation will permit, lest our entire program of feeding both humans and animals bogs down.

Along about the end of June last year, corn supplies dried up. This year the same situation exists and 90 days earlier. Last year we could turn to oats and barley. This year those grains are not available.

Right now the milling industry has barely sufficient oats on hand to permit operations for the next ten days or two weeks. Only a couple of weeks ago our company could not offer the Army an amount of rolled oats requested for shipment during May, June and July because we did not have the oats on hand or know whether we could get them in time to fill the order. We have no stocks of finished products on the floor. All our Quaker and so forth is moving right out as fast as we can make it.

As you know, oat meal is high nutritious, rich in protein and vitamin B-1, and low in cost, all of which factors are important under wartime conditions. It is unrationed and helps to stretch the short supplies of other protein foods, such as meat, milk and eggs.

Furthermore, in the manufacture of oat meal, byproducts result, which implement feed supplies. For example, take a quantity of 11,000 bushels of average quality oats. Out of those 11,000 bushels we extract about 20 percent or 2,000 bushels which go directly for feed. The remaining 9,000
3- bushels produce 900 barrels of table grade rolled oats and some 90,000 pounds of oat hulls. Sixty percent goes into the manufacture of furfural alcohol, an important compontent in the production of synthetic rubber, plastics, synthetic resins and oil refining. The remaining of it goes into mixed feeds, as desirable ruffage, equivalent in feeding value

to good timothy hay and when combined with soy bean, cottonseed or linseed meal, makes an excellent feed for cattle and dairy cows.

Today the oat millers are selling rolled oats at prices established under OPA ceiling regulations which are based on prices in effect during March, 1942. During that period oats were worth an average of 56 cents per bushel delivered at Chicago. Recently, in order to get only a few oats, we had to pay equal to 91-3/4 cents to Chicago, an increase of about 60 percent in raw material cost.

Oats shipped all rail from western Canada would now figure about 93½ cents per bushel laid down in Chicago for human consumption. When imported for feed the cost would be less duty of 8 cents per bushel, or 85½ cents.

As H. R. 4410 now reads, oats can be imported, duty free, for the 90 days starting March 22 when used for livestock and poultry feed. Oats used by millions in the manufacture of rolled oats for human consumption are of essentially the same quality as those used for feed. Removal of the duty for feeding oats has not decreased the cost of Canadian oats for feed, but it has increased the cost to the miller eight cents per bushel, thereby intensifying the squeeze between raw material cost and selling price.

We therefore respectfully request that the bill be amended to include duty-free importation of oats for human consumption as well as for feed.

Of the oats brought in for milling, about 50 percent goes for feed.

Senator Walsh: Are there any questions?

All right, sir; we appreciate your coming here.

The next witness will be Mr. Gordon.

STATEMENT OF MR. JOHN GORDON,

SECRETARY, NATIONAL VEGETABLE OILS AND FATS INDUSTRY, WASHINGTON, D. C.

Mr. Gordon: I wish to point out to the Committee that I am interested only in the item of flaxseed which appears in H. R. 4410 and I wish also to point out that flaxseed was contained in the original free feed duty, Public Law 211, as approved December 22, 1943.

Senator Walsh: Do you still want it included?

Mr. Gordon: Yes, sir.

I inquired of the Bureau of Customs if they interpreted the word "flax" to mean flaxseed and they replied they did. However, I will read a letter written to me by the Commissioner of Customs under date of December 30, 1943, or part thereof, as follows:

"You state that it is provided that the Act shall not be construed to authorize the free entry of wheat imported for milling purposes but that there is no such restriction placed on flaxseed, which is a product of chief value of flax, which you assume may be imported for milling purposes, since it is first necessary to remove the oil from the seed before it is used for feed for livestock and poultry.

"You ask to be advised whether your assumption is correct.

4- "Public Law 211, approved December 22, 1943, provides free entry for the following produce when entered for consumption or withdrawn from warehouses for consumption during a 90-day period begining December 23, 1943, to be used as, as a constituent part of, feed for livestock and poultry: Wheat, oats, barley, rye, flax, cottonseed, corn or hay, or products in chief value of one or more of the foregoing or derivatives thereof, under regulations prescribed by the Secretary of the Treasury.

"The Collectors of Customs have been instructed that free entry is not applicable to wheat for milling purposes, or to flaxseed or cottonseed for oil milling, or to any other product to be used or processed for other than feed purposes, but may be applicable to derivatives, such as feed floor, linseed meal or cottonseed meal and products in chief value thereof, or of the products named in the statute; that importations under the statute are subject to existing quota requirements; --".

I will skip a paragraph and read as follows:

"Linseed or flaxseed entered or withdrawn for consumption for oil milling would not be entered or withdrawn to be used as, or as a constituent part of feed for livestock and poultry, as required by Public Law 211. Therefore, linseed or flaxseed entered or withdrawn for oil milling is not entitled to admission free of duty under the Public Law mentioned."

I called that interpretation of the Bureau of Customs to the authors of the resolution and asked them if it had not been the intention of Congress to permit the importation of flaxseed duty-free for the manufacture of oil cake and meal, and we were advised that it most decidedly was the intention of Congress that oil cake and meal be made from this flaxseed.

My attention was next attracted to this matter about the time when H. R. 231 was introduced in the House under date of February 3. This resolution, which was passed by the House about the same time, stated very plainly that it was the intent that duty-free flaxseed be imported for the manufacture of oil cake and meal.

When H. J. Resolution 231 was sent to the Senate Finance Committee it was referred to the Tariff Commission and the War Food Administration for a report. Also, a subcommittee of three members of the Finance Committee was appointed to consider the resolution.

The Tariff Commission's report to the Committee I considered very unfair to the resolution.

Senator Walsh: No action was taken by the subcommittee?

Senator Gerry: No.

Mr. Gordon: Outstanding in the inaccuracies which it contained was a statement that the resolution would do not good as the flaxseed crushing mills are now running at capacity with plenty of seed to continue running at capacity until new crops become available. This is most incorrect as I called the statement to the attention of a member of the subcommittee, together with newspaper articles, showing that some of the western mills are about to close down for lack of seed. I was, therefore, requested to appear before the committee, which explains my presence here.

I will now file with the Committee a statement which I have here, showing the stocks of feed on hand as of January 31, amounting to 15,763,535 bushels.

Flaxseed available for crushing prior to September 1, 1944:

Stocks on hand at mills, January 31, 15,763,535 bushels.

Domestic seed at terminal markets on March 10, 5,043,000 bushels.

Canadian seed in bond, 885,000 bushels.

Domestic seed to be marketed from March 10 to July 31, 5,000,000 bushels; making a total of 26,691,535 bushels.

Consumed January 31 to March 10, 6,240,000 bushels, leaving total stocks on hand March 10 of 20,451,535 bushels.

Required for seeding new crop, 4,000,000 bushels.

Approximate amount available for crushing prior to September 1, exclusive of future imports, 16,451,535 bushels.

Stocks on hand and to be received represent approximately enough to operate at full capacity for eleven weeks.

New crop seed not available in quantity in Eastern United States until September 15, which is approximately 25 weeks. New crop seed available in quantity in Northwest about September 1.

There are 41 mills operating in the States doing flaxseed crushing, flaxseed crushing mills; the States of Illinois, Kansas, Michigan, Missouri, New York, Ohio, Wisconsin, New Jersey, Pennsylvania, Maryland, Oklahoma, Texas, California, and Oregon. They crushed in September of 1943 5,501,285 bushels of seed, which is at the rate of about 66,000,000 bushels.

In October they crushed 5,164,428 bushels of seed and in November 5,195,143 bushels.

In December they crushed 5,124,500 bushels.

In January they dropped off to 4,764,135 bushels.

Now, those are the latest figures available and of which as yet we have no record. These are figures that I have been given by the Bureau of the Census.

It is to be seen stocks on hand represent just about at the rate of 5,000,000 bushels, which would indicate that they can operate for eleven weeks. Now, the new flaxseed is not available in quantity in the eastern United States until September 15, which is approximately 25 weeks off. New crop seed is not available in the Northwest in quantity until about September 1.

I wish here to file and have entered in the record details showing method of figuring amount of domestic seed yet to be marketed.

(The statement follows:)

Attach
to
original

Now, I have here clippings from the New York Journal of Commerce, one dated March 13 and this states, in cooperation with what I have been saying about showing the average of seed and in refutation of the Tariff Commission's statement that the mills have had plenty of seed. It states as follows:

"In the Northwest certain crushers declare unless flaxseed increases immediately they will be forced to close down until the new crop is ready. The 1944 crop now is expected to be considerably lower than the 1943 production unless some action is taken by the Government to increase the crop."

It goes something like that.

Another clipping is dated March 14:

"Some Minnesota flaxseed crushers expect to shut down temporarily until the new crop arrives unless the volume of receipts in the Northwest can be stepped up."

Here again is another clipping on March 20:

"Reports persist that Northwest crushers may in some cases have to close their mills until the new crop comes in unless receipts of flaxseed are greatly increased. The outlook for domestic flaxseed production remains gloomy as farmers apparently have not changed their minds about considerably cutting down the '44 acreage."

Now, as to the merits of H. R. 4410, it merely extends to flaxseed from Canada and Mexico what the United States

Government agencies are already doing in respect to Argentine flaxseed, that is, importing it duty-free.

3. As respects the competitive situation with domestic flaxseed, it makes no change whatsoever. Linseed meal and cake are already being imported duty free from Argentina and Canada under Public Law 211 and linseed oil, the other product of flaxseed, is being imported duty free from Argentina by the Government under Title 34 of the U. S. Code and Executive Order 9177.

4. Essentially, it gives to private importers of flaxseed from Canada and Mexico, where importation is carried on by private initiative, the same latitude as that exercised by the Government in importing Argentine flaxseed.

5. By extending this privilege to importers from areas where transportation is either by rail or through the Great Lakes, the more adequate transportation facilities available thereby should result in considerably larger volumes of importations of flaxseed and consequently larger high protein concentrate supplies.

6. If H. R. 4410 were passed immediately, some Canadian flaxseed should move by rail to Eastern crushing mills without waiting for opening of navigation. Cannot do so now as rail rate is about 66 cents per hundred as compared to 19 cents via Great Lakes waterway.

7. Finally, it should be pointed out that, in so far as

the presence of flaxseed in H. R. 4410 is concerned, the objection that the Government is engaged in bringing in importations duty free can be as readily lodged against all other items contained in the bill. The WFA at the time Public Law 211 was under consideration stated that they were bringing in duty free imports of the various feedstuffs embodied in the bill and yet Congress saw fit to grant the same privilege to private initiative. The clarification of the situation created by the ruling of the Bureau of Customs in respect to flaxseed by passing H. R. 4410 with flaxseed included would be merely a reaffirmation of the previous action of Congress.

Canada produced in 1943 17.9 million bushels of flaxseed. They have sold around five million bushels to crushers in the United States. The Canadian Grain Board proposes to sell us another 3-1/2 million bushels during the May to July period. If we received this, we will have roughly only one-half of their salable flaxseed, whereas we will need all of it and more during the period before our new crop seed arrives.

If the removal of the duty will obtain another 6 to 7 million bushels of Canadian seed before new crop seed arrives, it will be worthwhile.

The United States Department of Agriculture released yesterday the intentions of farmers to plant during 1944. The predicted flaxseed acreage is 4,351,000 which is 68.8

percent of that of 1943. If the ten-year average state yield is applied, it will mean a yield of 27,846,000 bushels. We may not get from this year's harvest, therefore, more than one-half of the production which we had in 1943. If so, we will need at least 30 million bushels of imported flaxseed to make up our deficit.

Senator Walsh: You want the bill reported?

Mr. Gordon: Yes, sir.

Senator Walsh: As it is ?

Mr. Gordon: We would like to have the bill reported as it was passed by the House.

Senator Walsh: Are there any other witnesses who desire to be heard?

Senator Taft: Mr. Chairman, has the question of the rolled oats been discussed?

Senator Walsh: Yes, that has been discussed.

There are two representatives of the Tariff Commission, I understand.

Mr. Jasspon: I would like to make one other statement, if I may.

The question that arises in this bill is entirely one of price, cost, not one of volume. I have a letter here from a Canadian Grain Board, in which they claim that the entire 1943 surplus of flax that they will have to deliver to us will be a total of 3-1/2 million bushels. That flax is coming in and there is no more flax there. The Canadian Grain Board is the official organization that has the control of the marketing and so we have to take their word for it.

It is coming in. The crushers are perfectly willing to pay and are willing to bid the ceiling price for that, including the duty.

I just want to say if it is a question of volume, that is one thing. The bill does not deal with that. It deals with price. The present cost, including the duty, is $2.75, approximately, as compared to a domestic ceiling price of $3.05 in the Northwest.

I just want to clear that up, gentlemen, so that the issue can be defined as being one of price and not one of quantity.

Senator Walsh. The Committee will be pleased to hear from the Tariff Commission.

STATEMENT OF MR. EBEN WHITCOMB,

ACTING SECRETARY, U. S. TARIFF COMMISSION.

Mr. Whitcomb: The Commission submitted a report on Senate Resolution 231 on February 25. The substance of that report had to do, of course, with flaxseed. The information contained in it was a factual statement of what the Commission saw as to the available supplies of flaxseed.

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The question of what would be the effect of the removal of the duty is set forth in the last two paragraphs of that report, which I would like to read for the record:

"If, as now appears likely, the free entry of flaxseed would not substantially increase the amount which in any event may be expected to be imported into and crushed in the United States, it is unlikely that the free entry for a period of 90 days would have any substantial effect on the domestic supply or the market price of flaxseed, linseed oil and linseed cake in the United States.

"Accordingly, the principal and immediate result of the enactment of the Joint Resolution would be that the importers who own or could acquire stocks of flaxseed at present Canadian prices would benefit finally from the duty suspension.

"As indicated heretofore, there were, on February 4, 1944, approximately 2.4 million bushels of Canadian flaxseed available for immediate withdrawal for consumption, making an allowance for February withdrawals, the duty on the Canadian flaxseed now present in the United States would amount to about two-thirds of a million dollars."

I might at this point say that a considerable quantity of that flaxseed has already been withdrawn between the time this report was written and the present time.

Senator Walsh. The extension of this law for 90 days, if that were done, how much would be lost to the Treasury, in your opinion?

Mr. Whitcomb. I estimate the duty on the material that is now in bonded warehouses would approximate $287,000.

Senator Walsh: Is that for flaxseed alone?

Mr. Whitcomb: Flaxseed alone.

I will continue with the last paragraph in the report:

"Inasmuch as the Canadian Grain Board is in a position to modify the prices at which it offers flaxseed for sale, it is likely if the United States import duty is suspended Canadian prices will be increased. Whether the increase would be to the full amount of the duty is uncertain so that the financial benefit respecting imports of Canadian flaxseed, not already owned by American importers, may be divided between the importers and the Canadian Grain Board."

Senator Taft: And the flax crushers by this present Canadian price pay the duty and still sell the products under the ceiling?

Mr. Whitcomb: I am quite sure they can. I think the testimony of Mr. Jasspon from the CCC indicates that is the situation.

Senator Walsh: What about the other items? Has the Tariff Commission any other comments to make as to other items?

Mr. Whitcomb: We have no other items in the bill at all.

Senator Taft: Do you desire to be heard?

Mr. Kurtz: No.

Senator Taft: Mr. Chairman, may I ask the Tariff

Commission about this question of oats, rolled oats, oats for human consumption?

Senator Walsh: It has been suggested an amendment be put in as to oats for human consumption.

Mr. Whitcomb: The Commission has not given any consideration to the question since it was not proposed in the bill.

The Chairman: Senator Ball has submitted a letter, on this question of rolled oats, in which he raises two problems as to the possible solution.

The first would be to leave oats out of the exemption from duty in the extension or to provide that oats may be admitted for processing duty-free, as well as for livestock and poultry feed.

Attached is an inter-department memorandum from Sydney Anderson to A. M. Hartwell.

I take it as representing Senator Ball's immediate area.

It is pointed out that there is no leeway for those using oats, for those producing oats for human consumption, and the ceiling price has resulted in an increase in the price of oats which they buy and under the price ceiling it certainly eliminates all profits. It is on the basis of this statement that Senator Ball has submitted this letter.

Senator Walsh: It may go into the record.

Attach (The letter and memorandum referred to follow:)

Senator Walsh: The witnesses may depart. We will now go into executive session.

(Whereupon, at 3:30 o'clock p.m., the Committee went into executive session.)