

# FREE IMPORTATION OF BALER TWINE

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HEARING  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
EIGHTY-SECOND CONGRESS

FIRST SESSION  
ON

## H. R. 1005

AN ACT TO AMEND THE TARIFF ACT OF 1930 TO PROVIDE  
FOR THE FREE IMPORTATION OF TWINE USED FOR  
BALING HAY, STRAW, AND OTHER FODDER  
AND BEDDING MATERIAL

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OCTOBER 17, 1951

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Printed for the use of the Committee on Finance



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1951

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# FREE IMPORTATION OF BALER TWINE

WEDNESDAY, OCTOBER 17, 1951

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

The committee met, pursuant to notice, at 10 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Connally, Byrd, Kerr, Frear, Millikin, Taft, Butler (Nebraska), and Planders.

Also present: Elizabeth B. Springer, chief clerk; and Sergo N. Benson, minority professional staff member.

The CHAIRMAN. The committee will come to order.

The committee has, among other matters, H. R. 1005, a bill to amend the Tariff Act of 1930 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding material. (H. R. 1005 is as follows:)

[H. R. 1005, 82d Cong., 1st sess.]

AN ACT To amend the Tariff Act of 1930 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding material

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 1022 of section 201 of title II of the Tariff Act of 1930, as amended, is amended by inserting after the words "binding twine" a comma and the words "and twine chiefly used for baling hay, straw, and other fodder and bedding materials,".

Sec. 2. The amendment made by this Act shall be effective with respect to articles entered, or withdrawn from warehouse, for consumption after the date of the enactment of this Act.

Passed the House of Representatives September 14, 1951.

Attest:

RALPH R. ROBERTS, Clerk.

The CHAIRMAN. I think this bill is before each member of the committee.

This bill passed the House and, as I understand it, the various agencies of the Government have favorably recommended the bill, although there was a minority report made on this particular bill. There seems to have been no record vote in the House on it, or if so I do not see it.

Senator CONNALLY. All these cordage people, are they for it?

The CHAIRMAN. The witnesses here today, I think, are witnesses who wish to be heard on the bill. I do not know whether they are in opposition or whether they are for it.

The first witness is Mr. Easton, Mr. Bruce Easton. Is Mr. Easton present? He is Deputy Director, Office of Materials and Facilities, Production and Marketing Administration, Department of Agriculture.

Mr. Easton, will you please come around here and have a seat. We wish to hear you, and ask you to be as brief and as direct as you can in your testimony, without sacrificing anything that you think the committee ought to hear on H. R. 1005, a bill to amend the Tariff Act to provide for the free importation of twine for certain purposes.

Please identify yourself for the record.

**STATEMENT OF BRUCE EASTON, DEPUTY DIRECTOR, OFFICE OF MATERIALS AND FACILITIES, PRODUCTION AND MARKETING ADMINISTRATION, UNITED STATES DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY WILLIAM C. WARNER, STAFF SPECIALIST, OFFICE OF MATERIALS AND FACILITIES, PRODUCTION AND MARKETING ADMINISTRATION, UNITED STATES DEPARTMENT OF AGRICULTURE**

Mr. EASTON. Thank you, Mr. Chairman.

I am Bruce Easton, Deputy Director of the Office of Materials and Facilities, Production and Marketing Administration, United States Department of Agriculture.

If I may, Senator, I should like to read a letter into the record, a copy of a letter, which was sent to the Honorable Robert L. Doughton, chairman of the Committee on Ways and Means of the House of Representatives on the bill when it was presented to the House. With your permission, I would like to do that.

The CHAIRMAN. Yes, sir; you may do so.

Mr. EASTON (reading):

DEAR MR. DOUGHTON: Reference is made to your request of January 10, 1931, for an expression of this Department's views relating to House bill 1005; a bill to amend the Tariff Act of 1830 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding materials.

The twine in question, in our opinion, is a commodity similar in use to binder twine which, together with farm implements, machinery, and other supplies, traditionally has been a free list item.

For this reason, the Department of Agriculture favors the proposed legislation which would make twine used for baling also a free list item. It would appear that the duty-free importation of binder twine and other commodities used in farm production are not interfering with the development of industrial production of these items.

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

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

Mr. Chairman, I believe that the statement by the Secretary is brief and concise, and represents the opinion of the Department of Agriculture with respect to the proposed legislation.

Senator MILLIKIN. What is the difference in the nature of the material used to make baling twine and binder twine, if any?

Mr. EASTON. It, of course, has a higher tensile strength.

Senator MILLIKIN. Longer fiber?

Mr. EASTON. There are some of the fibers used are different types of fibers than in the binder twine. I think most binder twine is made principally of Henequen fibers.

Senator MILLIKIN. Henequen?

Mr. EASTON. Henequen.

Senator MILLIKIN. Yes.

Mr. EASTON. Which is produced principally in Central America. Baler twine is usually a blend of Henequen, along with sisal, and in some instances maybe manila or abacá.

Senator MILLIKIN. Does the sisal and the other material you mentioned also come from outside of this country?

Mr. EASTON. That is correct, sir.

Senator MILLIKIN. Do we raise any of this material ourselves?

Mr. EASTON. I believe not, sir.

Senator MILLIKIN. Are you familiar with the manufacturing end of the business?

Mr. EASTON. Only in a general way, sir.

Senator MILLIKIN. All right. We will have witnesses, I suppose, on that.

The CHAIRMAN. Yes, sir; we will have witnesses on that.

Senator CONNALLY. Do you not have a wire, baling wire?

Mr. EASTON. Yes, they do, Senator. There are two types of baling materials. Of course, one, as you mention, is wire, and the other is twine. You cannot, however, substitute wire for twine interchangeably; you have to have a bale which is designed for wire or twine.

Senator CONNALLY. Yes, I understand that. Which is more generally used, the wire or the twine?

Mr. EASTON. I believe that the figures today, the estimates that we have, show that there is probably not too much difference, depending upon the intended use, largely, of the baled commodity. I think that a farmer who is going to use the hay on his own farm or straw, and so forth, he may desire to use twine, because he does not have the wire involved around the place; whereas in commercial shipments there might be a greater tendency—

Senator KERR. Don't you know that the average farm could not operate without baler wire? Don't you know that the use of twine for baling hay is—do you have any figures on how much twine is used to bale hay?

Mr. EASTON. We have some estimates; yes, sir.

Senator KERR. Do you have any figures? I am not talking about what somebody picks out of the air, I am talking about what somebody picked out on a farm.

Mr. EASTON. We have the figures, which we have gotten as best we can from the manufacturers this year, together with the imports, which—

Senator KERR. What kind of twine do they use to bale hay with?

Mr. EASTON. To bale hay, sir?

Senator KERR. Yes.

Mr. EASTON. They use the regular baler twine, which is considerable heavier than the binder twine.

Senator KERR. Could you get me a sample of it?

Mr. EASTON. Could I get you a sample? I think maybe they have samples here; I do not have any.

Senator MILLIKIN. Have you finished, Senator?

Senator KERR. I just wanted to see a sample.

Senator MILLIKIN. Could you reduce this subject down to cost per bale? What does it cost, what is the cost, of baling twine to bale a bale of hay?

Mr. EASTON. I would like to check, if I may, with Mr. Warner, who is a little closer to that detail, Mr. Warner, of our special staff.

I believe, if I am correct, Mr. Warner, about 15 cents at the present time, is that the price?

Mr. WARNER. The price of baler twine is nearer 40 cents per pound, and it is roughly 3 pounds per ton of hay of about 35 bales.

Senator MILLIKIN. Bring it down to cents so that I can understand it. What is the cost of baler twine to bale a bale of hay?

Senator FLANDERS. If the gentleman can give all those figures again, I think, with the help of a pencil and a piece of paper and a slide rule we might get the answer to your question.

Senator MILLIKIN. I want him to do it.

Mr. WARNER. Approximately 4 cents.

The CHAIRMAN. That is with the twine?

Mr. WARNER. Yes.

The CHAIRMAN. What is it with the wire?

Mr. WARNER. I do not know.

The CHAIRMAN. You do not know.

Senator MILLIKIN. Does anybody know?

Senator BUTLER. I can give you this answer, that on my own farm we discard a wire baler and buy equipment so that we can use the baler twine, and I am sure that practically a majority of the farmers are going from wire balers to baler twine.

Senator FLANDERS. I have not seen a piece of baled hay wire in Vermont in the last 5 years.

Senator CONNALLY. You have got to have hay to get wire.

Senator FLANDERS. I am sorry I did not get that; I am sorry I did not get that, because it might have been worth listening to.

The CHAIRMAN. Are there any further questions of this witness?

Senator MILLIKIN. My attention has been invited to what is said to be the fact, that because of a shortage of metal generally, that it is harder to get baler wire at the present time, and I assume that the costs have gone up on baler wire.

Senator FLANDERS. Of course, Senator, it is an entirely different process.

Senator MILLIKIN. Yes.

Senator FLANDERS. The man does not have the alternatives really. He bales in the field with the twine, runs it right along the windrow, picks it up and bales it and ties it, and hardly anybody up in my area puts loose hay into the barn.

Senator MILLIKIN. If anybody around here knows what it costs to bale a bale of hay with wire, I would like to have the figures. I will not take any more time on it. I would like to know if anybody knows.

Mr. METCALF. I am going to testify later on that, if you would rather ask the question when I am going to testify.

The CHAIRMAN. Very well.

Senator CONNALLY. What is the difference between baler twine and binder twine? What are the different uses?

Mr. EASTON. The different uses?

Senator CONNALLY. Yes.

Mr. EASTON. The binder twine is used to tie the small grain into the bundles for threshing, and the baler twine—

Senator CONNALLY. Wheat and oats?

Mr. EASTON. Wheat and oats and the other commodities.

Senator KERR. Corn?

Mr. EASTON. And corn, that is used.



Senator KERR. Often grain sorghum?

Mr. EASTON. Yes.

Senator CONNALLY. That is binder twine?

Mr. EASTON. Binder twine.

Then, the baler twine is a heavier twine which is used in baling hay or fodder.

Senator CONNALLY. I see the difference, that is the reason I asked you the question which is which. All right.

The CHAIRMAN. Thank you, Mr. Easton.

Our next witness is D. W. Alexander, United States Tariff Commission.

(The following letter was subsequently supplied for the record:)

UNITED STATES DEPARTMENT OF AGRICULTURE,  
PRODUCTION AND MARKETING ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR,  
Washington, D. C., October 18, 1951.

Hon. WALTER F. GEORGE,

Chairman, Senate Finance Committee,

United States Senate.

DEAR SENATOR GEORGE: In accordance with your request of October 17 to Mr. Bruce M. Easton, Deputy Director of our Office of Materials and Facilities, that this Department furnish the Senate Finance Committee a definition of baler twine, we are submitting the following: "Baler twine is twine manufactured from abaca, sisal, henequen or other hard fiber or a mixture of any of them, of single ply containing not less than 8 percent of oil by weight, and treated to resist insects, rodents, and mildew, and chiefly used in baling hay, straw, and other forage crops and livestock bedding materials, and suitable for use in mechanical baling machinery."

The above definition defines and describes twine as now used in mechanical balers and as manufactured in all of the twine-manufacturing mills in the United States and most, if not all, of the baler twine now imported from Canada and Mexico. The requirement of "not less than 8 percent of oil by weight" in the above definition is the principal feature that distinguishes the difference between baler twine and commercial tying or wrapping twine.

This Department believes that it would be unwise to include the complete above definition of baler twine in the statute because of the difficulty of determining whether a proposed import met the requirements as defined.

Sincerely yours,

G. F. GEISSLER, Administrator.

#### STATEMENT OF D. W. ALEXANDER, UNITED STATES TARIFF COMMISSION

Mr. ALEXANDER. Yes, sir.

The CHAIRMAN. Mr. D. W. Alexander, I believe, are the correct initials?

Mr. ALEXANDER. Yes.

The CHAIRMAN. Of the United States Tariff Commission.

Please give us your statement on this particular matter.

Mr. ALEXANDER. Well, I do not have much of a technical nature to say, Senator, beyond what the previous witness said.

The CHAIRMAN. What is the present duty?

Mr. ALEXANDER. 15 percent.

The CHAIRMAN. The present duty is 15 percent of ad valorem?

Mr. ALEXANDER. Yes, sir.

The CHAIRMAN. That is on baler twine, is it?

Mr. ALEXANDER. That is on baler twine; it is classified in paragraph 1005 (b) of the Tariff Act.

The CHAIRMAN. Yes, sir. Is binder twine taxed also?

Mr. ALEXANDER. No, sir.

The CHAIRMAN. It has no import duty?

Mr. ALEXANDER. No, sir; that is correct.

The CHAIRMAN. Do we have a duty on wire?

Mr. ALEXANDER. I am not familiar with wire. I think baling wire, if it comes in in lengths with a loop on the end, it is free, but if it is a continuous length, I believe it is dutiable; I am not too familiar with that.

The CHAIRMAN. I understand. Well, thank you, sir.

Give us your view then about this particular bill before us. This proposes to put the binder twine, twine chiefly used for baling hay, straw, and other fodder and bedding materials, on the free list, as I understand it.

Senator KERR. The baler twine, Mr. Chairman. This proposes to put baler twine on the free list, as binder twine now is.

Mr. ALEXANDER. Yes.

The CHAIRMAN. Just add this to our list.

Senator MILLIKIN. Have you prepared remarks or do you mind interruptions?

Mr. ALEXANDER. No, sir.

Senator MILLIKIN. I would like to ask you what is your revenue, tariff revenue, from binder twine?

Mr. ALEXANDER. None whatever; it is free.

Senator KERR. From baler twine.

Senator MILLIKIN. From baler twine.

Mr. ALEXANDER. Well, the statistics are not separately recorded, and I have no way of determining that without that information.

Senator KERR. No separate recording of what?

Mr. ALEXANDER. Well, all other wrapping twines, tying twines, commercial twines.

Senator MILLIKIN. What is the whole in aggregate? What do we get out of the whole aggregate?

Mr. ALEXANDER. I do not have that for you, although I could get it for you.

Senator MILLIKIN. Would it do us any good if it is broken down in any way? Is this an important revenue item?

Mr. ALEXANDER. No.

Senator MILLIKIN. It is not. That is all I want to know.

Senator CONNALLY. How long have you been with the Tariff Commission?

Mr. ALEXANDER. Almost 30 years.

Senator CONNALLY. That is long enough.

Mr. ALEXANDER. I'll say.

Senator CONNALLY. I just asked you that not to bother you but to know how familiar you are with all these things.

Mr. ALEXANDER. Well, I am still learning things.

Senator CONNALLY. That is gratifying.

Senator MILLIKIN. We are talking about baler twine?

Mr. ALEXANDER. Yes, sir.

Senator MILLIKIN. Where does the raw material come from?

Mr. ALEXANDER. The raw material we use comes principally from Haiti, Brazil, and British East Africa, and some of the material we

use comes from Mexico and Cuba, that is, when we mix Henequen with sisal, as explained to you by the first witness.

Now, the imported twine from Mexico is made entirely of Henequen. The imported twine from Canada—and those are the two principal sources—that is made of the same combination of materials that we use here, I think.

Senator MILLIKIN. We are talking about baler twine now?

Mr. ALEXANDER. Yes, sir.

Senator MILLIKIN. Do they make the baler twine in the foreign country or do they send the raw material here, or both?

Mr. ALEXANDER. I think Mexico makes baler twine, but I do not think any is made in Haiti or Brazil or British East Africa.

Senator MILLIKIN. They send in the raw material?

Mr. ALEXANDER. That is right.

Senator MILLIKIN. Can you tell us what percentage of the domestic market is occupied by finished manufactured baler twine that comes from foreign countries?

Mr. ALEXANDER. Well, again, I have no basis, much of a basis, for that, because the imports of baler twine are not separately recorded, but on the experience in the first half of 1951, I would estimate roughly that imports are equal to 10 or 15 percent of domestic sales.

Senator MILLIKIN. Does anybody in the audience have any better figure than 10 or 15 percent? Thank you very much.

The CHAIRMAN. Any further questions of Mr. Alexander? If not, we thank you very much, Mr. Alexander.

Mr. ALEXANDER. Thank you, Mr. Senator.

The CHAIRMAN. Our next witness is Mr. Peer, George Peer.

Mr. Peer, have a seat, please, sir. Please identify yourself for the record.

#### STATEMENT OF GEORGE PEER, DIRECTOR, FARM SUPPLY SERVICES, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. PEER. Thank you, sir.

My name is George Peer. I am director of farm supply services for the National Council of Farmer Cooperatives, 744 Jackson Place, Washington, D. C.

To conserve the time of this committee, in view of the several witnesses to be heard today on this bill, and our opinion that it is essential for the protection of the farmer that this legislation be enacted at this session of Congress, we will endeavor to speak as briefly as possible in this matter. I have the honor to represent, in addition to my own organization, the American Farm Bureau Federation, the National Farmers Union, and the National Grange. Representatives of these organizations are present here today and desire to supplement very briefly this joint presentation.

Mr. Chairman, on my left is Mr. James of the Grange, and Mr. John Baker of the Farmers Union. Mr. Triggs of the Farm Bureau was called away to testify before a House committee, but should be back here before I am through.

The four national farm groups represent organized agriculture in the 48 States. We all favor immediate passage of H. R. 1005.

Senator CONNALLY. Without amendment?

Mr. PEER. Yes, sir; without amendment.

Senator CONNALLY. All right.

Mr. PEER. We say "immediate," gentlemen, because an emergency exists. There was an acute shortage of baler twine during the 1951 harvest. Losses to farmers cannot be estimated in a year so important in food production. Crops rotted, farm equipment was idled.

Senator MILLIKIN. You say crops were rotting, and farm equipment was idled because of lack of baler twine?

Mr. PEER. Yes, sir.

Senator MILLIKIN. Can you prove that?

Mr. PEER. Yes, sir, I can.

Senator MILLIKIN. What is the proof?

Mr. PEER. Our own member organizations, being farmer cooperatives and selling twine to farmers, have not been able to sell the twine which the farmers needed or wanted to bale their crops.

In some cases it meant that they baled less than they wanted to bale, and in other cases, admittedly fewer, they were not able to get the twine at all at the time of harvesting their crops.

Senator MILLIKIN. I did not get the first part of it, where you had the twine, why were they not able to use the twine?

Mr. PEER. There was not enough to go around, although they may have gotten some. But in some places where farmers placed their order for twine late they just could not get any twine at all.

Senator MILLIKIN. Do your people representing the members of these organizations say that there were real losses of crops because of lack of baler twine?

Mr. PEER. Yes, sir, although I would hesitate to say how great they are. I think, perhaps, it would be impossible to make any exact computation of that nature.

Senator MILLIKIN. Can you give us the reason why there was a shortage of baler twine?

Senator CONNALLY. Let me interject right there. In making your answers, say whether or not it was because there was a tariff on it. Go ahead now.

Mr. PEER. Yes. We believe, sir, that the tariff was a controlling factor. The fact was that the American manufacturers were either unwilling or unable—we do not feel they were unable, so apparently they were unwilling—to supply the demand, and we believe simply that removing the tariff on baler twine will, among other things, bring about an incentive to increase production to meet this rapidly expanding market rather than let it go to foreign sources.

Senator MILLIKIN. Why would they be unwilling? If a man is in the business of supplying baler twine, why would he be unwilling to supply it?

Mr. PEER. The fact is that they have not supplied it. So far as we can determine, at least in 1951 and, to some extent, in 1947 and 1950, they undershot the market. The result was there was less twine available than was required, and it had the effect of keeping the price up high.

Senator MILLIKIN. There must be some reason for that, and I am trying to probe for it.

Mr. PEER. Well, it is to keep the price up and avoid the risk of taking an inventory loss.

Senator MILLIKIN. Men in business do not fail to supply the product that they are in business to supply unless they have got some very good reason. Now, what is the reason for that?

Mr. PEER. The main reason that I can see is that it has kept the price up high.

We feel the price is higher than is reasonable. Now, to some extent, that is the result of higher fiber prices, but we do not feel that that explains the story completely at all.

Senator MILLIKIN. Let me ask you this: Has there been a rapid turn-over from the use of wire, for example, into baler twine?

Mr. PEER. The trend is definitely in that direction, Senator, but I would not say that it has been rapid.

Senator MILLIKIN. Were the crops unusually large in which they used this baler twine?

Mr. PEER. I would not say that, and I would also say at the same time that domestic manufacturers have the capacity to produce greater quantities if they wanted to. Now, the fact they have not wanted to, and we have had these shortages, is of primary importance to us, of course.

Senator MILLIKIN. Could it have been that they just—the farmers sometimes underestimate or overestimate their crops; a businessman sometimes underestimates or overestimates the inventory that he should have on the shelf.

Could it have been that they just underestimated the size of the crop? I am not proposing that as a theory. I am trying to find out why there is a shortage of something when people are in the business to supply shortages.

Mr. PEER. We have felt this demand was coming. We feel right now, for example, that production should be greatly increased next year; that it should have been higher this year than it was. We have felt that for some time.

Senator KERR. Is the raw product readily available?

Mr. PEER. Yes, sir; it is for the binder and the baler twine. It is not in surplus; it is fairly tight in supply, but it is not scarce. It can be bought on the world markets.

Senator KERR. Where does it come from?

Mr. PEER. It comes from several areas; Africa, Java, Brazil, Haiti, and Mexico.

Senator KERR. Principally from where?

Mr. PEER. Well, I think that would depend on the price at the particular time, but principally from Africa, Brazil, and Haiti.

Senator KERR. What do they make it out of?

Mr. PEER. Baler twine, sir.

Senator KERR. Yes.

Mr. PEER. It usually is a combination of Mexican sisal (henequen), or the other types of sisal, and in some cases small amounts of abacá. Again, that depends primarily on the price at a particular time.

Senator KERR. Is it not entirely possible that the question that Senator Millikin was asking you could be answered this way: In the first place, turn-over from wire to twine is very rapid. In the second place, the facilities in this country with which to manufacture baler twine, having been geared to a previous much less demand for binder twine

and no demand for baler twine, on the one hand, have not been increased rapidly due to the fact that machinery is not available and, on the other hand, even if the machinery were available, the raw product from which to make it has not been available due to the fact that the demands have been increasing far greater than the supply is increasing. Are not those things very likely?

Mr. PEER. It is true, sir, that the demand has been increasing faster than the supply and that demand has been going up very rapidly.

On the other hand, we know that the demand has been going up and we, representing agriculture, feel that it could be far greater than it is today, particularly if the price were lower and the twine supply had been adequate in the past.

Senator KERR. Where does sisal come from?

Mr. PEER. There are different kinds of sisal plants. The fiber is either stripped off the stalk or the trunk of the plant.

Senator KERR. From the West Indies or—

Senator CONNALLY. Mexico, Yucatan, down there.

Mr. PEER. Yes, sir; that is the Mexican type of sisal that grows there.

Senator CONNALLY. I did not suppose it would be the American type grown in Mexico.

Mr. PEER. Some people call it Henequen; it is really a sisal.

Senator CONNALLY. All right.

Senator MILLIKIN. We have heard that Mexico sends in finished twine. What other countries do that?

Mr. PEER. Canada does, too, sir. If any finished twine comes from other countries, it is a negligible quantity.

Senator MILLIKIN. What effort did you make to get Canadian finished twine or Mexican twine to meet this shortage?

Mr. PEER. There is no incentive to the Canadian to bring twine into this country because he has to absorb the amount of the tariff. He has to pay the duty, and his costs of manufacture are about—

Senator MILLIKIN. Did you use the imported finished twines that were available for you to use?

Mr. PEER. Absolutely, sir.

Senator MILLIKIN. Now, is it not a fact that the domestic manufacturers produced more baling twine by 25 percent than was estimated would be needed by the Department of Agriculture?

Mr. PEER. I do not know about the 25 percent. They did produce more than was estimated by the Department of Agriculture at one time; that is correct.

Senator MILLIKIN. If the businessman cannot accept an estimate of that kind, how can he run his business? I mean, how could the Mexican manufacturer or the Canadian manufacturer protect himself any better than the American manufacturer? They have all got to go on some kind of estimate. When these people supply 25 percent more than the Department of Agriculture estimates, what is the complaint?

Mr. PEER. Well, the high demand was there right at the time and the twine was not.

Senator MILLIKIN. Except you have not got enough baler twine, despite all of the estimates from, presumably, informed sources, as to what they should produce, and they produced 25 percent more, I am trying to get at what the real complaint is.

Mr. PEER. That is only one part of our real complaint; but I would like to say that I believe that the Department of Agriculture was in error, and at that time demand was running far in advance of what it normally does, and I would like to reiterate, sir, that there were shortages in 1947, in 1950, although they were not as severe.

Senator MILLIKIN. Let me ask you a plain man-to-man question. Do you think there is a real ground for criticism if the domestic manufacturers produced 25 percent more baling twine than the Department of Agriculture estimated would be necessary? Do you think there is a real ground of criticism on that account?

You may want to get it cheaper—let us pass that—but I am talking now about quantities available.

Mr. PEER. I think that comes down to the fact of is it sufficient for them to rely solely upon the Department of Agriculture estimates.

Senator MILLIKIN. Who else can they rely on?

Mr. PEER. Well, they have direct contacts themselves through their dealers with the farmers.

Senator MILLIKIN. Did any of your organizations challenge the Department of Agriculture's estimates?

Mr. PEER. We did not know about them ourselves, sir.

Senator MILLIKIN. Is that not a matter of concern to you? You are concerned here today.

Mr. PEER. The manufacturers came in and had a private conference with the Department of Agriculture. We naturally did not know about it.

Senator MILLIKIN. You were not precluded from having a private conference, and why did you not interest yourself at that time? I am just talking about fair play here.

Mr. PEER. As a practical matter, we did not anticipate that the manufacturers would let the supply run so short this year.

Senator MILLIKIN. Nor did the manufacturers, apparently; nor did the Department of Agriculture. So, how can you blame people for not coming up with a sufficient supply when everybody in a position to know said it would be 25 percent less than they did come up with?

Mr. PEER. I think part of the answer is the timing. We know about the coming shortage several months ago. So did the Department of Agriculture which continued to revise its estimates upward. I do not feel myself that the manufacturers continued to go along with that revised estimate and produce as much as they possibly could until the shortage was full upon them and they had to produce more.

Senator MILLIKIN. Of course, you know the manufacturer cannot be revising his manufacturing flow line up and down, according to—

Mr. PEER. He should not mind going up.

Senator MILLIKIN. He should not mind going up, and he went up 25 percent more than the estimate, according to my information.

Mr. PEER. We feel that the demand, sir, would take it up much more than that; that actually, if the price were right and the supply were there, the American manufacturer could be selling about twice as much as he is today.

Senator MILLIKIN. Did anybody leave anything rot in the field because of the price?

Mr. PEER. No, sir; I doubt that. A lot of farmers paid black-market prices to get the twine.

Senator MILLIKIN. All right.

Senator FLANDERS. I would like to go back to that matter of the losing of crops in the field. Were there available supplies in Canada or Mexico or elsewhere which did not move into the market to fill in the shortage?

Mr. PEER. Not to my knowledge. I would say in Mexico that there were available supplies which the Mexicans did not send into this country because they would have to pay the duty on it, too. The same applies to Canada, too.

Senator FLANDERS. Wait a minute, what about that, the Mexicans paying the duty? Were not your farmers ready to pay the duty rather than have crops spoil in the field?

Mr. PEER. They were willing to pay more in the form of black-market prices to get the twine where they could, but in a case where the manufacturer pays the duty to remain competitive there is no incentive to ship.

Senator MILLIKIN. Let us take the other side of the coin. If the domestic manufacturers were making so much money, why could not the foreign importers bring the stuff in here and jump over this tariff wall and still make some money?

Mr. PEER. There is a price ceiling on twine, sir, which has encumbered anything like that.

Senator MILLIKIN. It did not prevent importation, because we had importation, did we not?

Mr. PEER. To a very negligible extent, and that was only, sir, because the foreign manufacturer, particularly the Canadian manufacturer, absorbed the amount of the duty himself and wants to be competitive in price with domestic producers.

Senator MILLIKIN. Are you making the point that the foreign manufacturer could not bring it in here because of a price ceiling?

Mr. PEER. The Canadian could not, sir; the Mexican could.

Senator MILLIKIN. Because of a price ceiling?

Mr. PEER. That is right, sir, and a loss if the selling price is the same and the duty paid—15 percent profit is high in this twine business.

Senator MILLIKIN. So that the domestic manufacturer was able to meet that price ceiling which was so low that the Canadian could not get in, is that what you are telling us?

Mr. PEER. No, the Canadian was kept out because of the 15 percent duty.

Senator MILLIKIN. I see, that is an element of cost; he could not meet that element of cost.

Mr. PEER. And still be below the price ceiling.

Senator MILLIKIN. Therefore he could not come in here, but the domestic manufacturer was able to keep it under that price ceiling?

Mr. PEER. He was forced to keep it under the price ceiling.

Senator MILLIKIN. Let us say that he was forced to keep it under the price ceiling, let us say that.

Mr. PEER. Surely.

Senator MILLIKIN. But he kept it under the price ceiling and he sold his twine under the price ceiling. Frankly, I am somewhat confused as to just what your point is.

Mr. PEER. Well, maybe I can explain it this way.



Senator MULLIKIN. I may say to you that I have a predilection toward taking the tariff off your baler twine, but I would like to see a case here, if there is a case here, to support that predilection.

Mr. PEER. If your price of baler twine, your normal price of baler twine in this country was very close to, or was at the level of the ceiling price when the ceiling price was put on, then if a foreign manufacturer has to pay a 15-percent duty, that means that he has to absorb that 15-percent duty in order to meet the American price. He has no lee-way in there.

The CHAIRMAN. Who put this price on? You talk about it being there. Who put it on?

Mr. PEER. The Office of Price Stabilization.

The CHAIRMAN. Last year?

Mr. PEER. Early this year. It is in effect today.

The CHAIRMAN. And that is in effect. They have got a price ceiling on this twine?

Mr. PEER. Yes, sir.

Senator MULLIKIN. If 15 percent is the difference, it seems to me that you are getting into rather weak ground when you charge that the American maker of this baler twine is getting excessive money.

Mr. PEER. If you multiply 15 percent difference in price by the amount of twine that is sold, sir, the final amount is many millions of dollars. Twine prices are the highest ever known and 15 percent amounts to several cents per pound.

Senator MULLIKIN. I am not doubting that if you are an importer you have to add your tariff if you are going to stay in business, unless you are in something that is immensely profitable. I am not challenging the fact that you have to add your duty, but I am saying that the present, confronted with a price ceiling, if these American manufacturers are able to keep under that price ceiling, I am trying to reconcile that—

Mr. PEER. They have to.

Senator MULLIKIN (continuing). With the charge that they are making extortionate profits, when their profits apparently are not great enough to permit these imports with a 15-percent duty.

Mr. PEER. I would not say that they are extortionate profits, sir, but they are profits which we feel are about 15 percent above what they ought to be, which is, in turn, the amount of the duty.

Senator MULLIKIN. Can I bring you down to the farm again to get my primitive thinking processes in joint? Let us take an average farm, and tell me how many bales of hay they bale so that I can find out how much money is involved here. Give me some kind of a typical situation.

Mr. PEER. The amount of twine used this year will be in the neighborhood of 125 million pounds.

Senator MULLIKIN. Bring it down now to a farm.

Senator KERR. What does it cost a pound?

Mr. PEER. Right now, I believe, it is in the neighborhood of 40 cents a pound.

Senator KERR. Then you are talking about \$50 or \$60 million worth of baler twine.

Mr. PEER. Yes, sir; offhand I would say so.

Senator KERR. There is no import duty on binder twine?

Mr. PEER. No.

Senator KERR. And there is no import duty on baling wire?

Mr. PEER. No, sir, not on wire bale ties.

The CHAIRMAN. None whatever?

Mr. PEER. No, sir.

Senator KERR. There is an import duty on baler twine?

Mr. PEER. Yes.

Senator KERR. Go ahead. I want to get that in dollars and cents.

The CHAIRMAN. That is all there is in this case.

Mr. PEER. Shall I proceed, Mr. Chairman?

The CHAIRMAN. Yes, please proceed.

Senator MILLIKIN. Our technician says there is a quarter percent pound duty on baling wire.

Senator KERR. This report says there is not.

Mr. PEER. I do not believe there is, sir. There is no duty on wire bale ties which enter duty free as agricultural necessities.

The CHAIRMAN. There is none on wire.

Senator KERR. This House report says there is none.

Mr. PEER. Maybe there is on coiled wire, which is a new method, but the familiar and widely used bale tie is free.

The CHAIRMAN. All right.

Senator MILLIKIN. I would like to pursue my question. I would like to get this down to the farm level, so that I can see what some typical farmer has to put out at the present time, and what he would have to put out if we take the duty off. Can somebody give us some enlightenment on that?

Mr. PEER. I frankly do not know what a typical farm is and what do you mean by putting out, sir?

Senator MILLIKIN. You give it to me; give me a typical farmer—how many bales of hay does he bale; what does it cost him to bale his hay. Pick a typical farm, any kind of a farm; I just want to kind of get it down to the farm level, so that I can see what is involved in dollars and cents.

Senator KERR. We have got a member of the committee who can answer that question.

Senator FREAR. I do not know whether I can or not, but a farmer who owns his own baler, and does his own baling, has to have sufficient acreage to be economically sound for him to own the baler. That may differentiate between a typical farmer.

Now, that would probably be 300 acres, we will say, as an average farm.

Senator MILLIKIN. How much hay?

Senator FREAR. He will probably bale eight to ten thousand bales.

Senator MILLIKIN. Eight to ten thousand bales?

Senator FREAR. If he is running a dairy farm, for instance. Now, if he is running a farm that is purely for the sale of hay, he would bale more than that.

Senator MILLIKIN. Let us say that he bales 10,000 bales. Let us say that he does that. If it is 4 cents a bale, he is paying \$400 for his baling twine. How much less would he pay if it was duty-free?

Senator FREAR. I do not think he can do it for 4 cents a bale.

Senator MILLIKIN. Somebody said here he could do so.

Senator KERR. It cost more than 4 cents a bale for baling wire 10 years ago.

Senator MILLIKIN. How much is it? Can somebody tell us what it costs a bale of hay with baling twine?

Mr. PEER. What were Mr. Warner's figures?

The CHAIRMAN. Mr. Warner, please give us the figures again.

Mr. WARNER. Four cents per bale for the twine is approximately correct. It might be slightly less, but that is approximately correct, sir.

The CHAIRMAN. How big is the bale, 50 pounds, 60 pounds?

Mr. WARNER. Around 62 to 65 pounds.

The CHAIRMAN. All right. Maybe I can answer some of the questions.

Senator KERR. What does baling wire cost per bale?

Mr. WARNER. Sir, I am not so familiar with that, but it is approximately the same price, I believe, sir, for wire.

Senator FREAR. That is for the wire versus the twine, not for the operation.

Mr. WARNER. Not for the operation, only the tying up.

Senator MILLIKIN. The baling twine costs \$100 for 10,000 bales. How much less would it cost if you took the duty off?

Mr. PEER. We do not know for sure; we feel the present price is excessive, and for the future fair competition would insure the lowest price.

Senator BUTLER. Mr. Chairman, I operate one of these balers on an irrigated farm. I do not do it myself, of course.

I have tried to make an estimate here. I have around a minimum of a hundred acres of alfalfa, and it changes in different years from a hundred to three hundred acres of alfalfa.

We use it as a minimum of a hundred acres. There are around 6 tons to an acre. It is irrigated and that is 600 tons of alfalfa in a minimum year from my place. I operate a cattle-feeding place.

Now, my Swede partner went to the baler twine—he quit the wire-baling machine for several reasons: One, he could not get the material, it was difficult to get, and he was sold the idea that this baler twine would be available all the time; but immediately the price has been creeping up, and it costs right at 4 cents more per pound to buy baler twine than it does binder twine, when the baler twine is made out of exactly the same stuff, regardless of what anybody here says, made out of exactly the same material as the binder twine. But they charge him 4 cents a pound more, because of the ruling of the customs officials that it is subject to a tariff charge.

Now, figuring around 40 bales to the ton, it depends on the weight, as the gentleman back here said, and that would represent on my own place an additional cost of around \$900 to \$1,000 a year.

Senator MILLIKIN. How many bales, Senator?

Senator BUTLER. Around 24,000 bales.

Senator MILLIKIN. Well, call it 25,000 in round numbers, and at 4 cents a bale would be \$1,000.

Senator BUTLER. A thousand dollars.

Senator MILLIKIN. How much would you save if you took the duty off?

Senator BUTLER. Well, we would save about that thousand dollars because the binder twine is selling—

Senator MILLIKIN. You would not get the binder twine for nothing.

Senator BUTLER. No; you get the baler twine at approximately what you pay now for binder twine.

Senator MILLIKIN. I am sorry I introduced a confusing element. I am talking about baler twine.

Senator BUTLER. You would get the baler twine now approximately for what you get the binder twine.

Senator MILLIKIN. How much would you save if you took the tariff off baler twine?

Senator BUTLER. You would save—well, you might not save all of that \$900 to \$1,000, but you would save practically all of it.

Senator FLANDERS. I do not understand that because the \$1,000 is what you pay for baler twine. You do not save it all when you take the tariff off.

Senator BUTLER. No, the \$1,000 is the additional cost of baler twine over binder twine.

Senator MILLIKIN. Senator, they said it takes about 4 cents per bale for baler twine.

Senator BUTLER. Yes.

Senator MILLIKIN. Do you agree with that figure?

Senator BUTLER. Yes.

Senator MILLIKIN. If you take the tariff off how much less would it cost per bale?

Senator BUTLER. Well, I have not any figures on which I could estimate the cost per bale.

Mr. PEER. It would immediately drop down 15 percent in all probability and perhaps more, depending on the cost of production. In other words, your Canadian manufacturer turns out the same qualities as they do in this country and he has about the same costs of production. Our idea is of supplying the maximum demand of farmers. This will make possible a minimum price, and it is—I could not say exactly what it would be, Senator.

Senator FLANDERS. It seem to me that the ceiling price is the determining factor in this thing, because if it was not for that you would willingly pay the duty to get the twine.

Mr. PEER. Oh, yes; farmers would do that.

Senator FLANDERS. So the ceiling price is what limits the supply of that.

Mr. PEER. I will continue with my statement, Mr. Chairman.

The CHAIRMAN. Yes, please do.

Mr. PEER. Domestic manufacturers were unable or unwilling to supply the demand. Twine that was available was approximately 40 percent higher in price than a year ago. Farmers drove miles to find it. The situation was so serious that the National Production Authority and the Office of Price Stabilization investigated in key agricultural States. Baler twine shortage added to the cost of food production and speeded the spiraling cost of living.

There is every indication that the same situation will exist again in 1952 unless relief is enacted by Congress now.

As late as September 18, 1951, the domestic industry officially stated to the National Production Authority:

\* \* \* they do not wish to overproduce baler twine in the face of a possible decline in market prices (NPA release 1241).

It is customary to overproduce all binding twines each year, and have a carryover, in order to take care of the farmers' requirements. These cannot be accurately predetermined, and very considerably from year to year because of growing conditions.

Gentlemen, the proposed legislation before you is vital to the American farmer and the American consumer. It is important in food production, particularly meat and dairy products, and also to all farmers in feeding and bedding their farm animals.

There have been radical changes in American farming methods. There was a day when grain was cradled. The reaper replaced the cradle. Then the binder replaced the reaper. Today, the combine is replacing the binder. Likewise there has been progress in the harvesting of hay, straw, and fodder crops. Today the automatic pick-up baler, using baler twine, is used extensively for such purposes.

The farmers in the United States have approximately \$500 million invested in balers for use in the fields in harvesting hay and similar crops. The farmers have been buying this equipment as rapidly as it can be produced, and they are attempting to use such equipment that they already have to the maximum because of labor shortages, economies, and other advantages in harvesting by this method. They are using such equipment as is owned to the fullest extent possible.

There are two major kinds of agricultural or harvesting binding twines. One is baler twine. The other is binder twine. I have here some samples, which have been passed out, of the two twines, which I would like each member of the committee to examine.

The larger twine is baler twine. The smaller twine is binder twine. Note their similarity. Binder twine has entered the United States duty-free since 1896 while baler twine carries a 15 percent ad valorem duty.

Senator BUTLER. It did not start entering the United States until recently.

Mr. PEER. The baler twine?

Senator BUTLER. Yes.

Mr. PEER. That is right, sir; it was not invented until about 1939.

Both twines are used by the same farmers in harvesting crops. Both twines are manufactured on the same machines, from the same materials in the same plant. They are shipped in mixed lots to the same dealers. They carry the same freight-rate classifications.

We are concerned here with clarification of paragraph 1622 of section 201 of title II of the Tariff Act of 1930 which provides for the duty-free entry of—

*All binding twine manufactured from New Zealand hemp, henequen, manilla,istle, or Tampico fiber, sisal grass or sunn, or a mixture of any two or more of them, of single ply and measuring not exceeding 750 feet to the pound. [Italics supplied.]*

Senator MILLIKIN. May I ask a question at this point?

Mr. PEER. Yes, sir.

Senator MILLIKIN. Are any of these raw materials taxed?

Mr. PEER. You mean, is there a duty on them?

Senator MILLIKIN. Yes.

Mr. PEER. No, sir; there is not.

Senator MILLIKIN. Thank you.

Mr. PEER. Despite the fact that baler twine conforms specifically to the requirements of this paragraph, it is subject to the duty of 15 percent by a ruling of the Commissioner of Customs on October 15, 1945. A study of this ruling clearly shows that the conclusions reached were based on erroneous information. The Customs Bureau has stated that nothing can be done to change the ruling, because of litigation pending on baler twine duty (*Geo. Wm. Reuff, Inc. v. The United States*, Customs Court, New Orleans). This case, heard on November 17, 1948, is still pending and there is no indication of an early decision. Legislative clarification appears to be the only recourse. The need for relief to the farmer is urgent.

Obviously, it was the intent of Congress in passing the Tariff Act of 1930 to provide for the duty-free importation of "all binding twines" used by the farmer in harvesting operations. Congress could not specifically mention "baler twine" in 1930, because that product—by that specific trade name—was not in use at the time. Neither did Congress at that time mention "binder twine" by name.

Wire bale ties, used for the same purpose as baler twine, enter the United States duty-free as an agricultural necessity.

Senator BUTLER. If the manufacturer had called this hay baler, a hay binder instead of a baler, probably they would not have had the question rise at this time.

Mr. PEER. I think that is quite possible, Senator.

Senator BUTLER. Yes.

Senator MILLIKIN. Can you use binder twine to take the place of baler twine?

Mr. PEER. It has been done where there was absolutely no baler twine, by doubling the binder twine. It is not the right way to do it, sir.

The CHAIRMAN. It is not as practical.

Senator MILLIKIN. Not as practical?

The CHAIRMAN. It is not as strong and not practical.

Mr. PEER. That is right.

The CHAIRMAN. I bale, and I should know something about baling. I bale about 400 acres of peanut hay, about a thousand pounds per acre of peanut hay. The weight of the bales runs about 50 to 60 pounds, so you can figure it out. It is about the way it runs. It is quite an item.

I do not know what caused it, but I do know that we more than 1 year, but particularly last year, found it very difficult to get binder twine. I do not know what caused it. I could not get it. I had a great deal of difficulty in getting it.

The modern machinery that we use now has almost made it necessary to get away from wire because wire is too cumbersome, it is not pliable. It is also bad to have around the farm. You always get the mules and cows tied up in it and everything else on the whole farm.

Mr. PEER. That is right.

Senator BUTLER. Well, Mr. Chairman, I wonder if the reply to your question about binder twine being rather hard to get is not explained by the fact that the material from which it is made is exactly the same as the baler twine, and due to the tariff protection, they could get 4 cents a pound more for their baler twine than they could for the binder twine, so why should they make binder twine? They make baler twine out of the raw material that comes in.

The CHAIRMAN. I do not know what caused the shortage, but it was hard to get; it was very difficult to get. In fact, I had to buy most that I did succeed in getting, to bale most of my crop, from the operators of their own machines who had a supply on hand, but it was not available to me. That is the best that I could do.

Please proceed. I do not know what the case is here, whether taking off this tariff will do any good or not. I just know that is the situation that we face now and then.

Mr. PEER. The situation which allows duty-free importation of baling wire and binder twine but discriminates against baler twine, when all three items are used in binding agricultural crops, is without logic.

Opponents of this legislation have contended that baler twine is not a binding twine, under paragraph 1622, but is a wrapping twine for commercial use under paragraph 1005 (b) and dutiable under the act, as amended, at the rate of 15 percent ad valorem.

Such a contention, we feel, is fallacious. It has been a congressional bipartisan policy of long standing to keep farm supplies and equipment, used by the farmer on the duty-free list, for the benefit of the people as a whole.

Consumption of baler twine increased from a few pounds in 1939 to approximately 55 million pounds in 1948. In 1951 a volume in excess of 125 million pounds was required to harvest the ever-increasing portion of the hay crop bound with baler twine. Considerable more would have been used if available.

Removal of the discriminating duty on baler twine will increase supply, insure reasonable competition among manufacturers of baler twine, and bring prices into fair alignment.

Senator FLANDERS. Just a moment at that point. I want you to make clear just how the decrease of the tariff increases the supply. It will not increase the domestic supply.

Mr. PEER. Yes, sir—

Senator FLANDERS. The domestically made supply.

Mr. PEER. Of course, it should increase the imports, and the people opposing this bill recognize that.

However, in the United States we have an unusual situation where 80 percent of the baler twine is produced by two companies, and which I think has a very important bearing on the case. Those two companies, having 80 percent of the market, are under no particular incentives from other competition to go out and meet the maximum requirements of farmers since this would reduce the per unit amount of profit.

Senator FLANDERS. Why are they not under incentive if there is a shortage?

Mr. PEER. Yes—I know the shortage—

Senator FLANDERS. I am a manufacturer in private life, and if there was a shortage in anything—I was a manufacturer, I am no longer—I make nothing now but speeches. [Laughter.]

If in private life there was a shortage of the stuff I made, why, I at once set to work to take advantage of the shortage.

Mr. PEER. That is right, sir; and I should say there has been an incentive to produce more; but, of course, domestic manufacturers have had the desire to not "overproduce" at present high fiber costs since it might push the price down.

Senator FLANDERS. But you have got a ceiling, so that thing is out of the running at the present moment.

Mr. PEER. An excess supply could push the price down, because we feel it is unusually high now. It is higher than we feel is warranted by the cost of production.

The CHAIRMAN. All right.

Senator FLANDERS. Roughly, what you are coming to, I judge, is that the passage of this bill would increase the output by bringing in foreign supply?

Mr. PEER. It would certainly do that.

Senator FLANDERS. I do not see any reason to believe that it would increase the output from the domestic sources, but it would seem to increase the output from foreign supplies.

Mr. PEER. Well, one point I would like to add here is that the use of baler twine in this country is just skyrocketing, and there is no reason why it should not continue to do that for a long time. Your total market is expanding rapidly.

Senator KERR. You said this: the foreign sells for about 40 cents a pound.

Mr. PEER. That may be high, sir; it might be somewhere between 30 and 40.

Senator KERR. Is there anybody in the room who knows?

Mr. PEER. It depends on the fiber and the different fiber costs but generally it is competitive with domestic twine.

Senator KERR. This sample that you have got here, what does that sell for?

Mr. PEER. Well, as finished twine?

Senator KERR. Yes.

Mr. PEER. It is about \$16 a 40-pound ball—which is equivalent to 40 cents per pound.

Mr. METCALF. Forty cents, approximately, is correct.

Mr. PEER. Yes; that is correct.

Senator KERR. Forty cents a pound?

Mr. PEER. Yes.

The charge that removal of this duty will work a hardship on American cordage manufacturers appears to have no basis in fact.

Observe what happened in the case of binder twine which has been duty-free since 1896. In the 5-year period from 1943 to 1947, inclusive, there were sold in the United States about 700,000,000 pounds of binder twine. During this same period, 192,000,000 pounds were imported into the United States from all sources, of which important quantities were imported from foreign manufacturing subsidiaries of large American twine manufacturers. This can hardly be called "flooding the market."

Senator MILLIKIN. Did it reduce the price?

Mr. PEER. I frankly do not know. I feel myself that the price is competitive on binder twine now, but I do not know what the price was prior to 1896. Qualified opinion is to the effect that American farmers through duty-free binder twine have been receiving it at fair prices and in ample quantity.

Senator MILLIKIN. Of course, it has not escaped you that if it did not reduce the price, then you have no argument.



Mr. PEER. Well, that would be correct, sir; but I believe that there are several factors involved in that. We do feel that the price is competitive there today, whereas it is not on baler twine.

This bill does not affect the importation of raw fibers used in the manufacture of cordage and twines. All twine manufacturers must purchase from the same sources and pay world market prices for raw fibers. Chief sources of these fibers are Africa, Mexico, Haiti, Brazil, Cuba, the Philippines and Central America. They enter the United States duty-free.

Labor costs in manufacturing baler or binder twine range from only 10 to 14 percent of selling prices. The costs of raw and other materials, freight, machinery and other items are approximately the same throughout the world. Therefore, labor differentials, if they do exist, do not constitute an important element in production costs.

With the ever-increasing demand for baler twine, no employee engaged in baler twine production should have his job jeopardized by passage of this legislation.

The reduction in the number of domestic mills producing binder twine has been brought about not by heavy imports, but by shrinkage of the binder twine market; mergers of manufacturing plants; and establishment of Canadian plants by two large domestic manufacturers, where binder twine can be made and shipped to the United States duty-free.

The decrease in the demand for binder twine——

Senator KERR. Has the decreasing demand for binder twine been because of the combining of wheat and the threshing of it as it was cut rather than——

Senator KERR (continuing). The continuation of the old process where it was cut and bound and then later the thrasher came around for it? Is that not the reason for it?

Mr. PEER. That is the reason.

The CHAIRMAN. That is the reason, Senator, the main reason, why there has been such a tremendous increase in this sort of twine. It is more pliable and can work in your modern machinery.

Take your combine, you cannot use wire in it; you can use wire for baling purposes.

Senator MILLIKIN. Does any cooperative in this country make baler twine?

Mr. PEER. No, sir.

Senator MILLIKIN. Is the machinery patented? Is there any monopoly in the machinery?

Mr. PEER. I do not believe there is.

The decrease in the demand for binder twine has been far more than offset by the increasing demand for baler twine since baler twine came into use.

Attention was called in public hearings in the House to the national stockpiling of the fibers used in the manufacture of agricultural twines, cordage, and rope. In order that there may be no misunderstanding in this matter, we call attention to the fact that Mr. John D. Small, Chairman of the Munitions Board, is on record in the House that——

the Department of Defense has no objection to the enactment of H. R. 1005.

The importance of the stockpile and its utilization is recognized by our organizations. In fact, the stockpile exists to a considerable extent for the purposes of agricultural twines.

Our stockpile is for security purposes. The mutuality of interests of Western Hemisphere countries in defense is well established. This interest is clearly demonstrated in the rotation of the stockpile. Canada is participating in this rotation, along with United States manufacturers, by request of the United States Government.

The American farmer, through the four national farm organizations, emphatically is expressing his views on this legislation. He wants relief from shortages and high prices. He wants an adequate supply of twine to save his crops and save labor by using his automatic pickup hay baler. The United States Department of Agriculture is on record before your committee as favoring this remedial legislation because it is aware of the seriousness of the situation.

Materials for baler twine come from distant areas and must be purchased months in advance of the time of use. The building of balers requires lengthy forward planning. As each week passes without the benefit of H. R. 1005 available to the farmer, the potential for shortage of baler twine for the 1952 harvest is increased.

Not only is this action of urgent nature, but permanent relief must be legislated. Removal of the tariff on baler twine on any temporary basis would be unsatisfactory from the viewpoint of—

1. The farmer;
2. The manufacturer of baler twine;
3. The manufacturer of automatic pickup balers.

If there is to be relief for the 1952 and subsequent harvests, these three interested groups must make plans promptly and permanently for the future years.

The farmer couldn't get enough baler twine this year. He wants to know whether he is going to have an adequate supply of twine at reasonable prices, not for 1 or 2 years, but for a long enough period to get his cost out of his capital investment.

Manufacturers of twine must know whether to invest capital in facilities to manufacture, and should be assured of a reasonable period for depreciation purposes.

Manufacturers of automatic pickup balers must know what kind of equipment to manufacture and sell, based on a dependable supply of twine.

We of the four major American farm organizations believe that passage of H. R. 1005 at this session of Congress is essential and in the public interest for the following reasons:

First, to carry out a long-established tariff policy of Congress to admit free binding twine.

Second, to increase the supply of baler twine in this country.

Third, to bring about a more reasonable price for baler twine.

Fourth, to provide healthy competition, in which, we firmly believe, the domestic producer will continue to retain the bulk of a rapidly expanding market.

Fifth, to protect the American food supply.

Mr. Chairman, I hope you will permit these gentlemen representing the other farm organizations to make a brief statement.

The CHAIRMAN. We will be very glad to hear from them, but we are working under some pressure of time.

Mr. PEER. That is right.

The CHAIRMAN. What we want to do is to get down to the meat in the coconut here. There is not any question about the desirability of the twine; there is not any question about the use of it in modern machines being highly desirable. However, whether this tariff, whether the tariff has very much to do with the supply or the price of it, is a different question, or whether or not there are competitive conditions that must be taken into consideration—those are the real questions here in issue.

We will be glad to hear from you next about the matter.

Give the reporter your name.

#### STATEMENT OF DELOS L. JAMES, DIRECTOR, AGRICULTURE-INDUSTRY RELATIONS, THE NATIONAL GRANGE

Mr. JAMES. He has it. My name is Delos L. James, director, agriculture-industry relations for the National Grange.

The CHAIRMAN. Yes, Mr. James; he has you there.

Mr. JAMES. I would just like to add this further point. The baler, of course, is a modern device, that is, this pickup baler, and the twine is the more suitable binding material for use in that machine.

Now, when the tariff was put on this material, there was a misunderstanding, I think there, or a misinterpretation because it was confused with harvesting and manufacturing.

In the earlier days, you see, we cut the hay with the mowing machine and put it up in a stack or in the barn, and then later it was baled. That was not a harvesting process. Now it has changed over from cutting it with the mowing machine—we go right directly into the field with this whole apparatus, you see.

The CHAIRMAN. All done in one operation.

Mr. JAMES. All done in one operation, done more quickly, and it provides a better crop of better quality, and all of that, you see, so it facilitates—

The CHAIRMAN. It saves a lot of waste.

Mr. JAMES. It saves a lot of waste and saves a lot of labor.

Senator KERR. How do they cure the hay?

Mr. JAMES. Well, we have newer ideas, of course, in curing the hay today than we had even 15 years ago.

Senator KERR. I know; that is the reason I am asking.

Mr. JAMES. All right. You do not have to let it remain as long out in the air as we used to because we found that there is a deterioration that takes place in the quality if it is exposed to the sunlight too long, so we can pick it up pretty quickly with this type of machine, and it requires less exposure to air because the excess moisture, and so forth, is removed.

The CHAIRMAN. You have drying facilities; you have dry facilities.

Mr. JAMES. Well, the air in most cases—nature does that for us; we do not have to have special drying apparatus for the hay.

The CHAIRMAN. No.

Senator KERR. You do not bale it until after it has been cut and dried out sufficiently.

Mr. JAMES. We will let it wilt, in other words; we do not dry it like we used to.

Senator KERR. I know.

Mr. JAMES. You do not either in your State.

Senator KERR. I am trying to find out.

Senator CONNALLY. You said it was done in one operation. Do you mean it is cut and baled all in one operation?

Mr. JAMES. No.

Senator KERR. No; cut, picked up, and baled.

Mr. JAMES. From the cutting point; from there on it is one operation.

Senator CONNALLY. Well, the mowing machine comes along and cuts it down, and it lays there awhile, and then you come along with this picking machine, and pick it up and bale it.

Mr. JAMES. Well, some of them come around with what they call a windrower.

Senator BUTLER. That is right, part of the mowing machine.

Mr. JAMES. Yes, it can be; some of them do not do that yet though, but it is rolled into a row or windrow, as we call it, and then the baler comes along and picks it up, but it can be picked up right in the swath as the machine has cut it down. There are different practices there, but any way the result is that it is baled.

Now, the point I want to stress is this: We farmers, as represented by our organization, the Grange, are facing a more serious situation from a labor standpoint this fall and next year than we have ever faced. I think we are going to be awfully short of labor.

The Mexican labor supply is not as satisfactory as it was because so many of them are coming in here, and it is costing farmers, I think, around \$50 to land them on their farms, you might say, and from there on they will stay a few days, as I understand some of them, and then they will move on to an industrial plant, and the farmer is out his money and the labor, so he has not got his labor.

Senator KERR. These wetbacks are not staying with them?

Mr. JAMES. They are not wetbacks, Senator; they come in under the law, and they are not staying with them, you see, but the farmer is caught with paying the price to get them in here. I could not cite an exact case, but I was told this—I heard it stated in a meeting I was in last week of where that is happening now and, of course, industry is paying higher wages than the farmer can pay.

I have just this point: We are depending more on machines than we ever did. Now, if we cannot get the labor, for instance, even to operate those machines, there are some machines that will be idle because of lack of labor to operate them. There will be some farms that will not be farmed next year, I understand, because of insufficient labor.

Boys are being taken off the farm for the defense program, that is one thing. They have to go. Many of the boys are going voluntarily, too; that is, they are not waiting for the draft, because they feel they must be in the picture and, therefore, they do not wait until they are drafted, so we are going to be affected by the decrease in the number of boys that are left on the farm.

We are going to be affected by the shortage of available labor for the farm, and that puts more emphasis on the machine, and that is going to put more emphasis on the baler. That has already been discussed.

Senator Ellender, in his committee, did a remarkable job here a few weeks ago in getting information, and in pointing out what our requirements probably will be from a food and feed and fiber standpoint, and the available machines to take care of it.

We are facing a shortage there in the point of steel, and that would affect even the availability of baler wire. But Senator George has pointed out here the difficulties or the undesirability of the wire. There are a good many of them.

Senator MILLIKIN. You feel that doing this will increase the supply and decrease the cost; is that your point?

Mr. JAMES. I feel, Senator, that it would just facilitate the availability of more twine, and help the farmer in harvesting his crop next year. Now, as to how much—

Senator MILLIKIN. Well, it will increase the supply and decrease the cost; that is it?

Mr. JAMES. I am not going to put much emphasis on the cost part, but what we want is twine, and we have got to start now in order to get it for next year. We cannot wait until next spring to see whether we are going to have a big hay crop. It has got to be done now.

Now, I think, I feel, that the manufacturers are willing to cooperate to the fullest extent to give us all the twine they can but, of course, they cannot take risks sufficient to put them out of business or to reduce their profits to an unprofitable—

Senator MILLIKIN. I assume you cannot turn that operation on and off like an electric light switch. They have to buy their raw material from foreign countries, and they have to contract, I assume, a long time in advance.

Mr. JAMES. Exactly.

Mr. PEER. They have to do that now.

Senator MILLIKIN. I assume they do.

Mr. JAMES. I want to say this: I think you folks are doing the right thing in removing this duty. It would facilitate the manufacturer in producing a larger supply. It would tend to clarify the situation between the foreign and the domestic manufacturer.

Now, as to how much it would save, and so forth, I could not say. I do not think anybody could say, and that is not the awfully big point. It is a factor, of course.

Senator KERR. You think if you can get enough twine, the saving will take care of itself?

Mr. JAMES. Sir?

Senator KERR. If you can get enough twine, the saving will take care of itself?

Mr. JAMES. You are just right.

This year, as a result of the inability to get twine to bale our crop when we should have, caused a tremendous loss that probably would have equaled or exceeded the little difference in the price as a result of a lower tariff, but it is a factor; so I just ask you to give serious consideration to it.

The CHAIRMAN. Yes, sir.

We would like to hear from you. You represent the Farmers Union?

**STATEMENT OF JOHN A. BAKER, LEGISLATIVE SECRETARY,  
NATIONAL FARMERS UNION**

Mr. BAKER. Yes, sir. I am John A. Baker, legislative secretary of the National Farmers Union.

The CHAIRMAN. Yes, sir. Mr. Baker, be seated.

Mr. BAKER. Our executive board in a meeting about 3 or 4 weeks ago thoroughly considered the bill as passed by the House, H. R. 1005, and it was their unanimous feeling that we need this bill early enough now so that it will have the desired effect on increasing the supply of baler twine for next year.

Our board, our full board, in its meeting considered all of the things that have been mentioned, and some additional considerations, and they asked us to represent them here, and to impress on you as much as we could their feeling of urgency of getting this bill enacted before adjournment this fall so that both domestic and foreign producers and manufacturers would have that knowledge as a basis for making their plans, and have a large supply next year.

Senator MILLIKIN. Are you acquainted with the ability of these foreign outfits to make an increased quantity of this product and send it in here?

Mr. BAKER. They assure us, Senator, that they can, given enough lead time, and the assurance of a duty-free market, increase both their purchases of raw materials and their plant capacity. But they do have to have, if we were going to get it for 1952, that lead time, obviously.

The CHAIRMAN. Any further questions of Mr. Baker? If not, thank you very much, Mr. Baker.

Mr. BAKER. Thank you, sir.

The CHAIRMAN. Mr. Metcalf. Mr. Metcalf, will you please identify yourself for the record.

**STATEMENT OF EDWIN R. METCALF, PRESIDENT AND TREASURER,  
THE EDWIN H. FITLER CO.**

Mr. METCALF. Yes, sir.

Mr. Chairman, my name is Edwin R. Metcalf. I am president and treasurer of the Edwin H. Fitler Co. of Philadelphia.

Between 1942 and 1945 I was employed by the War Production Board with cordage directly or indirectly under my control.

I am at present an alternate on the Munitions Board Fiber Committee. I appear here to represent the Fitler Co., which is opposed to the passage of H. R. 1005.

The CHAIRMAN. Your company manufactures this twine?

Mr. METCALF. Yes, sir; we are manufacturers.

The CHAIRMAN. Yes, sir.

Mr. METCALF. We are a small manufacturer of baler twine, but one who has doubled his manufacture of baler twine this year as compared with a year ago.

It is my considered opinion, backed by 18 years of experience in the cordage business, that passage of this bill will not aid the farmer, in that it will not make twine more plentiful or cheaper.

It will not aid any domestic industry, and it may well be harmful to the national defense effort.

The Fittler Co. is one of the 12 domestic cordage companies that employs less than 300 people. There are only 5 employing more than 300.

Senator MILLIKIN. Are you an independent company?

Mr. METCALF. No, sir; we are affiliated with another company. We are a wholly owned subsidiary.

Senator MILLIKIN. With another company that makes the same product?

Mr. METCALF. Yes, sir.

Senator MILLIKIN. What company is that?

Mr. METCALF. We are a wholly owned subsidiary of the Columbian Rope Co. of Auburn, N. Y.

The CHAIRMAN. I suppose you are coming to it, but I am curious to get you down to the point: What is the difficulty in getting your raw material free of duty?

Mr. METCALF. There is no difficulty in getting raw material free of duty. All our raw material comes in free of duty.

The CHAIRMAN. Does this twine come in, the constituents that make the twine, come in free of duty?

Mr. METCALF. Well, baler twine is, of course, dutiable 15 percent ad valorem at the present time.

The CHAIRMAN. Is that in the form of manufactured twine?

Mr. METCALF. That is in the form of a manufactured twine, and is ready for sale; yes, sir.

The CHAIRMAN. But the raw material comes in here without duty?

Mr. METCALF. The raw material comes in without duty?

The CHAIRMAN. Now?

Mr. METCALF. Now.

The CHAIRMAN. Is that correct?

Mr. METCALF. That is right.

The CHAIRMAN. That is what I wanted to get at.

Senator KERR. Where does it come from? Where do you get your raw material?

Mr. METCALF. The raw material we get for making baler twine comes principally from Brazil, Haiti, British East and West Africa, Portuguese Africa, and we ourselves have used some fiber from Venezuela during the past season. We have not used any fiber from Mexico or from Cuba in our baler twine.

Senator KERR. Is that because of the nonavailability or the difference in quality?

Mr. METCALF. Because of the difference in the quality of the fiber, sir. We cannot make a baler twine from fiber from Mexico or Cuba that will meet the standard we have in this country.

Senator MILLIKIN. You make binder twine also?

Mr. METCALF. No, sir; we do not make binder twine. As I will try to point out in my statement, we have given binder twine up since binder twine was a duty-free item.

Senator BUTLER. There is no use in selling binder twine made out of the same material as baler twine when you can get a little more for baler twine.

Mr. METCALF. Well, sir, we cannot meet our yardage and strength out of a twine made of Henequen. We have been furnishing a twine that ran 225 feet to the pound, approximately, with a minimum tensile

strength 275 pounds, and we cannot make one that will do that out of Henequen.

Senator FREAR. How many feet per pound?

Mr. METCALF. 225, approximately.

Senator FREAR. Is that baler twine you are speaking of?

Mr. METCALF. Yes, sir.

Senator MILLIKIN. Senator Butler's point was, if I understood it, that the reason you do not make binder twine is because you can make more money making baler twine because of the duty.

Mr. METCALF. Well, the Fittler Co. gave up the manufacture of binder twine many years ago, and it was done because of the loss of market for domestic-made twine.

Senator MILLIKIN. Can you tell us—I suppose some other witness will be in a better position to tell us, but can you tell us—what percentage of the domestic market is occupied by domestically produced binder twine?

Mr. METCALF. Yes, sir; it runs approximately 50 percent. It varies from year to year—50 to 60 percent, in there; it varies.

Senator MILLIKIN. How are people making binder twine getting along, domestic manufacturers of binder twine?

Mr. METCALF. Well, I believe they are getting along well.

Senator George, I understood, had trouble getting binder twine this past season, and that was the first indication I heard of a shortage in binder twine. I knew there was a shortage in baler twine but I had not heard of a shortage in binder twine, but of course, not being a manufacturer, it is perfectly easy to understand why I might not have heard of it.

Senator MILLIKIN. Well, I will catch some other witness who knows more about binder twine, and I am sorry to have bothered you and interrupted you.

Mr. METCALF. Yes, sir.

I choose to speak to you at some length about the effect of the passage of this bill upon national defense.

Baler twine is manufactured from manila, sisal, and Henequen fibers. They must be used by the manufacturer to make a twine—

Senator KERR. Do you have a copy of your statement?

Mr. METCALF. No; I have not any, sir. I am sorry, but I made some changes after I wrote it—

Senator KERR. All right, go ahead.

Mr. METCALF. They must be used by the manufacturer to make a twine with a maximum strength and the greatest possible yardage, so that a pound of twine will tie as many bundles as possible.

Two of these raw materials are being stockpiled by the United States because in time of war they would desperately be needed for the manufacture of rope as well as twine.

To build a stockpile as large as the United States may be doing, presupposes that there will be an industry sufficiently large to use it, and before it has to be used in an emergency, to rotate it so as to keep it in first-class condition.

Manila and sisal fiber cannot be stored indefinitely. This industry is faced with a situation where it is presumed that there are not now enough plants and machinery to make the baler twine needed next summer.



In my opinion, there are plenty of facilities, so the effect of the bill is to divert part, at least, of the demand from domestic to foreign manufacturers, and the American manufacturer will sooner or later have surplus machinery that he will also scrap.

Then, in the future, with an emergency facing us, facilities will not be on hand. Now, suppose the proponents of this bill claim that imported baler twine will come chiefly from Canada, that the machinery of Canadian mills can be used to make rope and twine for this country in case of war, and we can help rotate the United States stockpile.

In my opinion, that is a false premise. Look back at the source of imported binder twine, a product that has been on the free list for many years. In 1923, 73 percent of the binder twine used in this country was made in private domestic mills, 22 percent in prison mills, and 5 percent was imported.

Out of that 5 percent total imported, 5 percent came from the United Kingdom, Belgium, and the Netherlands.

In 1939, the last harvest before the European war, the private mills in this country made 51 percent, the prisons 21 percent, and imports were 28 percent.

Out of this 28 percent more than half, or 54 percent, came from the United Kingdom, Belgium, and the Netherlands mills. A year later that production was unavailable.

Between the years 1929 and 1939, the number of domestic binder twine manufacturers in this country dropped from 17 to 5. During this same period imports increased 165 percent and domestic manufacture dropped 50 percent. The Fittler Co. was one of those who saw no future in binder twine. It did not have the machinery to make binder twine during the Second World War when the Government, the industry, and the farmers realized there was a shortage of binder twine.

At the outset of my statement I said that I did not think that the passage of H. R. 1005 would make twine cheaper and more plentiful for the farmer. For the record I wish to state that while I do not have a farm, as a boy I spent hours on my grandfather's farm. I have nothing but respect and admiration for the business of farming, the problems of marketing, growing conditions, and supplies.

Will the passage of this bill aid them? There is only so much fiber grown in the world. Because none is grown in this country, domestic manufacturers have to buy their fiber at the same source as a competing foreign manufacturer.

The Fittler Co. would have made still more baler twine last summer had they been able to get all fiber contracted for. We were not able to determine whether the fiber not delivered to us was made into baler twine by some foreign manufacturer.

The reduction of the duty will not in itself get more twine made.

There were many cries of shortage of burlap last summer. The import duty on burlap was recently reduced to approximately one-half cent per pound. Did this get more burlap from India? It did not. Burlap is no cheaper, but the Indian Government increased the export tax on burlap until now it is approximately 14 cents per pound. The American consumer of burlap, in other words, is paying the Indian Government tribute of approximately 14 cents per pound.

Senator MILLIKIN. Does not Mexico have an export tax on baler twine?

Mr. METCALF. Yes, sir; I believe they do. They have one on fiber, I know.

In many cases these farmers are paying this amount. As far as the price of imported twine is concerned, it has been my experience that the price of imported binder twine has been established after a domestic manufacturer sets his. It has no relationship to the cost of raw material, labor, or a fair profit in the country where made. It is only slightly less than that of the domestic manufacturer.

As you can imagine, a manufacturer who will make a reduced quantity of any product has to spread his costs over a smaller base and has to have a higher unit cost.

A foreign manufacturer would not lower his cost because of this. I have read the debate of this bill on the floor of the House as reported in the Congressional Record. I hope that support of this bill results from a consideration of the merits of the matter and not from a punitive action, as hinted by some of its supporters.

It will be many months before any group can accurately decide what condition or combination of conditions caused the shortage. Just as crop goals are set by the Department of Agriculture, based on estimates, so the amount of baler twine made and sold this last year by domestic manufacturers and importers exceeded the estimate of the Department of Agriculture for this past season.

Senator KERR. You are talking about 1951?

Mr. METCALF. Yes, sir. The twine made and used in harvesting the crop during the year 1951; yes, sir.

Senator KERR. Yes.

Mr. METCALF. H. R. 1005—

Senator MILLIKIN. Do you have information on the capacity of foreign plants?

Mr. METCALF. Sir, I have not.

Senator KERR. Where are they principally?

Mr. METCALF. In this case it will be principally Mexico, and at a later date it will be the same mills in Europe who have been importing the bulk of the imported binder twine in the past years, I believe.

Senator KERR. Which have been sending the bulk of the binder twine we have been getting?

Mr. METCALF. What is that, sir?

Senator KERR. Who have been sending us the bulk of the binder twine.

Mr. METCALF. That has been imported; yes, sir.

Senator MILLIKIN. Is it your theory that if Mexico at the present time has an export tax on baler twine, and the duty is reduced, they will simply up their tax to compensate for the amount?

Mr. METCALF. That would be my opinion. I am not a good judge of what would happen.

Senator MILLIKIN. Does anybody know whether Mexico does have an export tax?

The CHAIRMAN. Mr. Alexander, do you have any information on it?

Mr. ALEXANDER. I am reasonably certain they have, yes.

Mr. METCALF. H. R. 1005, if enacted, to all intents and purposes would be irrevocable.

The United States industry can be smashed or reduced to impotence, and we will have no recourse except to Congress.

Senator BUTLER. Mr. Metcalf, if the article now called baler twine was being manufactured back in 1896 or whenever this Tariff Act in 1930 was amended, don't you imagine that the words "baler twine" would have been used along with binder twine?

Mr. METCALF. I, of course, have no idea what Congress might have done at that time, sir.

Senator BUTLER. The intent and purpose of the law at that time was to give free entry for all materials used on the farm.

Mr. METCALF. Well, of course, history, sir since then would indicate that the courts had to define what was the intent of Congress with respect to the meaning of the words "binding twine."

Senator BUTLER. Yes; and they have been trying to get a ruling from the courts since 1948, and have not got it yet, and that is one reason that we here are trying to solve the problem. But my question to you was that if at the time paragraph 1622 was written, baler twine was being made at that time, do you not think it would have been assumed that it would have been included along with binding twine?

Mr. METCALF. Well, I would not, Senator, agree on that assumption, no.

Senator BUTLER. I think the provision of the law is that the intent and purpose was that all material used by farmers was supposed to enter free of duty. I think it does yet today, except for baler twine and the material, the raw material for the baler twine, being free of duty.

Mr. METCALF. As a private individual, I think there is a different situation. Internationally today, in setting of tariffs, there is a different situation than there was in 1894 and 1896, and 50 years ago.

Senator MILLIKIN. There are some exceptions, but I think it was the policy of the law that the tools of the trade of the farmer should be exempted from duty; there are still some exceptions.

Mr. METCALF. There are some exceptions, I believe.

Senator MILLIKIN. That was the general policy. I think Senator Butler is right on that. I have no doubt if looking backward, if you could reconstruct the picture, if baling twine were in existence at the time, it would have been exempt the same as binder twine.

Mr. METCALF. May I continue, Senator?

The CHAIRMAN. Yes, sir.

Mr. METCALF. The United States cordage industry is denied the protection afforded other industries by the reciprocal trade bill, and the United States economy obtains no trade benefits in exchange for extending the privilege of free entry.

If it is necessary to pass legislation affecting baler twine, I recommend, one, that the duty on baler twine be suspended for a period of years, say, two, as has been done by the Congress in the case of copper.

This would obviate any injustice to the defense program, the industry, the farmer, and the United States economy.

Secondly, in order to avoid harming the farmer, baler twine must be described. A proposed amendment covering a proper description of baler twine was defeated in the House.

If there is a suspension of duty under the bill, even for a temporary period, baler twine must be described in order to protect the farmer and save the Government and importers great expense in establishing a definition in the courts.

Senator MILLIKIN. Let me get that clear. Did I understand you to say that a proper definition was defeated in the House?

Mr. METCALF. Yes, sir.

Senator MILLIKIN. Then, if we include it here, what chance would it have to pass the House?

Mr. METCALF. Well, after yesterday, I do not know, but if it went to conference, I would assume——

Senator MILLIKIN. I give up. [Laughter.] I have got nothing more to say.

The CHAIRMAN. It would not have much chance because this was a matter of controversy in the House. They wanted this as is, because they were afraid of the amendment.

Mr. METCALF. I believe, Mr. Chairman, that I have some information here on that in some publications put out by different farm organizations which might lend a new light on it. In addition to that, I have some samples of some other twines here which, unfortunately, I have not many, and they are not good looking the way the baler twine samples are, but I would like to have you pass them around, and I think you will see what I mean by this point.

Senator KERR. You mean you can describe this so as to be defined, or define it so that it is described?

Mr. METCALF. I believe we can define it so that anyone will know what is meant by a baler twine as a protection for the farmer, yes, sir. It took many years of controversy between importers and the Customs Bureau and, finally, a number of court decisions to establish a description of binder twine.

Baler twine is used in automatic baling machines. It must fit the mechanism of these machines and must work properly. It must not only be the proper size to work in the machine with proper strength to withstand initial handling of 80-pound bales but must hold the hay or straw in the bale until the farmers want to open it.

There must be sufficient oil and treatment to make the twine and keep it rat-proof, insect- and vermin-proof, and mildew-resistant. Binder twine and baler twine look alike except for size. They differ from other twines.

Senator MILLIKIN. Is the imported quality vermin-proof, and proof in these other respects that you mention?

Mr. METCALF. I do not know that, sir, but it certainly should be.

Senator MILLIKIN. Let me ask you very frankly, are you imposing specifications here which, in effect, would deny importation if we should decide to have free importation?

Mr. METCALF. I do not think it would; no, sir; but I think it is a protection to the farmer and it should be treated that way to withstand things that the baler manufacturers and the twine manufacturers in this country found necessary.

Senator MILLIKIN. I will ask if the farmers want that protection. Is there anybody here from the farmers organizations? Do you want it?

Mr. PEER. No, sir; we do not feel it is necessary.

The CHAIRMAN. All right. Please proceed with your statement.

Mr. METCALF. They differ from other twines. Can you tell which has been treated, which will work in an automatic baler and which will not? Neither can many farmers.

It seems little enough to require foreign manufacturers to protect the farmers, the same as domestic manufacturers do.

The farmer buys baler twine by the bale.

Senator FREAR. When he can get it.

Mr. METCALF. And is getting a twine that gives approximately 225 feet to the pound from an American manufacturer.

If the tensile strength is made—

Senator KERR. Just a minute, right there. How many bales will that bale?

Mr. METCALF. You mean how much hay will a bale of twine bale?

Senator KERR. No, a pound.

Mr. METCALF. It takes about three pounds of twine to do a ton of hay. Now, that is just an average. Of course, it depends on how good the hay is, and the particular locality it is used, but I believe those are the average figures used by the Department of Agriculture.

Senator KERR. There have been many guesses here on what a bale of hay weighs. What is your guess, 65, 70, 75, 80 average?

Mr. METCALF. No; it varies according to the baler that is used. In other words, the manufacturer of a baler designs his baler to use different weight bales. It depends on how dry the hay is; it depends also on how heavy the hay is in the field, and I also would like to correct one statement that was made, if I may, Senator. Different manufacturers of balers use different materials as a twine.

Now, the Allis-Chalmers Co. manufactures a hay baler which rolls the hay in windrows. The bales are lighter, but a binder twine is standard on their machine.

The CHAIRMAN. You can use it but it depends on the kind of hay you are baling, too, the weight of it, does it not?

Mr. METCALF. Yes, sir; they are much lighter bales.

Senator KERR. What I am trying to figure out is what it costs for a bale for the baler twine.

Mr. METCALF. I would not disagree approximately with the 4 cents a pound mentioned by the representative of the Department of Agriculture.

Senator KERR. A bale.

Mr. METCALF. Four cents a bale, that the Department of Agriculture states—

Senator KERR. For the twine.

Mr. METCALF. For the twine; yes, sir.

Senator KERR. Not for the process of baling.

Mr. METCALF. No, sir.

Senator KERR. All right.

Senator FREAR. You gave an example of a hay baler. How many feet of binder twine in a bale, say, a 50-pound bale, because they are lighter than the other compared to baler twine in a 60-pound bale.

Mr. METCALF. Yes, sir. Binder twine normally runs 500 feet to the pound. That is considered standard as far as the United States is concerned, 500 feet to the pound, and there are 50 pounds in a bale.

Baler twine is 40 pounds to a bale, and it runs 225 feet.

Senator KERR. A little over twice as heavy.

Mr. METCALF. Yes, sir.

If the tensile strength is maintained, but because an inferior fiber is used, the twine must be thicker, will run fewer feet to the pound, and the number of bales a farmer can tie will fall off rapidly.

A farmer cannot tell the length by inspecting the balls of twine. He can be and should be protected against being shortchanged on length.

Gentlemen, I would like to call your attention to an article that was published by the New York Farm Equipment Dealers Association, Inc. It is undated. It is signed by Robert C. Burnette, managing director, and I read from this:

Please, if you have sold any Mexican baler twine this year write me about how you and your customers liked it. Has it proved satisfactory? Does it give more or less trouble than the American twine?

Here is why. The import duty of 15 percent will probably be taken away by Congress at the demand of the National Farm Bureau and the National Grange. With a 15-percent price advantage, most farmers will buy the Mexican product which, in the past, has not had the quality characteristics of the American product. Eventually that will mean that all twine will be spun where the price advantage exists and probably will not be of as good quality. Until the quality is brought up to our standard, it might be advisable to void your service guarantees on balers unless the owner is using an American-spun twine. That is why I need information directly from you as to your own experience with the Mexican variety of twine.

Senator MILLIKIN. Let me ask you this: Could not the farmer judge which type of twine he wanted if we took the duty off? He has to do it now with a duty on.

Mr. METCALF. Sir, in my opinion, a farmer who wants baler twine is going to his dealer, his farm supply store, and he is going to ask for baler twine.

Senator MILLIKIN. If he finds an unsatisfactory result, the next time he goes to his dealer he will say, "I don't want any of that kind of baler twine."

Mr. METCALF. That is right; and if that practice spreads, I am just selfish enough to feel sorry because, after all, we, whether it is the American manufacturer or a manufacturer in another country, have, let us say, our future at stake on the use of more twine balers and fewer wire balers. We are trying to protect the future of our business, whether you gentlemen feel that it should be dutiable or not dutiable.

Senator BUTLER. What percent of your business is baler twine?

Mr. METCALF. What percentage of our business?

Senator MILLIKIN. He does not make any.

Mr. METCALF. Yes, I do. I hate to have my competitors in the room hear me, sir.

Senator BUTLER. Well, you just forget the question then if you do not want to answer it.

Mr. METCALF. I would be glad to tell you if you want me to.

Senator BUTLER. Is it large or small?

Mr. METCALF. It is running approximately half at the present time, sir.

Senator BUTLER. Were you a witness, Mr. Metcalf, in the hearing before the House?

Mr. METCALF. No, sir; I did not attend the hearings either, sir.

Now, lastly I would like to—

Senator MULLIKIN. Mr. Chairman, may I address a question to the farm people?

The CHAIRMAN. Yes.

Senator MULLIKIN. In addition to the suggestion that there be close specifications on baler twine, I believe the witness suggested that if anything is done that it be done for an emergency period.

What is the view of the farm organizations on that?

Mr. PEER. We, sir, feel that an emergency period would be an impracticable measure because there is no idea of continuity there. I mean, what is the use of planning for a short period of time? A lot of money would be lost, and a lot of time.

Senator MULLIKIN. That is right.

Senator KERR. He took the position in his statement that the only way they could induce foreign manufacturers to get into the business of producing this would be to give them a continuing basis rather than a temporary one.

Mr. METCALF. I would like to insert into the record, Mr. Chairman, a copy of the Iowa Farm Equipment Retailer. It apparently is the August 1951 issue, and I would like to read it. The subject is Is the Merry-Go-Round breaking down?

Considerable Mexican twine has been brought into Iowa and other States this year. Conflicting reports have been received about the quality of this Mexican twine. One dealer reported a certain brand to be apparently as good quality as one of the well known domestic twines, except that it did not seem to give quite as much footage per ball. Two other dealers reported other brands of Mexican twine to be of poor quality. One refused to buy any more because he was getting too many complaints from his customers. Another refused to buy it after examining it at a certain widely known distributor's warehouse.

This dealer reported that the distributor insisted that an order be filled with some of each quality twine. Mexican twine has been carrying a 15-percent import duty. This, of course, helped the domestic manufacturer who had higher manufacturing costs than the maker of the Mexican twine.

Now, there have been demands by two strong farmer organizations that the 15 percent import be removed. It has been reported that there is a very good chance this will be done.

Two questions surge to the front on this problem of removing import duty on Mexican twine: One, why have the domestic manufacturers fallen down so badly on meeting the demand? Certainly their failure to produce enough twine has caused this large importation of Mexican twine and resultant demand for removal of duty.

Two, what is the future picture if Mexican twine comes in duty-free? One story is that the failure of the Government to purchase enough sisal and henequen in the foreign markets has caused the production failure of domestic manufacturers.

Tied in with this is the terrific price hike on sisal and henequen, about 100 percent. The manufacturers maintain that their prices were frozen and, therefore, they could not absorb the increased cost in raw materials. It was reported that the Government subsidized the domestic twine manufacturers for a time by paying the increased price and selling to manufacturers at the old price but finally discontinued that practice.

Senator MULLIKIN. Are you buying goods out of the Government stockpile?

Mr. METCALF. No, sir; they are wrong in that respect. There is no purchase other than for the stockpile at the present time.

Senator BUTLER. What percentage of baler twine used here is domestic manufactured, and what imported?

Mr. METCALF. Well, sir, as Mr. Alexander said, all the records kept by the Department of Commerce on the imports of baler twine have been grouped under tying twine, and there is no way that we can defi-

nately tell how much has been imported. There may be someone in the room who has better information than I.

We do believe that approximately 7 million pounds were imported during the first 6 months of the year.

Senator BUTLER. A large percent, however, is domestically manufactured, is it not?

Mr. METCALF. At the present time; yes, sir.

Senator BUTLER. Somebody said 80 percent.

Mr. METCALF. Oh, I would think it would be 90 anyhow at the present time.

Senator BUTLER. Yes.

Senator MILLIKIN. I heard someone suggest that foreign binder twine occupied about 10 percent.

Mr. METCALF. I believe those were the figures used earlier.

Senator MILLIKIN. The man who said it was not presuming to give an accurate figure; he was making a guess on it.

Mr. METCALF. That would be my guess.

Senator MILLIKIN. I beg your pardon. Our technician tells me that the figures were from 10 to 15 percent rather than 10 percent.

Mr. METCALF (reading):

Perhaps this price hike is the whole answer for the failure of the domestic manufacturers to make twine. If so, they should not be heavily penalized by having the Mexican duty removed from Mexican twine.

If a further investigation reveals that the manufacturers were simply balky and refused to produce because conditions were not as good as they had been, then the removal of the import duty takes on a different meaning.

This is the important paragraph:

Suppose the import duty is removed and domestic production is ultimately squeezed out? Can the twine users depend upon Mexican production to produce enough of the proper quality twine? Will a lot of shoddy twine be brought in and sold at good prices after the Mexican twine captures the market? What effect will such conditions have upon baling? Will field chopping forge into the picture and eclipse baling in the same way as combining has done with threshing or will this removal of import duty on Mexican twine cause chaos and confusion as domestic production is broken down so that it needs replacing, or have the domestic manufacturers been made the victims of circumstances beyond their control? Surely this matter should be studied carefully and remedied before conditions worsen.

I believe you can understand it is my position that the study does not mean favorable consideration of H. R. 1005.

The CHAIRMAN. Thank you very much, Mr. Metcalf.

Mr. METCALF. Yes, sir; thank you, sir.

The CHAIRMAN. Mr. Miles, you come around and have a seat here. Your name is William S. Miles?

#### STATEMENT OF WILLIAM S. MILES, JR., VICE PRESIDENT, PEORIA CORDAGE CO., PEORIA, ILL.

Mr. MILES. Yes, sir.

The CHAIRMAN. And you are with the Peoria Cordage Co.?

Mr. MILES. That is correct, sir.

The CHAIRMAN. What position do you hold with them?

Mr. MILES. I am vice president.

Senator MILLIKIN. What assortment of cordage do you make?

Mr. MILES. We manufacture rope, binder twine, baler twine, and a very small amount of wrapping twine.



Senator MILLIKIN. Are you an independent company?

Mr. MILES. Yes, sir; completely.

The CHAIRMAN. Do you make baler twine, did you say?

Mr. MILES. Yes, sir.

The CHAIRMAN. All right, Mr. Miles; we are glad to hear you.

Mr. MILES. The Peoria Cordage Co. is one of the smaller baler twine manufacturing companies. It was founded by my grandfather 63 years ago and I have been active in the company for 18 years.

I appear here in opposition to H. R. 1005 and particularly to urge you, if you decide to recommend passage of the bill, to limit it to 24 months.

I was present when testimony in regard to this bill was presented before the Ways and Means Committee of the House. Those hearings took place in July in the midst of a baler-twine shortage and in an atmosphere of "something must be done." The real merits of this legislation, that is, whether it would increase the supply of baler twine, whether it would benefit the farmer and whether it was detrimental to the national security program—were given little, if any, attention in the hearings. Now the baler-twine shortage is over and the bill should be considered on its merits.

The threat to the United States baler-twine manufacturers is a very real one, and if the manufacturer suffers, so will the people employed by him. The fact that labor in practically every foreign country receives less wages than labor in the United States is well known to all of you. Unfortunately the manufacture of baler twine is not a mass-production assembly-line operation where the disadvantages of lower labor costs can be offset by higher degrees of mechanization. Foreign manufacturers have access to and, in most cases, have as modern machinery as manufacturers in this country, and their lower labor costs give them a competitive advantage.

The effects of this competition are well illustrated by the experience of our own company in binder twine during the 1930's. During this period, importation of binder twine steadily increased while binder twine sales of our company during this same period declined 70 per cent. Our employment dropped from 175 employees in 1935 to 70 employees in 1939, and in addition we were able to employ them only 4 days per week.

Senator MILLIKIN. I would not want to say this definitely, but I think your experience there was comparable to a general decline in payrolls during that period, was it not? That was not a happy time for anybody.

Mr. MILES. I do not believe that the period from 1935 to 1939 was a particularly declining one in general business. We were somewhat coming out of the depression during that period, I believe, in other lines, although I frankly am not too familiar with the general picture.

Senator MILLIKIN. What would be the history in baler twine since that time?

Mr. MILES. I do not get your question, sir.

Senator MILLIKIN. You are telling us your history back in the thirties. What has been your history since that time?

Mr. MILES. Well, with the introduction of baler twine our employment has picked up and today it is about 135 employees.

Senator MILLIKIN. What I am talking about—it is my fault, I did not make it clear that I am talking about binder twine. You said you had great difficulties with binder twine because of the imports.

Mr. MILES. That is correct.

Senator MILLIKIN. What is the present situation?

Mr. MILES. It is considerably lower. Our production of binder twine, our sales of binder twine, are substantially lower than they were even in 1939.

Senator MILLIKIN. Are you unable to compete against importations of binder twine?

Mr. MILES. Not completely, but they present quite a problem.

Senator MILLIKIN. Is it true, as Senator Butler has suggested, in that kind of a situation, if you can make more money out of baler twine, you move over to baler twine, is that correct?

Mr. MILES. No, sir; I do not believe it is. It is a question of distribution and the question of where the twine is used.

We are located in Illinois and the combines have taken over a major portion of the harvesting of small grain in that area. Illinois is a large hay-producing State. The same is true of Iowa, so that baler twine is a more natural market for us today than binder twine is today.

Senator MILLIKIN. Do not answer this unless you want to. What percentage of your business is represented by binder twine, and what percentage is baler twine?

Mr. MILES. Baler twine represents between 65 and 70 percent, and binder twine slightly less than 10 percent.

Senator MILLIKIN. Are you making money on your binder twine?

Mr. MILES. Not very much.

Senator MILLIKIN. But you are making some?

Mr. MILES. Some; yes.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. When did you commence to manufacture the baler twine?

Mr. MILES. In 1940, the fall of 1940.

The CHAIRMAN. 1946? All right, sir.

Mr. MILES. I firmly believe that if war had not broken out in Europe in the fall of 1939, the Peoria Cordage Co. would not be in existence today.

Senator MILLIKIN. Might I ask another question: What percentage of the total binder twine domestic market is occupied by domestic companies?

Mr. MILES. Between 50 and 60 percent today.

Senator MILLIKIN. Is it declining, is the percentage declining?

Mr. MILES. The percentage—I think the percentage has remained fairly constant in recent years.

Just prior to the war there was a very substantial importation of binder twine from European producing countries, and they have not resumed the importation of binder twine as yet. I do not know the reasons, but I presume they are too busy with rehabilitation in their own countries.

Senator MILLIKIN. Thank you.

Mr. MILES. I do not have figures to illustrate the effect on other binder-twine manufacturers but the effect must have been almost the

same. The J. C. Groendyke Co. of Miamisburg, Ohio, was forced completely out of business.

By 1939 the United States binder twine user—the farmer—was dependent upon foreign sources for 30 percent of his binder twine and there is every reason to believe that if the war in Europe had not prevented importation of binder twine from European countries, this percentage would have increased in subsequent years. As it was, the war cut off 50 percent of the imported binder twine and the only reason this did not result in a serious shortage of binder twine during the war was the fact that the total consumption of binder twine decreased because of the increased use of combines, so that United States manufacturers were able to take up the slack. Even so, there were serious spot shortages of binder twine during the war.

The history of binder twine has a bearing on baler twine because the same factors which enabled foreign producers of binder twine to take over a substantial portion of the baler-twine market. United States manufacturers have no inside track on fiber supplies. In fact, in certain countries where both fiber and finished twine is produced, the local manufacturers pay less for their fiber because of Government subsidies. United States manufacturers have no magic formula for overcoming the disadvantages of higher labor costs and the inevitable result is price competition which United States manufacturers cannot meet.

The effect of this foreign competition will be felt first by the smaller manufacturers in the United States. One of the larger manufacturers of baler twine has a tremendous dealer organization handling a complete line of farm implements, including twine balers and is therefore in a better position to resist foreign competition for a longer period. Another large twine manufacturer sells a substantial volume of baler twine through a manufacturer of balers and therefore has a similar advantage. But small manufacturers, such as ourselves, have none of these advantages of distribution and therefore will feel the main brunt of this competition.

It may be argued that the benefit to the farmer from low-priced foreign-made baler twine is worth the sacrifice of the small United States manufacturers. But will the farmer actually benefit either as to price or as to availability?

As to price, importers of foreign twine have in the past and probably will in the future establish prices using the price of United States manufacturers as a base and agreeing to furnish their twine at a certain amount under the United States manufacturers' price—the differential being no greater than the amount by which they must cut the United States manufacturers' price to move their twine. It follows that any increase in the United States manufacturers' price is quickly reflected in the price of foreign twine. Since the overhead costs per bale of twine of the United States manufacturers increase as the quantity they can sell decreases, it is obvious that the larger the amount of twine imported the higher the price United States manufacturers will have to charge in order to absorb their overhead costs on a reduced volume.

As to availability of twine, I am convinced, knowing something of the manufacturing capacity in this industry, that the United States manufacturers have the capacity to manufacture all the baler twine

this country can possibly consume. The apparent shortage of baler twine this last season was not due to the inability of United States manufacturers to produce enough baler twine, but was due to a combination of inadequate world fiber supplies and an apparent demand exceeding all reasonable expectation. In regard to the latter, United States baler twine manufacturers produced and sold 118 million pounds of baler twine. This was 48 million pounds more than was sold in the previous year and was 24 million pounds in excess of the Department of Agriculture's estimate of the amount of baler twine needed. The Department of Agriculture estimated a baler twine requirement of 94 million pounds for the 1951 season.

Senator MILLIKIN. Do you have any statistics on the industry profit take?

Mr. MILES. No, sir.

Senator MILLIKIN. Does anybody?

Mr. MILES. I do not believe that there are any statistics compiled on the entire industry.

Senator MILLIKIN. Are any of you folks prepared to show that you are not making excessive profits?

Mr. MILES. I am not prepared here, sir, no. I know it could be shown, but—

Senator MILLIKIN. I am talking now of baler twine.

Mr. MILES. Yes, sir.

As compared with the Department of Agriculture's estimate of baler-twine requirements of 94 million pounds for the 1951 season, the United States industry sold 118 million pounds.

The Department of Agriculture estimates of baler-twine requirements for next season are 132 million pounds and United States manufacturers are now manufacturing baler-twine at a rate that will produce more than that quantity.

Senator MILLIKIN. Do you use special machinery for baler twine as distinguished from binder twine, a different type of machine?

Mr. MILES. The first two processes are practically identical. The baler-twine requires a different baller because it is put up in a 20-pound ball, and binder twine is an 8-pound ball, and it takes a different baller machine.

Senator MILLIKIN. Are those machines patented?

Mr. MILES. No, sir.

Senator MILLIKIN. They are open to everyone?

Mr. MILES. Yes. They may be patented by the machinery manufacturer, but they can be purchased by any baler-twine manufacturer.

Senator MILLIKIN. Is there competition between the baler-twine manufacturers which is brisk?

Mr. MILES. I would say that it is very brisk.

The amount of baler twine that will be available in any year depends first upon the availability of fiber and, second, upon manufacturers' estimates of the amount of twine they can sell. It will obviously be more difficult for manufacturers to estimate total baler-twine supplies in relation to probable baler-twine demand if they must take into account fluctuating and uncertain baler-twine imports.

To me it is obvious that passage of H. R. 1005 will not increase the supply of baler twine and will not lower the price of twine to the farmer. Further, that it will in time seriously reduce the ca-

capacity of United States manufacturers to provide twine and rope in time of national emergency and will particularly hurt the smaller United States manufacturers.

While I firmly believe that H. R. 1005 should not be passed at all, I recognize that the full impact on the United States manufacturer will not be felt in the first year or two. Therefore, if the tariff on baler-twine is suspended for only 2 years, there will be ample time for a thorough study of the effect of the elimination of the tariff on baler-twine on all elements of the economy.

It is important also that the bill, as passed by the House, be amended to include a clear definition of baler twine in order to prevent the importation of wrapping twine duty-free under the guise of baler twine, and to prevent endless litigation in the customs courts.

The Tariff Acts of 1913, 1922, and 1930 which put binder twine unconditionally on the free list failed to include a definition of binder twine, other than to specify a maximum length of 750 feet to the pound.

It took several administrative rulings and four cases in the courts before a clear-cut definition of binding twine was established for uniform application in all the ports of entry. The last case was not decided until 1942 or 12 years after the Tariff Act of 1930 was passed.

Senator MULLIKIN. If the duty were removed, there would be no difficulty, would there?

Mr. MILES. Yes, sir; there would be difficulty because of the wording of the bill, because there would be a constant argument between the importers and the manufacturers as to whether a particular twine was, in fact, baler twine or whether it was, in fact, a wrapping twine, a commercial twine. That was the difficulty that came up in the case of binder twine.

Twine was imported that contained no oil, which obviously was not a binder twine, and yet it was imported as such, and gave rise to considerable litigation.

That completes my statement, sir.

The CHAIRMAN. Thank you.

Senator MULLIKIN. Do you have a definition of baler twine that does not include these fancy touches as to rodent repellents and all those things?

Mr. MILES. No, sir. My definition would be the same as the one Mr. Metcalf presented, because those are the essential features in baler twine, the oil content, in particular.

Senator MULLIKIN. I am talking about, as I understood someone suggested that the specifications should have to do with whether or not the binder twine would be appetizing to rodents. Are you going for that or would this thing be gotten down to some simple basis that would not include all those desirable features?

Mr. MILES. I do not believe it could. I believe those features are important, because we know that insect repellents and rodent repellents and oil content are essential to a proper baler twine.

Senator MULLIKIN. I should have said baler twine instead of binder twine. Of course, the farmer, when he buys his clothes or when he buys anything else, he has a large area of choice as to what he is going to buy, and if you buy something that does not suit you, you will not buy it again.

**Mr. MILES.** That is correct, sir. But the farmer buys—

**Senator MILLIKIN.** I wonder if we should get on so high a level here. I am just arguing on all sides of this question to get light. I wonder if we should get so high a level here that we should make up the farmer's mind as to what kind of baler twine he wants to use.

**Mr. MILES.** Well, I think that the farmer usually buys his season's supply of twine in the winter or early spring, before he has a chance to test it.

Now, the twine may be represented as being rodent-repellent and insect-repellent, and he may buy it for that reason, but if it does not work satisfactorily, he is loaded with a year's supply of twine. Now, I will grant you that he probably will not buy that same twine next year, but he has maybe 10, 20—some of the larger baler operators 50 or a hundred bales on hand that he can be pretty sick of.

The other point, sir, is not from the point of view of protection of the farmer, but from the standpoint of keeping wrapping twine from coming in under a duty-free provision, that the definition of baler twine should be included.

**Senator BUTLER.** Mr. Miles, a statement, I think, has been made by some others who appeared here before you, that around 90 percent of the baler-twine output of this country is manufactured by two companies, International Harvester and Plymouth Cordage. I do not see them listed.

The chairman has gone out now. I do not see them listed. The witnesses thus far represent smaller firms, and I am very much in favor of developing small business—I can assure you of that—and it may be that these larger companies are not appearing against the bill because even though it is a large outfit it does not represent too much of a percentage of their own business, does not affect them so seriously as it might a smaller firm. But, at the same time, this tariff is an additional cost to the operation of a farm, and I think in the interest of justice that they should interpret the 1930 law as including baler twine with binding twine.

**Senator FREAR.** Any further questions, Senator?

**Senator BUTLER.** I do not see the logic in admitting binding twine free and baler twine not free. The purpose of the original act was to include all material that was used by the farmer in the harvesting of his crop.

**Mr. MILES.** Well, Senator, I, of course, can hardly comment on that phase of it. I think it should be pointed out that binder twine was originally put on the free list about 1894 and it was not until 1930 that the importation of binder twine from foreign countries became a serious threat to the United States industry.

In other words, at the time binder twine was originally put on the list, it apparently did not make much difference whether it was duty-free or not as far as protection of the American industry was concerned.

But today we have experienced, and we know what we are going to experience from foreign competition, and I believe it is essential to maintain the tariff on baler twine for that reason.

**Senator BUTLER.** Well, I have been a very strong proponent of protection for the manufacturers of chinaware, watches, scores of other

things, but we continue following the policy all the time of adding more and more of them to the free list.

The CHAIRMAN. Thank you very much for your appearance, Mr. Miles.

Our next witness is Mr. Bockstedt.

### STATEMENT OF EARL E. BOCKSTEDT, VICE PRESIDENT, COLUMBIAN ROPE CO.

Mr. BOCKSTEDT. Mr. Chairman, I have a prepared statement.

My name is Earl E. Bockstedt. I am vice president of the Columbia Rope Co., of Auburn, N. Y.

At Auburn, N. Y., our factory converts all classes of vegetable and synthetic fibers—such as manila, sisals, henequen, jute humps, and synthetic fibers into ropes, twines, binder twine, baler twine, jute, and hemp twines.

We are very much concerned over the effect H. R. 1005 will have on our industry.

Senator MILLIKIN. What percentage of the domestic production of binder twine does your company make; your company and its subsidiaries?

Mr. BOCKSTEDT. Binder twine? I would say we make about 3 percent.

Senator MILLIKIN. Three percent?

Mr. BOCKSTEDT. That is right.

Senator MILLIKIN. It has already been developed that the Fittler Co. is a subsidiary.

Mr. BOCKSTEDT. That is right.

Senator MILLIKIN. Have you any other subsidiaries?

Mr. BOCKSTEDT. No other manufacturing subsidiaries.

Senator MILLIKIN. When you say 3 percent—

Mr. BOCKSTEDT. That is right.

Senator MILLIKIN (continuing). I am talking about binder twine exclusively, and you are talking about Columbian and the Fittler Co.?

Mr. BOCKSTEDT. That is correct.

Senator MILLIKIN. Thank you very much.

Mr. BOCKSTEDT. It was the experience of the Columbian Rope Co. that when the tariff on commercial tying twines was reduced from 40 percent ad valorem to 20 percent and then to 15 percent ad valorem, that our company lost practically all of our hard-fiber twine business to the hard-fiber twine importers who imported henequen twines from Mexico and Cuba.

We also found that this Mexican hard-fiber twine was sold in the United States at such low prices that we lost considerable jute twine business.

We checked into the reasons why the Mexican commercial twine could be sold in the United States at such low prices and we found that not only was the labor cost in Yucatan much lower than our labor costs, but we found that the cordage manufacturers in Yucatan, Mexico were actually purchasing their raw material, henequen, at prices approximately 3 cents per pound under the prices at which the same henequen was sold to United States manufacturers.

In support of this statement, I quote from a State Department consular report dated December 10, 1950, Merida, Yucatan, reference 40T648 and I quote to show the prices at which United States manufacturers contracted during this period:

The prevailing export price of grade A henequen fiber during the period under report remained at 11 cents United States currency per pound c. l. f. New Orleans.

Page 3 of this same report, under the paragraph headed Yucatan, reads, and I quote:

According to certain local cordage manufacturers, Henequeneros de Yucatan sold 100,000 bales of fiber among the cordage mills in Merida early in July at a basic price of 1.525 pesos per kilogram for grade A fiber.

Senator MILLIKIN. Let me ask you this: How much binder twine do you folks make?

Mr. BOCKSTEDT. Binder twine? As Mr. Metcalf said, we have competitors in the room, and I would prefer to tell you privately.

Senator MILLIKIN. All right, do not tell me.

Let me ask you this: Are you making money on your binder twine?

Mr. BOCKSTEDT. Binder twine is a marginal product in our industry. We use it as a filler to help carry the load, and it is a very closely sold product.

Senator MILLIKIN. You are not losing money, but you are not making money?

Mr. BOCKSTEDT. That is correct.

Senator MILLIKIN. You are not making your customary margins?

Mr. BOCKSTEDT. That is correct.

Senator MILLIKIN. Are you making your customary margins on baler twine?

Mr. BOCKSTEDT. Baler twine, the profit is slight.

1.525 pesos converted into cents per pound is approximately 8 cents landed in United States of America.

I continue with the quotation:

On July 27, 1950, the price of grade A fiber to the mills was raised to 1.72 pesos per kilogram—

which converted to cents per pound is approximately slightly more than 9 cents per pound c. l. f. New Orleans.

Rate of conversion at the time: 8.65 pesos equal \$1; 2.2 pounds equal 1 kilogram.

This we believe shows that the cordage manufacturers in Mexico already have a tremendous advantage over the cordage manufacturers in the United States and with this handicap there should be no necessity for a reduction in the United States import duty on baler twine.

We also want to point out to your committee that when we buy sisal in Cuba that all of our sisal contracts are subject to preemption at the time of export for the use of the Cuban cordage manufacturers, which is a tremendous advantage in assuring an ample supply of fiber for the Cuban cordage manufacturer.

Senator MILLIKIN. Do you understand that Mexico has an export tax on binder twine?

Mr. BOCKSTEDT. I believe they have, I am not positive; I believe there is.

We believe, gentlemen, that you should appreciate that any henequen or sisal that is converted into baler twine in Mexico at subsidized cost



to the Mexican manufacturers cannot be shipped to the United States for conversion into baler twine by United States manufacturers.

It is a case, gentlemen, of the available supply of raw material not only for the cordage manufacturers in the United States but to the foreign countries.

During the early part of World War II it was my privilege to be associated with the Defense Supplies Corporation assisting in the purchase and importation of cordage fibres and I want to point out to you the fallacy of being dependent on foreign manufacturers for baler twine supplies in time of war.

When the factory is located in a foreign country any control over the conversion of raw material is lost.

To demonstrate the fallacy of believing that H. R. 1005 will result in an assured supply of additional baler twine, you have but to consider the experience with binder twine during the Second World War.

In 1939, the United Kingdom, Netherlands and Belgium produced 54 percent of the binder twine imported into the United States.

The supply was lost to the United States farmer through enemy action in 1940.

The Defense Supplies Corporation purchased the exportable surplus of several Western Hemisphere countries to augment the maximum production of the five United States mills and, despite this, the larger farming areas reported serious shortages of binder twine in 1944 and 1945.

Mexico was a large supplier of binder twine, but the supply has been most erratic.

Senator MILLIKIN. Would you say there is a world-wide shortage of binder twine at the present time?

Mr. BOCKSTEADT. That is the real reason. It has not been brought out here that there is a world-wide shortage of fiber.

Prior to 1941 the countries of Java and Sumatra produced a considerable quantity of sisal. The production in these countries has been entirely lost.

The countries of Java and Sumatra produced 104,000 tons of fiber in 1941.

Senator MILLIKIN. What is the foreign market for binder twine? Have they gone as far along in this conversion into binder twine as we have?

Mr. BOCKSTEADT. The foreign markets?

Senator MILLIKIN. I mean baler twine, I am sorry.

Mr. BOCKSTEADT. The baler twine, they have not been as rapid in taking up the use of the baler as the farmers in the United States and Canada.

Senator MILLIKIN. Is there a shortage of baler twine in foreign countries?

Mr. BOCKSTEADT. I cannot say as to that, but I will say that there has not been as large a quantity of balers sold relatively in foreign countries as there has been in the United States and Canada.

Mexico was a large supplier of binder twine, but the supply has been most erratic.

Following is a table of imports of Mexican binder twine:

	Million pounds		Million pounds
1038	10	1043	23.0
1940	8.0	1044	27
1941	16.7	1045	20.4
1942	9.5	1046	8.0

Now, gentlemen, that is the kind of erratic production that the farmers of this country would have to depend on if they were dependent on this foreign baler twine.

Senator MILLIKIN. How do you account for that fluctuation?

Mr. BOCKSTEIN. I do not know. I cannot say, but it is up and down.

I repeat, gentlemen, that the farmers of the United States cannot be dependent upon foreign production for their baler twine and the passage of H. R. 1005 would not encourage increased production by the United States manufacturers.

I also want to make a statement as to the contribution made by the Columbian Rope Co. organization in World War II.

Our rope production was expanded nearly 300 percent and every available piece of machinery was operated by the Columbian Rope Co. to the very limit.

We need this baler-twine production in our peacetime operation so that when called upon we can produce rope for our Armed Forces.

We are opposed to the elimination of the 15-percent duty on baler twine because we do not believe such action will increase the available supply to the United States farmer.

In conclusion, we wish to state in our opinion:

1. That the elimination of the 15-percent duty on baler twine will not result in any material saving to the American farmer.

2. That it will not result in an increased supply of baler twine.

3. In times of national security, a strong cordage industry is necessary as in times of war, and this cordage industry needs baler-twine production in peacetime.

4. The loss of any part of our baler-twine production would mean a loss to the labor we employ in Auburn, N. Y.

Now, we believe that if, in the judgment of your committee, you are going to remove the tariff, that there should be a specification, and I wish to make this proposal.

Strike out of H. R. 1005 all matter after the enacting clause, and in lieu thereof insert the following:

That after paragraph 1622 of section 201 of title II of the Tariff Act of 1930 as amended, insert the following new paragraphs:

"1622 (a). Baler twine manufactured from New Zealand hemp, henequen, manilla, jute, or Tampico fiber, sisal grass, or sunn, or a mixture of any two or more of them, single ply, and measuring not exceeding two hundred forty feet to the pound, containing not less than 8 per centum of oil by weight, treated to resist mildew, and to repel insects and rodents, and chiefly used in an automatic pick-up baler in the baling of hay, straw, and fodder.

"(b). The amendment made by this Act shall be effective with respect to articles entered, or withdrawn from warehouse, for consumption after the date of enactment of this Act and prior to May 1, 1933, but shall not apply to any articles entered or withdrawn from warehouse for consumption, on or after such date."

Senator BUTLER. In other words, you are making a 2-year—

Mr. BOCKSTEIN. It is a suggestion that we suspend the operation of the tariff for 2 years, and that we put definite specifications, so that a farmer will know what he is getting.

When the baler twine is imported at the port of entry, the customs men, who are doing such an excellent job, will have something to measure baler twine by, and there will be no question. This specification is foolproof, and it is operative.

Senator MULLIKIN. Mr. Chairman, might I ask the farm organization gentlemen, passing the question of the emergency period, and coming down to the specifications, what is your objection to those specifications?

Mr. PEER. Well, sir, we have numerous ones. Perhaps I can just explain one point. The gentleman said it was foolproof. If you are going to make a definition foolproof, well, you ought to have in it oil content, that is good. Baler twine should have an oil content, but the most important thing is the tensile strength, and the knot strength, and there is no mention of that.

I do not want to see it in there because I feel that if you did make it foolproof you would have to include the factors such as your tensile strength and your knot strength, and then you set up standards which are in your customs act, and I do not know how you are going to change them except by going back to Congress again and again. I am sorry, I regret it, but I do not see any way of doing it except through the customs courts, which are set up to do that.

Mr. BOCKSTEDT. Can I reply to that?

Senator MULLIKIN. Yes.

Mr. BOCKSTEDT. The very fact that we put a specification of 240 feet per pound will insure the importation of a baler twine which will be strong enough so that when it is used in a baler that it will not break at the knot.

Now, if you exceed 240 feet per pound you, as a farmer, know that you hit thin spots, and when you hit thin spots the twine in the baler breaks, and then the operator has to get off his machine, rethread the knoter. These men are not practical. They do not go out on the farm; they are here representing farmers, and they, unfortunately, have never operated a baler.

Mr. PEER. May I make one more comment, Senator, please?

The CHAIRMAN. We have not got much more time, gentlemen. I am afraid we will have to take a recess until tomorrow.

Mr. BOCKSTEDT. We only have two more witnesses, and it would be very nice, Mr. Chairman, if you could give them just 5 more minutes.

The CHAIRMAN. Yes, sir; we will give you that length of time. Thank you.

Mr. BOCKSTEDT. Thank you very much for your consideration.

The CHAIRMAN. Mr. Rugg, I suppose, is the other witness? Please identify yourself for the record.

#### STATEMENT OF THOMAS H. RUGG, VICE PRESIDENT, E. T. RUGG CO.

Mr. RUGG. Thank you, sir.

My name is Thomas H. Rugg. I am vice president of the E. T. Rugg Co., which is located in Newark, Ohio.

I would like to make a statement about something that was brought up a few minutes ago by Senator Butler, I believe, wondering why two of the largest baler twine manufacturers were not present.

I have been told that Mr. Roos of the Plymouth Cordage Co. was unable to be present, but he has written you a letter, Senator George, dated October 17, expressing his company's views.

The CHAIRMAN. I have got some matters here for the record. I do not recall whether I have a letter from him or not.

Senator MILLIKIN. That is a very large company, is it not, the Plymouth Co.

Mr. RUGG. Yes, sir.

Senator MILLIKIN. Does that make the most of this type of cordage?

Mr. RUGG. They make a lot of it.

The CHAIRMAN. I have a letter from Mr. Roos. Is that the one?

Mr. RUGG. That is right, sir.

Senator BUTLER. International Harvester probably makes the most.

The CHAIRMAN. Is a representative of the Plymouth Cordage Co., as indicated by that letter—

Mr. RUGG. That is right, sir.

The CHAIRMAN (continuing). And he sends a brief which he wishes to go into the record.

Mr. RUGG. Yes, sir.

The CHAIRMAN. It will be put in.

Senator BUTLER. International Harvester makes probably the most of any.

Mr. RUGG. I am not sure, but they probably do.

Senator BUTLER. Is your company an independent company, Mr. Rugg?

Mr. RUGG. Yes, sir.

The CHAIRMAN. All right, Mr. Rugg.

Mr. RUGG. We are one of the smallest manufacturers of the cordage industry employing less than 200 people.

As a result of binder twine remaining on the free list, we were one of the manufacturers who were eventually forced to discontinue the manufacture of the same.

Since that time our production has been divided approximately equally between rope and commercial wrapping twine. However, due to the competition of foreign manufacturers with lower labor costs, as well as lower fiber costs, our industry is currently retaining less than 50 percent of the United States wrapping-twine market, a drop of about 40 percent since the years immediately prior to World War II.

With a loss of business to foreign manufacturers our company's production of wrapping twine has necessarily been curtailed. Also being a small inland manufacturer of rope our logical outlet for the same is not on the seaboard but primarily to the agricultural trade. Because of the recent advent of the automatic pick-up hay baler, a large part of our farmer rope business has been lost.

Therefore, in order to continue operating—

Senator KERR. Why would that cause you to lose your—

Mr. RUGG. Because before the development of the automatic pick-up hay baler, hay was put up into the barn loose, and they used what they called hay ropes, seven-eighths hay rope. Now they are not putting this hay up in the barn loose, they are not using the hay slings, and so forth, that they were; they are using the automatic pick-up hay baler.

Senator MILLIKIN. They did not use the rope for baling, but for lifting?

Mr. RUGG. Yes, sir; for hoisting to the loft.

The CHAIRMAN. Yes, sir.

Mr. RUGG. Although a relatively small manufacturer of baler twine, we have afforded the farmers in our community with the advantages of a local mill.

The United States cordage industry is classified as essential. The raw material, sisal and abaca, which account for the greatest amount of its production is classified as strategic material. These materials, which come from off-shore places, must be available in wartime and are, therefore, stockpiled by the Munitions Board.

Since sisal and abaca are vegetable fibers, the stockpile must be rotated frequently. Our company is cooperating to its fullest extent with this program.

However, our entire industry must be maintained at its present consumptive level to properly rotate these fibers. Also it must be noted that in the last war our industry was called upon to increase rope production from 90 million pounds to 350 million pounds per year.

In order for the cordage industry to again produce 350 million pounds or more, should it be necessary, it must be maintained at its present level of consumption to support the necessary facilities.

At present baler twine accounts for about one-third of the annual fiber consumption of the industry. Our company, although its wartime share of the effort was relatively small, gave up practically 100 percent of its production to the war effort.

In addition, it certainly seems to our company that it is not the intent of Congress to force the small manufacturer out of business. It is difficult for us, however, to see how our production would not be greatly curtailed with the passage of this bill. It seems to fall right in line with what has happened to us as regards binder twine and wrapping twine.

The CHAIRMAN. Yes, sir. Thank you very much for your appearance.

Mr. UTESS? Will you have a seat, please, sir, and identify yourself for the record.

#### STATEMENT OF ROBERT C. UTESS, VICE PRESIDENT, AMERICAN MANUFACTURING CO.

Mr. UTESS. Yes, sir.

My name is Robert C. Uteess. I am a vice president of the American Manufacturing Co., with main office and mills at Brooklyn, N. Y. Our company also operate factory branches and branch offices at St. Louis, Mo.—the St. Louis Cordage Mills, and at Philadelphia, Pa.—the Delaware River Jute Mills.

I indeed appreciate the privilege and opportunity to appear before your esteemed committee.

Our company are manufacturers of rope, twine, yarns, and kindred items, made out of hard fibers, such as manila, sisal, henequen; also, soft fibers, such as hemp, jute and istle.

At both our Brooklyn and St. Louis mills, we manufacture considerable quantities of baler twine, which is a very important part of our operations.

If H. R. 1005 is enacted into law, it will certainly reduce our production of this very essential item to the extent that our over-all cost

on the remaining portion of or production will be substantially increased.

During World War II, our company more than tripled our normal peacetime production of rope to be used by the Armed Forces, not only ropes made out of manila and sisal, but also out of jute—the latter item being used particularly by the farming industry. This condition was brought about by the fact that the needs of our Armed Forces for rope made out of manila and sisal were so great the War Production Board, out of necessity, had to limit the use of ropes made out of these two fibers to defense purposes only.

If it were not for the fact that our company, and also other companies in our industry, further extended productive operations to an almost unbelievable point, the farmer would have suffered even greater shortages.

As regards the affect of imported twines upon our company: Prior to the time sisal twine was introduced to the trade to be used for commercial tying purposes, we were one of the largest manufacturers of jute twines in the world. During the past 20 years, due principally to imports of sisal and henequen twines from foreign countries we have seen this end of our business practically destroyed—

Senator KERR. Practically what?

Mr. UTSS. Practically destroyed; in fact, we might state that our jute twine business over the period mentioned has depreciated about 70 percent.

Senator BUTLER. Is that due partially to the export tariff imposed by countries where jute comes from?

Mr. UTSS. Well, no. There is very little importation of jute twine into this country. The poundage per year is infinitesimal. It started on twines coming in from Holland made out of Java sisal, and then other countries came into the picture, particularly Mexico. I will cover that point in a moment.

The inroads into our jute twine business over the past 10 years has been due almost entirely to henequen tying twines coming in from Mexico.

The same thing is happening to our sisal commercial tying twine business. It is gradually being destroyed year by year due to imports of Mexican-made tying twines.

If baler twine is allowed to enter this country free of duty, we will no doubt again go through the same experience of having this particular end of our business almost, if not entirely, destroyed.

In summation, may I say that the record clearly indicates that in the interest of national defense, our industry is extremely essential but if there is further impairment of our productivity due to any increase in imports of rope or twine, regardless of type, in case of an all-out emergency, we certainly cannot be expected to maintain facilities necessary to meet the requirements of a defense effort when we are shut off from other sources of supply.

Senator BUTLER. At the opening of your statement, Mr. Utess, you said that the passage of H. R. 1005 would add to your cost of operation, I believe.

Mr. UTSS. Yes, it will.

Senator BUTLER. Or words to that effect.

Mr. UTESS. Yes, it will.

Senator BUTLER. Can you explain that a little bit?

Mr. UTESS. Well, it is obvious; the less pounds we make, the overhead per pound will be greater. We have so much operating expense and overhead, and the balance is carrying the greater load per pound.

Senator BUTLER. Well, this raw material is all admitted free now.

Mr. UTESS. I am not talking about the raw material; I am talking about the productivity of our company.

Senator BUTLER. I see.

Mr. UTESS. The product off the machines.

Senator MILLIKIN. Mr. Chairman, I would like to ask if the representative of the Department of Agriculture would submit in writing to us, not now, what the Department of Agriculture would consider to be a fair definition of baler twine.

The CHAIRMAN. Yes, sir. Please note that, gentlemen, whoever is representing the Department of Agriculture.

Mr. EASTON. I am here.

Senator MILLIKIN. We have got to get that fast.

The CHAIRMAN. Please furnish that to us as soon as you possibly can.

I believe there are no other witnesses scheduled this morning.

Mr. UTESS. Senator George, may I respectfully request that our industry be extended the privilege to furnish further material on this matter in written form?

The CHAIRMAN. Yes, sir, but you will have to hurry.

Mr. UTESS. We would have to hurry; I realize that time is of the essence.

The CHAIRMAN. Get it in to us early.

There will be inserted reports from the Department of State, the Department of the Treasury, and the United States Tariff Commission which will be inserted in the record.

(The documents referred to follow:)

DEPARTMENT OF THE TREASURY,  
October 5, 1951.

HON. WALTER F. GEORGE,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of September 10, 1951, requesting a statement of this Department's views on H. R. 1005, to amend the Tariff Act of 1930 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding material.

The proposed legislation would amend paragraph 1622 of section 201 of title II of the Tariff Act of 1930, as amended (19 U. S. C. 1201, par. 1622) to exempt from duty twine chiefly used for baling hay, straw, and other fodder and bedding materials, manufactured from New Zealand hemp, henequen, manilla,istle or Tampico fiber, sisal grass, or sunn, or a mixture of any two or more of those fibers, of single ply and measuring not exceeding 750 feet to the pound.

This Department anticipates no unusual administrative difficulties and would have no objection to the enactment of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to the Committee.

Very truly yours,

JOHN S. GRAHAM,  
Acting Secretary of the Treasury.

DEPARTMENT OF STATE,  
October 15, 1951.

HON. WALTER F. GEORGE,  
Chairman, Committee on Finance,  
United States Senate.

MY DEAR SENATOR GEORGE: I refer again to your letter of September 10, 1951, requesting the views of the Department of State on H. R. 1005, to amend the Tariff Act of 1930 to provide for the free importation of twine used for baling hay, straw, and other fodder and bedding materials.

The duty on baler twine was reduced from 20 percent to the present rate of 15 percent in trade-agreement negotiations at Geneva, effective January 1, 1948. No change was made in that duty in the tariff negotiations recently completed at Torquay. Under the authority provided by the Trade Agreements Act the maximum possible reduction that could be made on this item in any future trade agreement negotiations would be from 15 to 10 percent. New legislation would be required to reduce the rate below that level or to place baler twine on the free list. H. R. 1005 serves that purpose, as did its companion bill in the Senate, S. 449.

In response to a previous inquiry from the Senate Finance Committee, this Department stated that it perceived no objection to the provisions of S. 449. The Department likewise has no objection to the enactment of H. R. 1005.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

JACK K. McFALL,  
Assistant Secretary.  
(For the Secretary of State).

UNITED STATES TARIFF COMMISSION,  
Washington, D. O., February 9, 1951.

MEMORANDUM FOR THE SENATE FINANCE COMMITTEE ON S. 449, EIGHTY-SECOND CONGRESS

S. 449 proposes to accord free entry to baler twine, now dutiable at 15 percent ad valorem under paragraph 1005 (b) of the Tariff Act of 1930 as modified. The Tariff Act of 1930 originally provided a rate of 40 percent ad valorem for paragraph 1005 (b); the rate was reduced to 20 percent ad valorem in the trade agreement with the Netherlands effective February 1, 1936, and further reduced to 15 percent ad valorem in the Geneva agreement effective January 1, 1948.

The bill proposes to amend paragraph 1622 by specifically referring therein to "twine chiefly used for baling hay, straw, and other fodder and bedding materials." Under the existing wording of the law, paragraph 1622 provides for free entry only of binding (blinder) twine. S. 449 would permanently transfer to this free-list provision baler twine now provided for under paragraph 1005 (b).

Binding twine is chiefly used on harvester machines for binding grain. Baler twine is used principally by the automatic pickup hay baler to tie, or bind, the compressed bales.

Binding twine has been on the free list for a great many years, probably for the same reason that some other commodities in agricultural use including agricultural implements have been on the free list, that is, for the benefit of the agricultural interests of the United States. Not all commodities in agricultural use, however, are on the free list; for example, bagging for baling cotton, which is wholly used in agricultural pursuits, is dutiable. The Court of Customs and Patent Appeals has specifically held that the baling of hay is an agricultural pursuit, and, therefore, that wire baling ties are free of duty under paragraph 1604 of the tariff act as agricultural implements. *Wildur-Bills Company v. United States* (1939) 26 O. C. P. A. 409. The use of baler twine for baling hay, straw, or other animal fodder and bedding is as much an agricultural use as the use of binding twine for binding sheaves of grain. It may be noted that wire baling ties are still largely used in baling hay for rail shipment, whereas baler twine is used in baling hay for storage on the farm and for truck transportation. Before the development of the automatic pickup hay baler, all but a small part of the United States hay crop retained on the farm was stacked in the field or stored loose in the barn.



Baler twine is a relatively new product. Some of the mills producing it in the United States also make binding (blinder) twine and/or rope and other hard-fiber cordage products. The United States production of baler twine is made usually of sisal or of a combination of sisal and abaca (manilla). Occasionally some henequen is used in the mixtures. On an average, over 95 percent of the fiber content of the twine consists of sisal and abaca. In this respect it differs from binding twine which is now usually made entirely of henequen.

United States production of baler twine began in 1939 and has grown rapidly to keep pace with the rise in use of the automatic pickup hay baler. According to testimony of a representative of the United States cordage industry at the hearings of the Committee for Reciprocity Information, June 1, 1950, the sales of hard-fiber cordage and twine products in 1949 totaled 250 million pounds, approximately 36 percent of which was rope (mostly rope made of abaca (manilla) fiber); 33 percent binding (blinder) twine; 19 percent baler twine (47,500,000 pounds); and 12 percent wrapping and other twines. These statistics do not include production in penal institutions or in the mill operated by the United States Navy. The 1949 estimated production of 250 million pounds was almost 20 percent less than the annual average production in the four war years ended with 1945 which, in turn, was considerably less than the productive capacity of the industry.

Statistics on United States imports of baler twine are not available, but it is known that in August 1950 they exceeded one-half million pounds, mostly from Canada and Mexico, with a foreign value of about 29 cents a pound. These imports were dutiable at 15 percent ad valorem, equivalent to about 3 cents a pound. The removal of the duty might result in a substantial increase in the proportion of domestic consumption of baler twine which is supplied by imports.

Sisal and abaca, which as stated comprise over 95 percent of the fiber used in United States production of baler twine, are strategic materials which are stockpiled by the Munitions Board of the Department of Defense. Both fibers are subject to deterioration in storage and, therefore, the stockpile must be rotated. This rotation requires that large amounts of these fibers must be consumed in the manufacture of products normally made from them in peacetime. Baler twine provides the largest use for sisal and wrapping twine the second largest. Baler twine is also an important use for abaca; rope, however, the principal use for abaca, is requiring increasingly larger proportions of the short supply of this fiber, consequently less is available for other uses. To the extent that larger imports of baler twine reduced the domestic market for sisal, this would tend to increase the difficulty of rotating the stockpile. How far it would do so would depend upon several factors, including (1) the size of the stockpile; (2) the frequency with which it is rotated; (3) the total remaining consumption of sisal, in all uses, after such increase in imports of baler twine as might occur. The committee may wish to obtain the views of the Department of Defense on this matter.

Importers have contended that baler twine should be admitted duty free under paragraph 1622, and we understand that the matter is now being litigated in the United States Customs Court but that the litigation has not yet reached a conclusion.

The CHAIRMAN. Senator Thye, who wished to be here, but was not able to be here, has submitted a letter in favor of this legislation and that letter will be introduced into the record.

(The letter referred to follows:)

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
Washington, D. C., September 27, 1951.

HON. WALTER F. GEORGE,  
Chairman, Committee on Finance,  
The United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: I am writing you at this time to express the hope that the Committee on Finance will favorably report H. R. 1005 to place imports of agricultural baler twine on the same basis as binder twine, which by act of Congress is exempt from import duty.

It seems to me that action by Congress, which would have the effect of eliminating the 15 percent ad valorem duty on baler twine in effect as a result of the

ruling of the Commissioner of Customs, is desirable at this time, for the following reasons:

(1) There is no essential difference between binder twine and baler twine, except as to the size and strength and variation in use on the farm.

(2) Baling wire, used for the same purpose as baler twine, enters the United States duty free as an agricultural necessity.

(3) There is a shortage of baler twine in this country at the present time.

(4) Increased use of baler twine on the farm has been apparent for several years, and the proposed elimination of the import duty will save our American farmers many thousands of dollars in the cost of baling hay, straw, and fodder crops.

You are fully aware, I know, of the legislative history of the proposed removal of the discriminatory duty on baler twine in the present session of Congress. Senator Butler of Nebraska and I introduced a companion bill to H. R. 1005 in the Senate; namely, S. 440. We subsequently presented the text as an amendment to H. R. 3330, and it was adopted by the Senate on April 25, but was eliminated by the conference committee whose report the Senate adopted on May 8, because hearings on H. R. 1005 already had been scheduled before the Committee on Ways and Means of the House. H. R. 1005 was subsequently adopted by the House on September 14. All the leading farm organizations have publicly supported the legislation.

I respectfully urge that favorable action be taken as soon as possible on H. R. 1005 in order that its benefits to agriculture, and its ultimate benefits to the consuming public, may be partially realized during the present crop season.

Sincerely yours,

EDWARD J. THYE,  
*United States Senator.*

The CHAIRMAN, Mr. Edwin G. Roos, vice president of the Plymouth Cordage Co., has supplied a brief, and the brief will be entered into the record.

(The document referred to follows:)

PLYMOUTH CORDAGE CO.,  
*Plymouth, Mass., October 16, 1951.*

Hon. WALTER F. GEORGE,  
*Chairman, Finance Committee, United States Senate,*  
*Washington 25, D. C.*

DEAR SENATOR GEORGE: I am attaching hereto a statement over my name which I would like to have made part of the record in your committee's consideration of bill S. 440.

Respectfully yours,

EDWIN G. ROOS, *Vice President.*

OCTOBER 17, 1951.

Hon. WALTER F. GEORGE,  
*Chairman, Committee on Finance,*  
*United States Senate, Washington 25, D. C.*

DEAR SIR: This brief is submitted in opposition to S. 440, proposing to place baler twine on the free list.

#### THE UNITED STATES HARD FIBER CORDAGE INDUSTRY AND NATIONAL SECURITY

The hard fiber cordage and twine industry, founded in 1641, is one of the oldest industries in the United States. It is currently comprised of 23 privately owned mills located in California, Illinois, Louisiana, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Washington, and Wisconsin. In addition, the United States Government owns and operates a mill at the Boston Navy Yard and there are mills at six prisons located in Michigan, Minnesota, Missouri, North Dakota, South Dakota, and Wisconsin.

The hard fiber cordage and twine industry, although relatively small in size, is of paramount importance to the economy of the United States. It ranks among the top strategic and essential industries necessary for the successful prosecution of war. It was so classified by the Government in World War II.

Prior to World War II, this industry was producing at a rate of approximately 300,000,000 pounds annually of rope and twine, utilizing approximately equal thirds of manilla (abacá), sisal and henequen fiber. Prior to Korea and due, in large measure, to heavy imports, the industry was producing at a rate lower than pre-Wr II—a rate of approximately 250,000,000 pounds annually, again utilizing approximately equal thirds of manilla (abacá), sisal, and henequen fiber. Since Korea, the rate of production has stepped up to approximately 300,000,000 pounds annually. Pre-Korea, the annual rate of rope production is approximately 110,000,000 pounds. The increase over the pre-Korea rate is due, almost entirely, to the step-up in defense needs.

During the World War II years, the industry made rope primarily for the Armed Forces and for Government-designated essential industries. With facilities to serve a normal rope market of approximately 100,000,000 pounds, the industry, by working extra hours, increased its output of rope, in 1944, to approximately 350,000,000 pounds. Despite this large step-up in production by the United States mills, the Government rope requirements were not completely met by domestic production. The armed services, in that year, found it necessary to purchase approximately 40,000,000 pounds of rope, made in Mexico and Cuba, of locally grown henequen fiber, a fiber only 60 percent the strength of manilla and not one normally used in rope.

In other words, the industry, serving an annual United States prewar market of approximately 100,000,000 pounds of rope, was called upon, during World War II, to quadruple (approximately) prewar production. History reveals similar defense demands made upon the United States Cordage Industry in times of past national emergency. Based on this experience we must expect an increase of proportions comparable to, or even greater than, that of the last war, should the present Korean difficulty expand. As intimated, evidences of increasing demands are already apparent. To satisfy such Government and war requirements, a healthy and sound cordage industry must be maintained.

Tariff rate reductions resulting from trade agreements now in force, have already markedly impaired the cordage industry. S. 410, if enacted into law, will further impair the industry's ability to be constantly and immediately ready to meet the requirements of a national emergency.

Of the three general classes of fiber used by the United States cordage industry, Manilla (abacá) is the best, natural rope-making fiber we know. Sisal is second. These two fibers—Manilla and sisal—have been designated by the Munitions Board among group A stockpiling materials.

The essentiality of these fibers, particularly Manilla (abacá), has been unequivocally and unanimously supported by the Congress and the President. The House of Representatives on June 25, 1950, the Senate on August 1, 1950, and the President on August 10, 1950, approved S. 3520 (now Public Law 683, 81st Cong.), a bill to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá—a hard fiber used in the making of marine and other cordage—a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States.

The Munitions Board is presently accumulating and stockpiling large quantities of these two fibers. The stockpiling activity, however, is only part of the job. Manilla and sisal are vegetable fibers. These fibers must be rotated periodically in order to prevent deterioration and provide general acceptance of exit stocks on the same basis as fresh fiber. The United States cordage industry is an indispensable instrument of fiber rotation since the program is dependent upon its ability to use and rotate fiber, which activity in turn depends upon the market for the industry's finished product. It is obvious that the fact that these fibers must be rotated, is a limiting factor on the size of the stockpile that can be acquired.

To us in the industry, the situation is axiomatic. If the United States cordage manufacturer is expected to fulfill his essential role in the scheme of national defense, this country must have a healthy cordage industry in war, which means that it is absolutely necessary to keep the industry healthy during the time we are not at war.

UNITED STATES HARD FIBER CORDAGE INDUSTRY VERSUS FOREIGN CORDAGE PRODUCERS--  
COSTS OF (1) FIBER; (2) MACHINERY; (3) LABOR

The United States hard fiber cordage industry produces three general classes of products made from three general classes of fiber as shown in the following:

General classes of products	Primary fiber	Secondary fiber
(1) Rope .....	Manilla.....	Sisal.
(2) Tying twine: (a) Commercial.....	Sisal.....	Henequen. Sisal.
(b) Baker.....		
(3) Binder twine.....	Henequen.....	

These fibers are grown in the following countries:

Fiber:	Country in which grown
Manilla.....	Philippines, Central America, Sumatra, Borneo.
Sisal.....	Africa, Brazil, Haiti, Dutch East Indies.
Henequen.....	Mexico, Cuba.

#### Fiber cost

None of these fibers is grown in the continental United States; all are grown in foreign countries. All are sold and bought in a world market where prices, terms, and conditions of sale are equal to all purchasers and where all foreign cordage producers can procure fiber on exactly the same terms available to United States cordage manufacturers. As a matter of fact, one fiber-producing country sells local cordage producers locally grown fiber at prices lower than prices available to United States cordage manufacturers. And, except for a relatively small amount of cordage oil, and in some products a small amount of treatment, those offshore grown fibers represent 100 percent of the raw materials going into our finished product.

#### Machinery cost

The basic machinery (preparation and spinning) employed in the production of all hard fiber cordage products, is made in the British Isles. It is equally available to every country in the world.

With practically the entire raw material of our finished products sold in a world market where opportunity of purchase is equal—with the basic machinery available to the world on equal terms—the one remaining important cost factor between the United States mills and foreign mills is labor. In this cost element there is a real difference.

#### Labor cost

We do not propose to compare labor rates in countries of current and potential baler twine exports to the United States market with those paid by the United States cordage industry. Suffice it to say that labor rates in those foreign countries are materially less than those paid by the cordage industry in the United States. An analysis of all factors of cost and productivity would show the United States cordage manufacturers at a decided finished product cost disadvantage as compared with foreign cordage producers.

#### HISTORY OF TARIFF RATES AND RESULTS OF DOWNWARD CHANGES

Following is a record of the tariff rates in effect prior to, or as they were established by the Tariff Act of 1930 and as they are today. In the interest of brevity I am showing these rates in condensed form.

## Tariff rates established by Tariff Act of 1930 compared with rates in effect today

	Rates established by Tariff Act of 1930	Present rates
<b>FAR. 1005</b>		
Ropes:		
Manila rope:		
Smaller than 3/4-inch in diameter.....	2 cents per pound plus 15-percent ad valorem.	2 cents per pound plus 10-percent ad valorem.
3/4-inch diameter and larger.....	2 cents per pound.	2 cents per pound.
Sisal rope:		
Smaller than 3/4-inch in diameter.....	2 cents per pound plus 15-percent ad valorem.	1 cent per pound plus 7 1/2-percent ad valorem.
3/4-inch diameter and larger.....	2 cents per pound.	1 cent per pound.
Hemp rope:		
Smaller than 3/4-inch in diameter.....	2 cents per pound plus 15-percent ad valorem.	1 cent per pound plus 7 1/2-percent ad valorem.
3/4-inch diameter and larger.....	2 cents per pound.	1 cent per pound.
Tying twine (including baler twine).....	40-percent ad valorem.	15-percent ad valorem.
<b>FAR. 1622</b>		
Binder twine.....	Free.	Free.

<sup>1</sup> Established approximately 1894.

*Effects of tariff rate on binder twine*

In analyzing the effects of tariff rates and consequent amount of imports of each of our industry's general classes of products other than baler twine, we shall start our analysis with binder twine since this product has been on the free list since 1894.

Despite the introduction of the harvesting combine, large quantities of small-grain crops are still harvested with the binder. In 1929 there were 17 mills in the United States producing binder twine and their production in that year amounted to 178,005,000 pounds. Ten years later, in 1939, there were only five United States cordage mills producing binder twine and these five could find a market for only 88,000,000 pounds, sustaining, approximately, a 50,000,000 pounds, or 50-percent tonnage loss in a 10-year period to the detriment of American labor. In the same decade, the amount of imported binder twine sold in the United States increased from 18,946,000 to 49,779,000 pounds—a gain of approximately 31,000,000 pounds, or 163 percent in that same 10-year period.

However—and we would like to emphasize this development because it seems related to signs of the times—the largest volume imported was in 1939, aggregating 75,125,000 pounds, of which 43 percent was produced in the United Kingdom, the Netherlands, and Belgium. In 1939, those three countries shipped to the United States 54 percent of the total quantity imported into this country.

Access to these European sources of binder-twine supply was lost to the United States farmer through enemy action in 1940. The United States Government found it necessary to purchase the entire exportable surplus of several Western Hemisphere countries to augment the maximum output of the 5 United States mills still producing binder twine. Despite this action on the part of the United States Government, however, the larger farming areas reported serious shortages of twine in 1944-45.

Those productive facilities of European mills, built by the absence of an adequate tariff which permitted the capture of a substantial share of the United States binder twine market, were unavailable to the United States farmer at a time of national emergency when the United States desperately needed that productive capacity. At the very same time and solely because of the same influence which built those foreign productive facilities, our Nation awoke to find that a large share of the United States productive capacity had been forced to fall by the wayside and was not available.

Somewhat aside from the main theme here, but pertinent nevertheless—management just cannot maintain productive capacity for which there is no market. This fact was certainly brought home during World War II both in the case of binder twine and, in the case of rope, where, despite the fact that the United States cordage industry, during World War II, approximately quadrupled its peacetime rate of rope production, the Government rope requirements were not completely met and the services found it necessary to purchase rope of an inferior quality in Mexico and Cuba.

#### *Effects of tariff rate reductions on commercial tying twine*

Examining the effects of downward adjusted tariff rates with another general class of products manufactured by the United States cordage industry, we find in commercial tying twine—

From 1930-39 the tariff rate was 40 percent ad valorem. During that period the United States industry retained approximately 97 percent of the United States market.

Effective in 1930 the tariff rate was reduced from 40 to 20 percent ad valorem. Immediately the share of the United States market taken by foreign twine began to increase, reaching 51 percent in 1944, practically 100 percent during the latter war years when the United States industry was, by Government directive, prohibited from producing such product, and today with the duty 15 percent ad valorem (the tariff rate was further reduced in 1948), foreign twine is taking more than half of the United States market.

#### *Effects of tariff-rate reductions on rope*

Examining the effects of downward adjusted tariff rates with another general class of products manufactured by the United States cordage industry, we find in rope, despite some characteristics peculiar to that product, developments similar to those which occurred in binder twine and commercial tying twine.

The United States rope market is, primarily, a manila one. Manila fiber as already mentioned is, by all odds, the best natural rope-making fiber we know of. Manila fiber is a dollar product and is purchased relatively sparingly by sterling countries.

As already pointed out, a large part of the world's sisal fiber is grown in Africa and a great part of it is controlled by the British. British African sisal fiber is a sterling product.

The rope markets locally served by British cordage manufacturers are largely sisal markets. The same condition is approximately true throughout continental Europe.

The only foreign area which produces manila rope in approximately the same proportions to its total rope production comparable to the United States is the Philippine Islands. Under our trade agreement with the Philippines, they are granted 6,000,000 pounds annually, duty free (absolute quota) manila rope for shipment to the United States.

A review of the history of the Philippine-made manila rope shipped to the United States between the years 1920-41 inclusive, shows an average annual import of 7,120,000 pounds—conclusive evidence of the fact that lowering, or removing, a duty on cordage products has the effect of transferring production from the machines of the United States producers to the machines of foreign producers—and, it is well to repeat—the only important element of cost in which there is a difference between the United States cordage manufacturer and the foreign producer, is labor.

To complete the Philippine record in this regard—during the war years 1942-45, inclusive, the Philippines were not in a position to export to the United States. Shipment to the United States of Philippine-made manila rope was resumed in 1946. We estimate that the current rate of importations approximates the absolute quota.

#### ADVANTAGES AND DISADVANTAGES OF PROPOSED BILL S. 449

##### *To the United States farmer*

*Supply.*—We have already reviewed that situation and have seen the United States farmer "let down" by foreign producers at times when the United States farmer had every right to call on his "fair weather" foreign source of supply. We have seen United States productive capacity fall by the wayside because of the taking of a large part of the United States market by the foreign producer in peacetime. We have seen it necessary for our Government to purchase exportable surpluses of several Western Hemisphere countries to augment the maximum output of United States mills in times of national emergency.

The United States farmer must have binder and baler twine. In our opinion the average United States farmer, being primarily concerned with other matters, cannot be expected to appreciate the international complications involved in his supply of binder and baler twine, but your committee can—and we believe you will—perform a far greater service to the United States farmer by assuring him of a reliable domestic source of supply of these products than by allowing him to go astray, possibly believing (we think erroneously as we shall later testify) that he is getting a better buy at a lower price, on foreign twine. In our opinion, the Congress can render a greater service to the United States farmer by withholding approval of legislation and resisting any action which in normal times transfers the production of cordage products to the mills of foreign manufacturers.

It is logical to assume that the same development will take place with baler twine as with regard to the supply situation of binder twine, should bill S. 449 be approved.

*Price.*—It is interesting to note how foreign competition generally prices binder twine coming into the United States market. Prior to the time the United States manufacturers promulgate their binder-twine prices for the season, as they normally do, the foreign producers solicit business with the guaranty that their price on foreign twine will be lower than the price quoted by United States manufacturers on domestic-made twine. The foreign makers very seldom directly determine the selling price of their own twine; they guarantee to cut under the price quoted by the United States spinners.

As we have watched this condition develop, we have long realized what we think is a mistaken belief on the part of some American farmers. It is urged that because binder twine is on the free list, the farmer enjoys a lower cost.

We believe that the pricing methods employed by the foreign binder-twine producer, plus the large volume of imported twine, results in a higher cost to the United States farmer.

We believe that if the production of binder twine represented by the volume of such imported twine remained with the United States mills, the unit cost to the United States manufacturer would thereby be decreased sufficiently to enable him to reflect a lower selling price to the United States farmer than is the case where the foreign producer simply cuts the price of the United States producer who must name his selling price on a higher level because of increased unit cost resulting from lower volume.

In our opinion, the enactment of bill S. 449 will produce the same development in the pricing of baler twine as has taken place in the pricing of binder twine.

*Quality.*—We invite field investigation among disinterested users of most foreign-made baler twine, comparing its quality with the quality of baler twine produced by the United States cordage manufacturers. We are confident such investigation will reveal a much higher quality in the domestic product with a consequent much better performance to the farmer.

*Saving to the average United States dairy farmer.*—The baling machine which uses baler twine made its appearance in 1830. The product "baler twine" is, consequently, one of relatively short history. United States import statistics show no imports of baler twine, per se. These imports are recorded in the Government statistics with tying twine. We believe an estimate of 5,000,000 to 6,000,000 pounds per year is the approximate rate at which baler twine is being currently imported into the United States.

In order to measure what is the claimed objective of bill S. 449—the claim of a saving to the United States farmer in the cost of his baler twine—and in order to present a basis for consideration, we submit the following assumptions, all of which we make in a degree which favors the affirmative side of the claim. We shall assume—

- (1) That baler twine, since its inception, has been on the free list;
- (2) That its volume import history had paralleled the volume import history of binder twine;
- (3) That its declared value, upon entry, equaled the average of the minimum selling prices of the United States producers;
- (4) That a saving computed at the tariff rates in effect for each of the years 1930 to 1950, inclusive, on the amount of baler twine assumed imported in those years, had been reflected in the United States farmer's cost of baler twine;
- (5) That the average dairy farmer in the United States uses approximately 60 tons of hay and straw per year, either loose, baled with wire, baled with twine, or in a combination of one or all of those three types of put-up;
- (6) That all of the hay and straw consumed by the average United States dairy farmer had been baled with baler twine.

Based on those assumptions, the analysis results as follows:

You will notice we are calculating the saving to the average United States dairy farmer. We proceeded in this way because the average United States dairy farmer uses more hay and straw than does the average farmer and we are trying to interpret all these assumptions on the liberal side.

We determined that the average United States dairy farmer consumes approximately 60 tons of hay and straw per year, and with those assumptions we calculated that the average United States dairy farmer's annual saving in the cost of his baler twine would have amounted to approximately \$1.00 per year during the period 1939 to 1950, inclusive, had all the hay and straw that he used been baled with baler twine.

However, actually, our investigation indicates that the greatest amount of the total United States hay and straw crops baled with baler twine in any one year (1950) approximated 20 percent. Applying that percentage over the years--and that is estimating on the liberal side--the annual saving to the average United States dairy farmer would have amounted to 41 cents--a saving so infinitesimal that it cannot be measured on any cost basis and certainly a questionable saving when considered in the light of all aspects of the situation.

#### *To labor (United States and foreign)*

We do not believe it necessary that we go into detail on the question of the difference in labor rates between the United States and potential baler twine exporting countries. We deem it sufficient to say that labor rates in these countries are materially less than the rates paid by the cordage industry in the United States, to say nothing of pension plans, insurance and hospitalization privileges granted United States labor.

Nor do we propose to dwell on the people whose livelihood comes from this industry, both in production and distribution, who are thrown out of work as we lose our market to foreign-made goods. That just follows.

By the same process, foreign labor gains.

#### *To national security*

As already pointed out, in examining bill S. 449, the Congress will, in our opinion, be dealing with the important problem of national security.

#### *To any and all other possible interested parties*

It is proper, we believe, to ask this question, Who will benefit, other than foreign labor and foreign capital, by the purposes of bill S. 449?

To our minds, it would be only one American interest--a few twine importers who, as far as we know, are not consumers of baler twine and whose interest, it appears to us, is solely personal financial gain.

#### CONCLUSION

In summary and conclusion, we submit that your committee in examining the purposes of bill S. 449, consider--

(1) That the purposes of this bill are contrary to the activities of the Munitions Board in its pursuance of the matter of national security;

(2) That an assured source of supply to the United States farmer is of greater value than infinitesimal and questionable financial savings;

(3) That United States cordage labor suffers and correspondingly foreign labor gains;

(4) One interest in the United States benefits--a few twine importers--while the United States economy does not gain but loses.

We respectfully urge that you disapprove of bill S. 449.

Respectfully submitted.

PLYMOUTH CORDAGE CO.,  
By EDWIN G. ROOS, Vice President.

The CHAIRMAN. Then there is a letter from Stenson Twine Co., Mr. A. R. Stenson, I believe, who talked with me personally about this matter, and has written a letter under date of October 15, 1951, which is favorable to this bill, and which is submitted for the record and will be included in the record.



(The letter referred to follows:)

STENSON TWINE CO.,  
Minneapolis, Minn., October 15, 1951.

Hon. WALTER F. GEORGE,  
Senate Office Building, Washington 25, D. C.

DEAR SENATOR GEORGE: I am informed that the Senate Finance Committee will hold hearings this coming Wednesday, the 17th, on H. R. 1005, a bill to permit duty-free entry of baler twine and I do hope that you will vigorously support that bill, which recently passed the House by such a large majority. You doubtless recall that your committee on last April 25 approved an amendment to remove this duty.

I have been selling binder twine throughout these Northwest States for almost 30 years and during the past few years have also sold baler twine. Last year there was a shortage of baler twine and this year the shortage was far more serious and I think that we should try to encourage the supply of baler twine rather than to retain such an unfair duty of 15 percent on it.

I have always felt that baler twine should have been classed free of duty, the same as binding twine, both being used by the farmers for the purpose of binding agricultural crops.

Plans for supplies of baler twine must be made many months in advance of the actual haying season so prompt passage of H. R. 1005 is very important to be of benefit during the 1952 season.

Thanking you, I remain,  
Yours truly,

STENSON TWINE CO.  
By A. R. STENSON.

(I talked with you about this matter in May 1948.)

The CHAIRMAN, Senator Edward Martin, of Pennsylvania, a member of the committee, who is not here today, has submitted a letter and certain documents from manufacturers in his State with reference to this bill. The letter from Senator Martin and the documents attached will be entered in the record.

(The documents referred to follow:)

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
October 12, 1951.

Hon. WALTER F. GEORGE,  
Committee on Finance, United States Senate,  
Washington, D. C.

(Attention: Mrs. Springer.)

DEAR SENATOR GEORGE: We have a number of cordage companies in Pennsylvania who are very much interested in H. R. 1005, a bill to amend the Tariff Act of 1930 to permit free entry of baler twine.

They are opposed to this bill in its present form because the language is so broad that any type of twine or rope might be construed to be classified as baler twine.

They have furnished me with some material which I am enclosing herewith. In this material is a suggested amendment. The last two pages are suggested letters to the Department of Agriculture and to the Tariff Commission. They believe that these two agencies should make a report on the questions submitted in those letters.

I understand that a hearing is to be held on this bill next Wednesday. I will not return from the American Legion convention until Thursday. I would, therefore, appreciate it if the Department of Agriculture and the Tariff Commission would furnish the information requested in the suggested letters.

With thanks and kind regards, I am

Very sincerely,

EDWARD MARTIN.

## MEMORANDUM RE H. R. 1005, A BILL TO AMEND THE TARIFF ACT OF 1930 TO PERMIT THE FREE ENTRY OF BALER TWINE

The proponents of this bill maintain that baler twine should be admitted free of duty because it is the traditional policy of Congress to permit the free entry of materials largely used by the farmer. Further, they state that this bill will result in additional supplies of baler twine at cheaper prices.

Binder twine has been on the free list for many years. Proponents of the bill state that there is no difference between binder twine and baler twine. There is a difference. Binder twine is made chiefly from henequen, produced largely in Mexico. Since it is used mainly for the purpose of temporarily binding sheaves of grain in the field it does not have to be very strong, whereas baler twine is used in the newly developed automatic pickup baler for the baling of hay and straw, chiefly. It must be strong to hold the materials under compression, and to withstand the wear and tear of transportation and long-term storage. It is made chiefly from sisal fiber, which is produced in various parts of the world.

There are 17 hard-fiber cordage and twine manufacturers in the United States today. Of these 14 employ less than 500 people, and of the 14, 12 employ less than 300 people each. In other words, the majority of the industry can be classified as small business, and as such are not able to protect themselves against the competition of foreign manufacturers with substantially lower labor costs. As an example, in the case of binder twine, in the decade commencing with 1920, production of United States manufacturers decreased 50 percent and imports increased 165 percent. During the same period the number of United States manufacturers of binder twine dropped from 17 to 5.

The United States cordage industry is classified as essential. The two raw materials which account for the greatest part of its production, sisal and abaca, are strategic materials, and are stockpiled by the Munitions Board. In time of war, the United States cordage industry is the only safe and efficient instrument for utilization of this stockpile. In the last war it was called upon to increase its rope production from 90 million pounds per annum to 350 million pounds per annum. To meet any future requirements of this sort, it is necessary that the industry be maintained at its present level. Sisal and abaca are vegetable fibers, and as a result the stockpile must be rotated frequently. The United States industry must be maintained at its present level of consumption in order to provide safe and economic means of stockpile rotation. The production of baler twine presently accounts for approximately one-third of the annual fiber consumption of the industry.

On June 6, 1951, C. W. Middleton, Vice Chairman for Production and Requirements, Munitions Board, advised Hon. Daniel A. Reed, House of Representatives, that the Munitions Board is opposed to the elimination of the remaining small duty on baler twine. This letter set forth reasons for this opposition. Chairman John D. Small, of the Munitions Board, advised Mr. Dingell on August 23 that the Department of Defense has no objection to the enactment of H. R. 1005. No reasons were given.

Sisal, as in the case of other hard fibers, is produced entirely outside the jurisdiction of the United States. Sisal has been in short supply, and, as in the case of other raw materials produced abroad, and needed by this country, has increased tremendously in price since Korea. In June of last year, sisal was selling at around 15 cents per pound, and in March of this year it sold for around 30 cents a pound. The United States industry must compete in world markets for this material, and because of marketing practices of the producers it must commit itself for the purchase of material many months ahead of actual delivery. Present prices are believed to be considerably above cost of production. Since commitments must be made many months ahead of the harvest season when baler twine is sold, any additional complications such as the free entry of baler twine will eventually result in chaos in the industry, with eventual shortages seriously affecting the farmer. H. R. 1005 as passed by the House does not provide for a separation of baler twine and binder twine on the import statistics, with the result that the American manufacturer would have no means of ascertaining competition from imports. He naturally would be compelled to take a conservative view as to the market for his product.

The American hard fiber, cordage and twine industry has ample facilities to produce the foreseeable baler twine requirements. Free entry of baler twine would not result in additional supplies, but would, merely result in more imports and less domestic manufacture. As the volume of domestic manufacture decreases, unit costs increase. Since foreign manufacturers usually merchandise their product by cutting the American price, only the minimum necessary to

effect a sale, the result would be that the American farmer would soon be paying more than necessary for baler twine. As soon as the American industry ceases to be a competitive factor in this market the farmer would be at the mercy of foreign sources. An example of this is the case of burlap. Domestic manufacturers were never given sufficient protection to compete with India, which now has a virtual world monopoly on the manufacture of burlap. This material has been in very short supply for some time. This Government recently reduced the import tax to approximately one-half cent per pound. The Indian Government has increased the export tax on burlap until now it is approximately 14 cents per pound. The American consumer of burlap, in other words, is paying the Indian Government tribute of approximately 14 cents per pound, because we have no manufacture in this country.

In the case of binder twine, in 1839 Great Britain, Belgium, and Holland accounted for 54 percent of the United States imports. This source was lost to us during the war and serious shortages of binder twine were reported by the United States farmers during the war years. While binder twine is in the free list, Mexico charges more export tax on binder twine than on baler twine, which is subject to United States duty. It is safe to assume that if we take the duty off baler twine, Mexico's export tax on baler twine will increase and the Mexican producers will pocket substantially the remainder of the difference. No saving of account will accrue to the American farmer, but there will be a substantial loss to the American economy and eventual loss to the farmer.

H. R. 1005, if enacted, to all intents and purposes would be irrevocable. The United States industry can be smashed or reduced to impotence, and will have no recourse except to Congress. The United States cordage industry is denied the protection afforded to other United States industries by the reciprocal trade bill, and the United States economy obtains no trade benefit in exchange for extending the privilege of free entry. Passage of H. R. 1005 has been urged because of reported shortages of baler twine. These shortages cannot, in any way, be attributed to a failure of the United States industry to carry out its responsibilities. During the 1950 harvest season, the industry sold approximately 67 million pounds. It sold approximately 107 million pounds during the 1951 season, an increase of approximately 40 million pounds in 1 year.

The bill will not accomplish its objectives. It should be perfectly obvious that no more baler twine is going to be made, in any event, than can be made from the available fiber, nor will substantially more twine be manufactured than is deemed necessary to supply the farmer's requirements. Therefore, if Congress should take the step of enacting H. R. 1005, it could be only because of traditional policy, which had its inception more than 50 years ago in a different world. This policy should be reexamined in the light of experience and developments over the past half century, and particularly in the light of our needs dictated by the international situation. To prejudice the defense program, the industry, the farmer, and the United States economy without a thorough review would be unthinkable. It is suggested, therefore, that Congress do not take this irrevocable step at this time, but rather suspend the duty on baler twine for 20 or 24 months, as was done in the case of copper. Thus, if any twine is available it can come into this market without seriously affecting the defense program or the industry. During the period of the suspension of duty, the Department of Agriculture and other interested government agencies should be requested to make a thorough study of the problem and report back to Congress.

Baler twine, when originally placed on the free list, was not adequately described. It took many years of controversy between importers and the Customs Bureau, and finally a number of court decisions to establish a description of binder twine. H. R. 1005 does not describe baler twine. A proposed amendment covering a proper description of baler twine was defeated in the House. If there is a suspension of duty under the bill, even for a temporary period, baler twine must be described in order to protect the farmer and save the Government, industry, and importers great expense in establishing a definition in the courts. There are attached hereto proposed amendments covering these two points.

#### PROPOSED AMENDMENTS TO H. R. 1005

Strike out of H. R. 1005 all matter after the enacting clause, and in lieu thereof insert the following: "That after paragraph 1022 of section 201 of title II of the Tariff Act of 1930 as amended, insert the following new paragraph:

"1022 (a). Baler twine manufactured from New Zealand hemp, henequen, manila,istle or Tampico fiber, sisal grass, or sunn, or a mixture of any two or more of them, single ply, and measuring not exceeding two hundred forty feet to

the pound, containing not less than 8 per centum of oil by weight, treated to resist mildew, and to repel insects and rodents, and chiefly used in an automatic pick-up baler in the baling of hay, straw, and fodder.

"(b). The amendment made by this act shall be effective with respect to articles entered, or withdrawn from warehouse, for consumption after the date of enactment of this act and prior to May 1, 1953, but shall not apply to any articles entered or withdrawn from warehouse for consumption, on or after such date."

#### SUGGESTED LETTER TO DEPARTMENT OF AGRICULTURE

H. R. 1005, a bill to amend the Tariff Act of 1930 to permit the free entry of baler twine, has passed the House and is now before the Senate. The bill does not mention baler twine as such, nor does it attempt to define the material.

Opponents of the bill have stated that it is inadequate in that it does not define baler twine, and in the House proceedings suggested an amendment to cover this deficiency, which is as follows:

"Strike out of H. R. 1005 all matter after the enacting clause, and in lieu thereof insert the following: 'That after paragraph 1622 of section 201 of title II of the Tariff Act of 1930 as amended, insert the following new paragraph:

"1622 (a). Baler twine manufactured from New Zealand hemp, henequen, manila, istle or Tampico fiber, sisal grass, or sunn, or a mixture of any two or more of them, single ply, and measuring not exceeding two hundred forty feet to the pound, containing not less than 8 per centum of oil by weight, treated to resist mildew, insects, and rodents, and chiefly used in an automatic pick-up baler in the baling of hay, straw, and fodder.'"

This amendment was defeated in the House. However, it is expected that it will be introduced in the Senate. Accordingly, I would very much appreciate having your opinion with respect to the following:

(1) In your opinion, would this amendment preclude importation of any twine suitable for use in twine hay balers, except those balers using binder twine? If your answer is yes, please explain.

(2) Is it the general practice of United States baler twine manufacturers to treat baler twine against mildew, insect, and rodent damage?

(3) From the standpoint of the American farmer, is any part of the proposed amendment unnecessary or undesirable?

(4) From the standpoint of the American farmer, would it be desirable to have Congress define baler twine in amending the Tariff Act of 1930 to permit free entry of this material? Opponents of the bill express the fear that because of the way the bill is written, binder twine and baler twine will not be treated separately in the importation statistics. They state that because of this they will not be able to properly gage the requirements for their product on this market, which may cause them to underestimate the market, with resultant shortages.

(5) In your opinion is it desirable or necessary that twine manufacturers have accurate information as to imports of these items, separately?

#### SUGGESTED LETTER TO TARIFF COMMISSION

H. R. 1005 is expected to come up before the Senate for consideration in the near future, and I would appreciate having your answers to the following questions, at your earliest convenience:

(1) What is the definition for binding twine used by the Bureau of Customs in connection with the importation of this material? Please give the source of your definition.

(2) Assuming enactment of H. R. 1005 as passed by the House, would baler twine have to comply in all respects to definition for binding twine, including size of balls, oil contents, etc., in order to qualify for free entry?

(3) Do you believe that H. R. 1005 as passed by the House is too broad in that it may serve as a basis for attempts to enter twine other than baler twine free of duty?

(4) An amendment, describing baler twine, was proposed on the floor of the House. This amendment, which was defeated, is as follows:

"Strike out of H. R. 1005 all matter after the enacting clause, and in lieu thereof insert the following: 'That after paragraph 1622 of section 201 of title II of the Tariff Act of 1930 as amended, insert the following new paragraph:

"1622 (a). Baler twine manufactured from New Zealand hemp, henequen, manilla,istle or Tampico fiber, sisal grass, or sunn, or a mixture of any two or more of them, single ply, and measuring not exceeding two hundred forty feet to the pound, containing not less than 8 per centum of oil by weight, treated to resist mildew, insects, and rodents, and chiefly used in an automatic pick-up baler in the baling of hay, straw, and fodder."

(5) Do you see any unnecessary or undesirable provisions in this amendment which might preclude importation of baler twine suitable for use in twine hay balers?

(6) In your opinion, is it in the best interests of the United States Government, the American farmer, the American importer, and the American industry that the Congress define baler twine in amending the Tariff Act of 1930 to permit free entry of this material? Please give your reasons in each case and your suggestions as to a definition if you have objections to this proposed amendment.

(7) Assuming H. R. 1005 as passed by the House becomes law, would importations of baler and binder twine be reported separately? Do you believe that separate reports on these importations are desirable?

It is suggested that International Harvester Co., Chicago, Ill., and New Holland Machine Co., New Holland, Pa., the two main manufacturers of hay balers using baler twine, be requested to answer the following question:

"What are the specifications for baler twine suitable for use in twine hay balers manufactured by you?"

The CHAIRMAN. Also a statement from the Schermerhorn Bros. Co., signed by Mr. Andrew Schiell, vice president, in opposition to this bill is submitted, and the letter is addressed to Senator Kem. He has requested that it be inserted in the record. That will be inserted. (The document referred to follows:)

SCHERMERHORN BROS. CO.,  
St. Louis, Mo., September 18, 1951.

Senator JAMES P. KEM,  
Senate Office Building, Washington, D. C.

DEAR SENATOR: Yesterday we wired you as follows: "Request your support defeating H. R. 1005 providing importation baler twine in United States duty-free. If enacted into law will not result additional quantities baler twine. It will increase importations with correspondingly less twine manufactured by American cordage. Believe Munitions Board oppose this bill. Detrimental our national defense program."

Our supplier of baler twine for baling hay is the St. Louis Cordage Mills, which has been located here in St. Louis for over 50 years, and while our letter-head shows that we have been in St. Louis and Kansas City, Mo. since 1883, we really have been in business in both cities since 1889.

The mill in St. Louis employs in the neighborhood of 400 people and the success of this mill and the livelihood of the workers depends upon our ability to procure orders for baler twine, tying twines, and diameter rope.

The writer personally has been connected with this business for over 40 years and during these years we have had the Missouri State Prison twine-factory competition and we have not been entirely opposed to this competition as we know it is necessary to keep the inmates employed. However, in recent years competition on foreign-made binder twine along with the binder twine made at the prison in Jefferson City, Mo. has made it unprofitable for the St. Louis Cordage Mills to produce this item. Hence they were compelled recently to discontinue the manufacture of binder twine.

Now if duty-free importation of foreign-made baler twine is allowed we can see where the removing of the duty may place the owners of our mill here in a position where they cannot make a satisfactory return on their investment and they may be compelled to discontinue the manufacture of baler twine.

To prove that a thing of this kind is possible, we take this opportunity to point out to you the commercial-tying-twine business we have been doing with the St. Louis Cordage Mills for more than 30 years has been reduced to a point where we can send to them only very small orders and these orders are placed only occasionally; all due to competition from Mexico and Cuba.

We have been forced into the handling of Mexican-made tying twines so we may stay in the sisal-fiber tying-twine business. You understand when we say "commercial tying twines" we are referring to such twines as is used by manu-

facturers of boxes (wooden and paper) also newspapers, jobbers, department stores, wholesale dry-goods houses, etc.

We believe you are as much interested in keeping the St. Louis Cordage Mills in business as we are, and that you will help us by voting against H. R. 1005.

What we have said above also applies to our house located in Kansas City, Mo. We await with interest your answer.

Very truly yours,

SCHERMERHORN BROS. Co.,  
ANDREW SHIELL,

*Vice President.*

The CHAIRMAN. I believe that is all. The committee will stand in recess until tomorrow at 10, at which time we will take up some other matter for consideration.

(Whereupon, at 1:05 p. m., the committee adjourned.)

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