# Calendar No. 217

91st Congress } SENATE { Report
1st Session } { No. 91–225

# ELIMINATION OF MULTIPLE CUSTOMS DUTIES ON HORSES TEMPORARILY EXPORTED FOR USE IN RACING

June 5, 1969.—Ordered to be printed

Mr. Long of Louisiana, from the Committee on Finance, submitted the following

## REPORT

together with

## MINORITY VIEWS

[To accompany H.R. 4239]

The Committee on Finance, to which was referred the bill (H.R. 4239) to amend item 802.30, Tariff Schedules of the United States, so as to prevent payment of multiple customs duties by U.S. owners of racehorses purchased outside of the United States, having considered the same, reports favorably thereon with an amendment and recommends that the bill (as amended) do pass.

### Summary of House Bill

The purpose of the H.R. 4239, as reported, is to amend the Tariff Schedules of the United States so as to prevent the payment of multiple customs duties in the case of horses temporarily exported for the purpose of racing. Racehorses are ordinarily dutiable under item 100.75 (horses valued over $150 per head), at 6 percent ad valorem. Under present customs practice, racehorses imported from abroad, on which the duty has been paid, when exported for the purpose of racing and subsequently reimported, are dutiable despite the initial payment of duty at the time of original importation. A bill, H.R. 15003 of the 90th Congress, identical to the bill reported by your committee, was approved by both Houses of the Congress. However, H.R. 15003 was not enacted due to the failure of the two Houses to agree on a Senate amendment to the bill.

98–010

## Summary of Committee Amendment

The committee amendment incorporates imported fresh, chilled, or frozen lamb meat into the existing meat quota law, Public Law 88–482. In addition, it provides a specific and separate quota for lamb meat within the oveaall meat quota, based on the relationship between lamb meat imports and total controlled meat imports over the 1966–68 period.

## Explanation of House Bill

Item 802.30 of the Tariff Schedules of the United States provides for the duty-free reentry of foreign articles which are exported for use temporarily abroad for exhibition or at any public exposition, fair, or conference and which, when returned, are imported by or for the account of the person who exported them. However, in 1950, the Customs Court ruled that racehorses sent abroad for racing are not entitled to reentry free of duty into the United States under the act of May 18, 1896 (formerly codified to 19 U.S.C. 194), the predecessor provision to item 802.30 of the Tariff Schedules. The court ruled (1) that horseracing does not come within the meaning of "exhibition, fair, or conference" and (2) that Congress had no intent of including animals used in the sport of professional horseracing within the provisions of such section 194.

The Committee on Finance believes that horses imported from abroad on which a duty has been paid and which are subsequently exported for the purpose of racing should not be subject to additional duties for each subsequent reentry into the United States.

The bill, as reported, provides a separate line item for the duty-free reentry of horses purchased abroad upon which the duty has been paid and which have been exported solely for the purpose of racing.

Favorable comments on this legislation were received from the Departments of State, Treasury, Labor, and Commerce. An informative comment was received from the Tariff Commission.

## Explanation of Committee Amendment

The committee approved an amendment to H.R. 4239 establishing an import quota on fresh, chilled, or frozen lamb meat. In 1964, when Congress passed Public Law 88–482, dealing with import quotas on meat, lamb was included in the Senate bill. However, lamb was not included in the bill as it was enacted into law.

The existing meat import quota is based on the average imports in the 5-year period 1959 through 1963, and estimated domestic production over the most recent 3-year period. The permitted overall quantity of meat imports, under the committee amendment for the base period, would be increased from 725.4 million pounds to 738.4 million pounds. As adjusted for the growth in domestic production, the basic meat quota for 1968 was 950.3 million pounds. With lamb included, it is estimated that the basic quota would have been 951.3 million pounds. Within the overall quota, however, lamb would occupy a specific share equal to the average share of lamb imports in relation to total controlled meat imports during the 1966–68 period. Since the basic meat quota law went into effect, exports of beef, veal, mutton and goat meat to this country have been controlled sufficiently to avoid triggering the basic meat quota. However, lamb exports are not controlled and have grown rapidly since the basic law was enacted. By allocating a specific share of total controlled meat imports to lamb meat, this provision insures that lamb meat imports will not grow faster than total controlled meat imports are permitted to grow. This will insure that beef, veal, mutton and goat meat imports will continue to have the bulk of the quota and not be displaced by imports of lamb meat.

Lamb imports had risen sharply in recent years and are expected to increase sharply again this year. Imports of lamb meat in April reached a level of 6.9 million pounds, the highest monthly level since World War II. Imports during the first 4 months of 1969 were running at an annual rate of 39 million pounds, and are more than double the imports during the comparable period in 1968. This sharp actual and prospective growth in imports led the committee to discontinue the exclusion of lamb from the meat import quota.

Table 1 shows how the meat quota embodied in Public Law 88-842 would work with lamb included as proposed under the committee amendment. During 1968, the permitted quantity of meat imports would have been 951.3 million pounds instead of 950.3 million pounds. The permitted level of imports as a percent of domestic production would decline from 4.6 percent to 4.5 percent with lamb included within the overall meat quota. Actual imports of 1,023.9 million pounds (including lamb, however, would have been below the trigger level of 1,046.3 million pounds, so that the mandatory quotas cutting back imports to the 951.3 million-pound level would not have gone into effect. Had the Secretary of Agriculture envisaged that lamb imports would have risen to the actual level of 22.9 million pounds in 1968, he would have invoked the special lamb quota cutting imports back to 17.3 million pounds. Had the proposed quota been effective for 1969, it would have allowed imports equal to approximately 18 million pounds of lamb. In 1970 and thereafter the quota on lamb would be fixed in accordance with changes in domestic production of all controlled meat.

Table 2 provides data on U.S. production, imports, exports, and apparent domestic consumption of lamb for the years 1964 through 1968. While domestic production and consumption have declined over this period, imports have more than doubled.

Table 3 shows U.S. imports for consumption by principal foreign sources over the 1964-68 period. New Zealand is our largest supplier with about 57 percent of the total imports in 1968, while Australia supplied the remaining 43 percent. A small volume of imports came in from Canada.

As to the domestic supply situation, there is some reason to believe that the exclusion of lamb from the import quota has had a depressing effect on domestic production and has encouraged sheep producers to shift to other forms of agriculture, including beef cattle production. In 1963, before the meat quota law was enacted, domestic production of lamb was 708 million pounds. Low prices for lambs in the early 1960's encouraged many sheep farmers and ranchers to reduce the sizes of their flocks. Inasmuch as the average dressed weight of lambs slaughtered during this period did not vary significantly, supplies of lamb diminished. By 1967 the volume of domestic production had fallen to an estimated 594 million pounds. The committee felt that the inclusion of lamb within the overall meat import quota would improve domestic production. However, because it takes a certain leadtime to increase production, the committee felt that the import quota should not go into effect until 1970. This 6-months delay will also insure that contracts to import lamb already negotiated would not be violated.

The slight cutback in imports should not have a deleterious effect on domestic prices. In recent years, lamb prices have crept up as domestic production has declined. If production increases as anticipated under the quota, domestic prices might stabilize and even be reduced. Without the quota, lamb production is likely to continue its downward trend, thus adding to further price increases.

The Department of Agriculture's publication entitled "Farm Costs and Returns" indicates that the index for sheep ranchers' net income has been below the 1957–59 base period in 6 out of the past 8 years. This indicates that in spite of generally higher prices sheep farmers' costs have risen even faster, thus reducing their net incomes.

TABLE 1.—ANALYSIS OF THE EFFECT OF INCLUSION OF LAMB IN PUBLIC LAW 88-482

| | Without lamb (i.e., Public Law 88-482) | With lamb (new proposal) |
|---|---|---|
| Commercial production (million pounds, carcass equivalent): | | |
| In base period (average 1959-63) | 15,703.0 | 16,411.0 |
| For 1968 quota year (average of 1966-68) | 20,571.5 | 21,143.7 |
| Permitted quantity of imports (million pounds, product weight): | | |
| In base period | 725.4 | 738.4 |
| For 1968 | 950.3 | 951.3 |
| Permitted imports as percent of domestic production | 4.6 | 4.5 |
| Permitted imports × 110 percent (million pounds, product weight): For 1968 | 1,045.3 | 1,046.3 |
| Actual imports in 1968 [1] | 1,001.0 | 1,023.9 |

[1] Without allowance for meat refused entry by meat inspection.

Note: Under sec. 2(b)(3) as provided in the committee amendment lamb imports in 1968 would have been limited to 17,300,000 pounds product weight.

TABLE 2.—LAMB: U.S. PRODUCTION, IMPORTS FOR CONSUMPTION, EXPORTS OF DOMESTIC MERCHANDISE, AND APPARENT CONSUMPTION, 1964-68

[Quantity in millions of pounds (carcass equivalent); value in millions of dollars]

| Year | Production [1] | Imports | Exports [2] | Apparent consumption [3] | Ratio (percent) of imports to consumption |
|---|---|---|---|---|---|
| | | | Quantity | | |
| 1964 | 658 | 10 | 1 | 667 | 2 |
| 1965 | 599 | 13 | [4] 1 | 611 | 2 |
| 1966 | 598 | 15 | [4] 2 | 611 | 2 |
| 1967 | 594 | 12 | [4] 2 | 604 | 2 |
| 1968 | 553 | 23 | [4] 2 | 574 | 4 |
| | | | Value | | |
| 1964 | 267 | 3 | 1 | 269 | ([5]) |
| 1965 | 277 | 3 | [4] 1 | 279 | ([5]) |
| 1966 | 283 | 5 | [4] 1 | 287 | ([5]) |
| 1967 | 267 | 4 | [4] 1 | 270 | ([5]) |
| 1968 | ([6]) | 8 | [4] 1 | ([6]) | ([5]) |

[1] Estimated.
[2] Includes small amounts of lamb, prepared or preserved (other than canned), and of mutton and goat meat.
[3] Value estimated.
[4] Due to changes in statistical reporting schedules, data are not exactly comparable to earlier years.
[5] Not meaningful.
[6] Not available.

Source: Production data and value of consumption data estimated from official statistics of the U.S. Department of Agriculture; imports and exports compiled from official statistics of the U.S. Department of Commerce.

TABLE 3.—LAMB, FRESH, CHILLED, OR FROZEN: U.S. IMPORTS FOR CONSUMPTION, BY PRINCIPAL SOURCES

| Sources | 1964 | 1965 | 1966 | 1967 | 1968 |
|---|---|---|---|---|---|
| | | | Quantity (in thousands of pounds) | | |
| New Zealand | 8,054 | 10,742 | 10,933 | 9,132 | 13,042 |
| Australia | 1,637 | 1,595 | 3,908 | 3,013 | 9,811 |
| Canada | 714 | 173 | 37 | 122 | 43 |
| Iceland | 10 | 7 | | | |
| All other | 24 | | [1] 6 | | |
| Total | 10,439 | 12,517 | 14,884 | 12,267 | 22,896 |
| | | | Value (in thousands of dollars) | | |
| New Zealand | 1,917 | 2,871 | 3,715 | 2,857 | 4,596 |
| Australia | 502 | 503 | 1,372 | 967 | 3,327 |
| Canada | 262 | 65 | 15 | 58 | 21 |
| Iceland | 3 | 2 | | | |
| All other | 4 | | [1] 7 | | |
| Total | 2,688 | 3,441 | 5,109 | 3,882 | 7,944 |
| | | | Unit value (cents per pound) | | |
| New Zealand | 23.8 | 26.7 | 34.0 | 31.3 | 35.2 |
| Australia | 30.7 | 31.5 | 35.1 | 32.1 | 33.9 |
| Canada | 36.7 | 37.8 | 39.7 | 47.2 | 49.9 |
| Iceland | 30.0 | 34.0 | | | |
| All other | 16.7 | | [1] 111.9 | | |
| Average | 25.7 | 27.5 | 34.3 | 31.6 | 34.7 |

[1] Corrected; published import statistics of 6,000 pounds of lamb, valued at $7,000, were found to be in error.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

## Changes in Existing Law

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

TARIFF SCHEDULES OF THE UNITED STATES

SCHEDULE 8.—SPECIAL CLASSIFICATION PROVISIONS

| Item | Articles | Rates of duty | |
|---|---|---|---|
| | | 1 | 2 |
| | **Part 1.—Articles Exported and Returned** | | |
| * | * * * * | * | * |
| | Subpart A.—Articles Not Advanced or Improved Abroad | | |
| * | * * * * | * | |
| | Articles when returned after having been exported for use temporarily abroad solely for any of the following purposes, if imported by or for the account of the person who exported them: | | |
| 802.10 | Exhibition, examination, or experimentation, for scientific or educational purposes | Free | Free |
| 802.20 | Exhibition in connection with any circus or menagerie | Free | Free |
| 802.30 | Exhibition or use at any public exposition, fair, or conference | Free | Free |
| *802.40* | *In the case of horses, use for racing* | Free | *The column 2 rate applicable in the absence of this item.* |
| * | * * * * | * | |

## Public Law 88-482

AN ACT To provide for the free importation of certain wild animals, and to provide for the imposition of quotas on certain meat and meat products

* * * * * * *

Sec. 2. (a) It is the policy of the Congress that the aggregate, quantity of the articles specified in items 106.10 (relating to fresh, chilled, or frozen cattle meat) [and], 106.20 (relating to fresh, chilled, or frozen meat of goats and sheep (except lambs)), *and 106.30 (relating to fresh, chilled, or frozen lamb meat)* of the Tariff Schedules of the United States which may be imported into the United States in any calendar year beginning after December 31, 1964, should not exceed [725,400,000] *738,400,000* pounds; except that this quantity shall be increased or decreased for any calendar year by the same percentage that estimated average annual domestic commercial production of these articles in that calendar year and the two preceding calendar years increases or decreases in comparison with the average annual domestic commercial production of these articles during the years 1959 through 1963, inclusive.

(b) The Secretary of Agriculture, for each calendar year after 1964, shall estimate and publish—

(1) before the beginning of such calendar year, the aggregate quantity prescribed for such calendar year by subsection (a), and

(2) before the first day of each calendar quarter in such calendar year, the aggregate quantity of the articles described in subsection (a) which (but for this section) would be imported in such calendar year.

In applying paragraph (2) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available. *The Secretary of Agriculture, for each calendar year after 1969, shall also estimate and publish—*

*(3) the quantity of the articles specified in item 106.30 of Tariff Schedules of the United States which bears the same ratio to the aggregate quantity estimated by him pursuant to paragraph (1) for such calendar year as the average annual quantity of such articles imported during the years 1966 through 1968, inclusive, bears to the average annual quantity of all articles described in subsection (a) imported during such years, and*

*(4) before the first day of each calendar quarter in such calendar year, the quantity of the articles specified in item 106.30 of such Schedules which (but for this section) would be imported in such calendar year.*

*In applying paragraph (4) for the second or any succeeding calendar quarter in any calendar year, actual imports for the preceding calendar quarter or quarters in such calendar year shall be taken into account to the extent data is available.*

(c)(1) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) equals or exceeds 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if there is no limitation in effect under this [section] *paragraph* with respect to such calendar year, the President shall by proclamation limit the total quantity of the articles described in subsection (a) which may be entered, or withdrawn from warehouse, for consumption, during such calendar year, to the aggregate quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b)(1).

(2) If the aggregate quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(2) does not equal or exceed 110 percent of the aggregate quantity estimated by him pursuant to subsection (b)(1), and if a limitation is in effect under [this section] *paragraph (1)* with respect to such calendar year, such limitation shall cease to apply as of the first day of such calendar quarter; except that any limitation which has been in effect for the third calendar quarter of any calendar year shall continue in effect for the fourth calendar quarter of such year unless the proclamation is suspended or the total quantity is increased pursuant to subsection (d).

*(3) If the quantity estimated before any calendar quarter by the Secretary of Agriculture pursuant to subsection (b)(4) exceeds the quantity estimated by him pursuant to subsection (b)(3), the President shall by proclamation limit the quantity of the articles specified in item 106.30 of the Tariff Schedules of the United States which may be entered, or withdrawn from warehouse, for consumption during such calendar year to the quantity estimated for such calendar year by the Secretary of Agriculture pursuant to subsection (b)(3).*

[(3)] *(4)* The Secretary of Agriculture shall allocate the total quantity proclaimed under paragraph (1), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares such countries supplied to the United States market during a representative period of the articles described in subsection (a), except that due account may be given to special factors which have affected or may affect the trade in such articles. *The Secretary of Agriculture shall allocate the quantity proclaimed under paragraph (3), and any increase in such quantity pursuant to subsection (d), among supplying countries on the basis of the shares of the articles specified in item 106.30 of the Tariff Schedules of the United States which such countries supplied to the United States market during a representative period, except that due account may be given to special factors which have affected or may affect the trade in such articles.* The Secretary of Agriculture shall certify such allocations to the Secretary of the Treasury.

(d) The President may suspend any proclamation made under subsection (c), or increase the total quantity proclaimed under such subsection, if he determines and proclaims that—

(1) such action is required by overriding economic or national security interests of the United States, giving special weight to the importance to the Nation of the economic well-being of the domestic livestock industry;

(2) the supply of articles of the kind described in subsection (a) (*or in the case of a proclamation under subsection (c)(3), the supply of articles of the kind specified in item 106.30 of the Tariff Schedules of the United States*) will be inadequate to meet domestic demand at reasonable prices; or

(3) trade agreements entered into after the date of the enactment of this act insure that the policy set forth in subsection (a) will be carried out.

Any such suspension shall be for such period, and any such increase shall be in such amount, as the President determines and proclaims to be necessary to carry out the purposes of this subsection.

(e) The Secretary of Agriculture shall issue such regulations as he determines to be necessary to prevent circumvention of the purposes of this section.

(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.

## INDIVIDUAL VIEWS OF MR. GORE

While I have no objections to the provisions of the basic bill, H.R. 4239, I must object to the amendment added by the Finance Committee with respect to the importation of lamb, and the placing of a quota thereon.

In my view, there is no economic justification for a quota on lamb imports, and the separate accounting procedure called for by this amendment is particularly objectionable in that it would result in a rollback of imports of lamb, a result which has not been experienced or anticipated under the provisions of existing law with respect to other meat imports.

The lamb picture presents some anomalies, and differs markedly from the situation with respect to other meats. Consumption has fallen slightly in recent years, but domestic production has been reduced at a faster rate, even in the face of sharply rising prices. It would appear that increased imports have come in to fill that increment of demand above domestic production, and have not displaced domestic production.

Clearly, imports have not reduced the prices domestic farmers receive for their lamb. According to the "Livestock Market Digest" for May 26, 1969, lamb prices were at record highs for the first 3 months of this year, at 96.7 cents per pound. This represented a gain in lamb prices over the same period last year of 5.5 cents.

Consumption of lamb has fallen slightly in recent years, from 606 million pounds in 1966 to an estimated 560 million pounds for 1969. This is a decrease of 7.6 percent. It would appear that this represents some shift away from lamb in favor of other types of meat, and may be partially in response to the sharp rise in the price of lamb. It may also represent merely a change in tastes.

But the drop in consumption of lamb has been more than matched by the fall in production. Domestic commercial production of lamb fell from 588 million pounds in 1966 to an estimated 535 million pounds for this year, a drop of 9 percent. The falloff in domestic production has not been caused by any decrease in farmers' prices for lambs sold. In 1966, farmers received an average of $23.40 for lambs, and in April of this year, this figure was up to $28.10, or an increase of 20 percent.

It is undisputed that lamb imports did increase sharply in 1968, and it would appear that the figure for 1969 will also be high, perhaps 25 million pounds, a little more than 4 percent of domestic consumption. But, as pointed out above, this has not driven down prices, and domestic production was clearly decreasing, in the face of rising prices, before this recent stepup in imports.

It would appear to me that there is absolutely no economic justification for placing an import quota on lamb. As a matter of fact, if increased imports could operate to reduce the price of lamb, this might be in the long-range interests of American farmers should such price reductions bring about a shift in American tastes and eating habits in favor of lamb. The shift away from lamb, which has already taken place, should be of more concern to farmers interested in sheep than the current level of imports.

As pointed out above, the formula adopted by the Finance Committee would result in an actual rollback in lamb imports of about 5 million pounds. This undoubtedly would result in increased prices paid for lamb by consumers. Such an increase would be harmful to consumers, and might even result in long-range hurt to sheep farmers.

ALBERT GORE.