

PROVIDING FOR THE TEMPORARY SUSPENSION OF DUTY ON THE IMPORTATION OF 2-METHYL-4-CHLOROPHENOL, AND OTHER MATTERS

OCTOBER 9 (legislative day, SEPTEMBER 28), 1978.—Ordered to be printed

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

REPORT

[To accompany H.R. 5551]

The Committee on Finance, to which was referred the bill (H.R. 5551) to provide for the temporary suspension of duty on the importation of 2-methyl-4-chlorophenol, having considered the same, reports favorably thereon with amendments to the text and an amendment to the title and recommends that the bill, as amended, do pass.

I. SUMMARY

The first section of H.R. 5551, as amended, would temporarily permit (from date of enactment through June 30, 1980) duty-free entry of most-favored nation (MFN) imports of 2-methyl-4-chlorophenol (PCOC), a chemical intermediate used in the production of certain herbicides. MFN imports of PCOC are now dutiable at 1.7 cents per pound plus 12.5 percent ad valorem.

Section 2 of the bill, as amended, would expand the definition of "mixed feed" and "mixed-feed ingredients" in the agricultural schedule of the Tariff Schedules of the United States (TSUS) to include animal feed products which are mixtures of not less than 6 percent by weight of soybeans or soybean products, thus permitting duty-free entry (from date of enactment) of MFN imports of such products. MFN imports of such animal feed products are now dutiable at 7.5 percent ad valorem.

II. REASONS FOR THE BILL

Enactment of the first section of H.R. 5551 would eliminate an unnecessary cost of an important component of certain herbicides which is not produced domestically. This would make U.S. producers of herbicides using PCOC more competitive with foreign herbicide producers.

Imports of animal feeds containing not less than 6 percent by weight of grains are now duty free. Enactment of section 2 of H.R. 5551 would accord the same duty-free treatment to animal feeds containing not less than 6 percent by weight of soybeans or soybean products.

A. J-METHYL-4-CHLOROPHENOL

The first section of H.R. 5551 would temporarily permit duty-free entry of MFN imports of 2-methyl-4-chlorophenol (PCOC). PCOC is a chemical intermediate used in the production of certain herbicides for cereal grain production, in particular 4-chloro-2-methyl-phenoxy acetic acid (MCPA) and 2-4-chloro-2-methyl-phenoxy propionic acid (MCPP).

MFN imports of PCOC are dutiable under column 1 of TSUS item 403.60 at 1.7 cents per pound plus 12.5 percent ad valorem. The first section of the bill would add new item 907.08 to the appendix to the TSUS temporarily permitting duty-free entry of column 1 (MFN) imports of PCOC from the date of enactment through June 30, 1980.

A Tuscaloosa, Ala., company constructed a manufacturing facility in 1977, primarily for the production of MCPA and MCPP. PCOC is a key element in the manufacturing process of these chemicals and it is not produced domestically. The bill would eliminate an unnecessary cost on a needed resource material, enabling U.S. producers of herbicides using PCOC to be more competitive with foreign herbicide producers.

Imports of PCOC, primarily from the United Kingdom, amounted to approximately 900,000 pounds in 1977. Imports are anticipated to increase substantially in 1978.

The Subcommittee on International Trade held a hearing on H.R. 5551 on July 31, 1978. Favorable testimony was received. The administration has no objections to the bill, and the Department of the Treasury favors enactment. No objections to the bill have been received from any source.

B. ANIMAL FEEDS CONTAINING SOYBEANS

Section 2 of H.R. 5551 is a committee amendment which would amend headnote 1(b) of subpart C of part 15 of schedule 1 of the TSUS to include within the meaning of "mixed feed" and "mixed-feed ingredients," as used in TSUS item 184.70, mixtures of soybeans or soybean products or byproducts with molasses, oil cake, oil-cake meal, or other feeds stuffs when such mixtures contain not less than 6 percent by weight soybeans or soybean byproducts. The effect of this amendment will be to permit duty-free entry under TSUS item 184.70 of column 1 (MFN) imports of animal feed containing not less than 6-percent soybeans. Animal feed products containing not less than 6-percent soybeans are now dutiable under column 1 at 7.5 percent ad valorem under TSUS item 184.75.

Section 2 of H.R. 5551 would permit an American company to import animal feeds from Canada containing not less than 6-percent soybeans duty free. Duty-free treatment is presently applicable to animal feeds containing not less than 6-percent grains. The soybeans used in the Canadian animal feeds are from the United States. In 1973, on the basis of advice from the Customs Service, the American

company increased the percentage of soy flour in its imported product in order to achieve duty-free treatment. Subsequently, the Classification and Value Division of the Customs Service overruled the District Director of Customs and ruled that soybean flour is not a grain or grain product for the purposes of TSUS item 184.70, and hence the imported product remained dutiable.

Animal feeds containing milk or milk derivatives and classified under TSUS item 184.75 are currently subject to quota restrictions pursuant to section 22 of the Agricultural Adjustment Act (7 U.S.C. 624 and TSUS item 950.17). These feeds consist principally of calf milk replacers and bases from which milk replacers are made. None of the imported milk replacer products are known to contain soybean products. However, many domestic calf milk replacers contain soybean products. Admixtures of soybeans or soybean products with milk products, or with products containing milk or milk derivatives, are excluded from the terms "mixed feeds" and "mixed-feed ingredients" as modified by the committee amendment to prevent such imports from avoiding the existing quota which applies only to articles classified under item 184.75. Further, the exclusion of admixtures of soybeans or soybean products with other soybean products from the term "mixed feeds" and "mixed-feed ingredients" is intended to prevent the classification of admixtures of soybean oil-cake meal (a principal product obtained in processing soybeans) with other soybean products under item 184.70 (duty-free) rather than under item 184.52 (0.3 cents per pound) which applies to soybean oil cake.

The substance of section 2 passed the Senate on September 21, 1977, as an amendment to H.R. 3373, 95th Congress. The House disagreed to that amendment and the Senate receded from it.

IV. COST OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates that the annual customs revenue loss resulting from the enactment of the first section of H.R. 5551 will be approximately \$450,000. The committee estimates the annual customs revenue loss of section 2 of the bill will be \$250,000.

V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that H.R. 5551, as amended, will not regulate any individuals or businesses.

VI. VOTE OF THE COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that that bill, as amended, was ordered favorably reported by voice vote.

VII. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported,

are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is in italic, existing law in which no change is proposed is shown in roman).

TARIFF SCHEDULES OF THE UNITED STATES

SCHEDULE 1.—ANIMAL AND VEGETABLE PRODUCTS

PART 15.—OTHER ANIMAL AND VEGETABLE PRODUCTS

SUBPART C.—ANIMAL FEEDS

Subpart C headnotes:

1. For the purposes of this subpart—

(a) the term "animal feeds, and ingredients therefor" embraces products chiefly used as food for animals, or chiefly used as ingredients in such food, respectively, but such term does not include any product provided for in schedule 4 (except part 2E thereof) or schedule 5 (except part 1K thereof); and

[(b) the terms "mixed feeds" and "mixed-feed ingredients" in item 184.70 embrace products which are admixtures of grains (or products including byproducts, obtained in milling grains) with molasses, oil cake, oil-cake meal, or other feed-stuffs, and which consist of not less than 6 percent by weight of the said grains or grain products.]

(b) the terms "mixed feed" and "mixed-feed ingredients" in item 184.70 embrace products which are admixtures of grains (or products, including byproducts, obtained in milling grains) or of soybeans (or products, including byproducts, obtained in processing soybeans) with molasses, oil cake, oil-cake meal, or other feed-stuffs (except that there shall not be included in the terms "mixed feeds" and "mixed-feed ingredients" in item 184.70 products which are admixtures of soybeans or soybean products with other soybean products, or of soybeans or soybean products with milk products, or with products containing milk or milk derivatives) and which consist of not less than 6 percent by weight of said grains or grain products or of said soybeans or soybean products.

APPENDIX TO THE TARIFF SCHEDULES

PART 1.—TEMPORARY LEGISLATION

Subpart B.—Temporary Provisions Amending the Tariff Schedules

Item	Articles	Rates of duty		Effective period
		1	2	
907.08	<i>2-methyl-4-chlorophenol (provided for in item 408.60, part 1B, schedule 4)</i>	Free.....	No change...	On or before 6/30/80

