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EXTENSION OF SUSPENSION OF DUTY ON IMPORTS OF CASEIN



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

ON
EXTENSION FOR 3 YEARS OF THE SUSPENSION OF DUTY
ON IMPORTS OF CASEIN

MARCH 31, 1960

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EXTENSION OF SUSPENSION OF DUTY ON IMPORTS OF CASEIN

THURSDAY, MARCH 31, 1960

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to call, at 10:20 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Frear, Hartke, Williams, Carlson, and Bennett.

The CHAIRMAN. The hearing today is on the extension of suspension of import duty on casein for 3 years as recently provided in H.R. 7456.

As you know, the Senate has approved the bill with an amendment extending the suspension for a temporary period of 90 days, in order that we might hold this public hearing and receive the views of witnesses on behalf of the casein industry and the soya bean industry. I may say it was done at the request of Senator Hartke, who is a very valuable member of this committee, and who has been very much interested in this particular thing.

I submit for the record a copy of the bill H.R. 7456, a copy of the report of the Committee on Finance, copies of departmental reports received thereon from the Departments of Commerce, State, Treasury, Bureau of the Budget, and the U.S. Tariff Commission, as well as a supplemental report commenting specifically on the relationship between imported casein and domestically produced isolated soybean protein in the nonedible uses.

(The information referred to is as follows:)

[H.R. 7456, 86th Cong., 2d sess. (Rept. No. 1022)]

AN ACT To extend for three years the suspension of duty on imports of casein.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to amend the Tariff Act of 1930 to provide for the temporary free importation of casein", approved September 2, 1957 (71 Stat. 579; 19 U.S.C. 1001, par. 19 note), is amended by striking out "1960" and inserting in lieu thereof "1963".

Passed the House of Representatives August 18, 1959.

Attest:

RALPH R. ROBERTS, *Clerk.*

[S. Rept. 1022, 86th Cong., 2d sess.]

PURPOSE

The purpose of H.R. 7456, as amended, is to extend for 3 years—that is, until the close of March 31, 1963—the suspension of import duties imposed on casein under paragraph 19 of the Tariff Act of 1939, as amended. The present suspension, provided for by Public Law 85-257, will expire at the close of March 31, 1960.

GENERAL STATEMENT

Casein or lactarene is provided for in paragraph 19, of title I, of the Tariff Act of 1930, as amended. Under the provision of Public Law 85-257 the duty on casein was suspended from September 3, 1957, through the close of March 31, 1960. H.R. 7456, would continue this suspension of duty for a period of 3 years until the close of March 31, 1963.

Available official statistics on domestic production and imports of casein do not distinguish between the edible and inedible product. However, the U.S. Tariff Commission states that it is believed that the domestic production consists almost entirely of edible casein and casein derivatives while imports consist almost entirely of inedible or industrial casein. Industrial casein is used principally in the manufacture of coated paper, glues, cold-water paints, mucilage-type adhesives, and other less extensive uses.

Information shows that domestic production of casein has shown a trend of decline whereas the general trend of imports of casein has been upward for a number of years. Domestic production of casein has not reflected changes in demand in recent years because the raw material from which casein is made (skim milk) frequently is more profitably converted into other products. Since 1952, the milk price-support program has constituted a material inducement for converting skim milk into products other than casein.

Favorable reports were received on this legislation from the Departments of Agriculture, Labor, and Commerce, and informative reports from the Treasury Department and the U.S. Tariff Commission. The report of the Labor Department stated that the "Department is not aware of any unfavorable developments resulting from the free importation of casein * * *", and the Department of Agriculture, after pointing out that Public Law 85-257 had afforded a testing period of approximately 3 years, likewise found no unfavorable developments and interposed no objection to the bill.

CHANGES IN EXISTING LAW

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

"ACT OF SEPTEMBER 2, 1957

"AN ACT To amend the Tariff Act of 1930 to provide for the temporary free importation of casein

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the import duty imposed under paragraph 19 of title I of the Tariff Act of 1930, as amended, shall be suspended with respect to imports entered for consumption or withdrawn from warehouse for consumption during the period beginning with the day following the date of enactment of this Act and ending with the close of March 31, [1960] 1963."

THE SECRETARY OF COMMERCE,
Washington, D.C., March 31, 1960.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request for the views of this Department with respect to H.R. 7456, an act to extend for 3 years the suspension of duty on imports of casein.

This Department has no objection to enactment of H.R. 7456 for various economic reasons, principal among which are those discussed below.

In the last two decades domestic casein production has declined (from 67.5 million pounds in 1937 to 2.5 million pounds in 1956) and has been replaced by casein imports (which reached 94.5 million pounds in 1959). Perhaps the primary reason for this reversal in the sources of casein consumption in the United States is the diversion of skim milk, the raw material from which casein is made, to other and more lucrative products; for example, nonfat dry milk solids.

Import duty on casein is not felt to be a major factor in that reversal. Under the Tariff Act of 1930, casein was included in paragraph 1819 and a duty of 5½ cents per pound was fixed. Under the trade agreement negotiated with Argentina, the duty was reduced to 2¾ cents per pound, effective November 1941. Public Law 85-257, approved September 2, 1957, suspended the 2¾ cents per pound duty for 3 years. Argentine casein currently is quoted from 19¾ to 20¾ cents per pound while domestic manufacture based on skim milk would need to sell at more than double that price. Any influence of the duty on the ratio of domestic production to consumption would be very minor.

Economic effect of continued extension of the suspension of duty is therefore confined to the casein consumers in the United States, and the consumers of end products in the manufacture of which it is used. Casein is widely used in the manufacture of coated papers, gypsum wallboard, and other products. Failure to extend the suspension of duty would increase the cost of casein (and proportionately of its end products) by more than 13 percent. Reimposition of the duty would not appear to yield a commensurate benefit to the domestic economy of the United States.

We have been advised by the Bureau of the Budget that it would interpose no objection to the submission of this report to your committee.

Sincerely yours,

PHILIP A. RAY,
Under Secretary of Commerce.

DEPARTMENT OF STATE,
Washington, September 4, 1959.

HON. HARRY F. BYRD,
*Chairman, Committee on Finance,
U.S. Senate.*

DEAR MR. CHAIRMAN: I refer to your communication of August 22, 1959, acknowledged on August 26, requesting the views of the Department of State on H.R. 7456, to extend for 3 years the suspension of duty on imports of casein.

The Department has examined H.R. 7456 from the standpoint of foreign economic policy objectives and has no objection to its enactment.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
*Assistant Secretary
(For the Acting Secretary of State).*

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, August 27, 1959.

HON. HARRY F. BYRD,
*Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 7456, to extend for 3 years the suspension of duty on imports of casein.

The proposed legislation would extend for 3 years, that is until March 31, 1963, the suspension of import duties imposed on casein under paragraph 19 of the Tariff Act of 1930, as amended. The present suspension will expire on March 31, 1960.

Since the commercial aspects of the proposed legislation would be of concern primarily to the Departments of Agriculture and Commerce, the Treasury De-

partment has no substantive comments on them. Should the bill be enacted, the estimated loss of customs revenue will be about \$2 million per year.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

A. GILMORE FLUES,
Acting Secretary of the Treasury.

BUREAU OF THE BUDGET,
September 28, 1959.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of August 22, 1959, requesting a report on H.R. 7456, a bill to extend for 3 years the suspension of duty on imports of casein.

We understand the purpose of the bill is to extend through March 31, 1963, the temporary free importation of casein provided by Public Law 85-257.

The Bureau of the Budget has no objection to the enactment of legislation to accomplish the purpose of this bill.

Sincerely yours,

WILFORD H. ROMMEL,
Acting Assistant Director for Legislative Reference.

U.S. TARIFF COMMISSION,
Washington, D.C., August 25, 1959.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate

DEAR MR. CHAIRMAN: This is in response to your request of August 22, 1959, for a report on H.R. 7456, 86th Congress, to extend for 3 years the suspension of duty on imports of casein, passed by the House of Representatives on August 18, 1959.

There is attached a copy of a report submitted in June 1959 to the House Committee on Ways and Means in response to its request for a report on the bill. The Commission has no additional information.

JOSEPH E. TALBOT, *Chairman.*

U.S. TARIFF COMMISSION

MEMORANDUM ON H.R. 7456, 86TH CONGRESS, A BILL TO EXTEND FOR 3 YEARS THE SUSPENSION OF DUTY ON IMPORTS OF CASEIN

H.R. 7456, if enacted, would amend the act entitled "An act to amend the Tariff Act of 1930 to provide for the temporary free importation of casein" (71 Stat. 579; 19 U.S.C. 1001, par. 19 note) by striking out "1960" and inserting in lieu thereof "1963".

Casein or lactarene was free of duty prior to the enactment of the Tariff Act of 1922 at least as far back as 1894. In the Tariff Act of 1922 a rate of 2½ cents per pound was established for this product (mixtures being dutiable under that act at 20 percent ad valorem). In the 1930 Tariff Act the duty was increased to 5½ cents per pound. The statutory rate of duty was reduced pursuant to trade agreements to 2¾ cents per pound (2.2 cents per pound if the product of Cuba). The reduced rate of 2¾ cents per pound first became effective on November 15, 1941, pursuant to a trade agreement with Argentina. The same reduced rate was later included in a trade agreement with Uruguay and in the General Agreement on Tariffs and Trade (GATT). Until the end of 1952 casein or lactarene was subject to import-quota restriction under section 104 of the Defense Production Act of 1950, as amended. Public Law 85-257 suspended the duty imposed under paragraph 19 of title I of the Tariff Act of 1930, as modified, from September 3, 1957, through the close of March 31, 1960.

Available official statistics on domestic production and imports of casein do not distinguish between the edible and inedible product. However, it is believed that the domestic production consists almost entirely of edible casein and casein

derivatives while imports consist almost entirely of inedible or industrial casein. There have been some reports from the trade of a large increase in imports of edible casein in 1958, but there are no official import statistics showing edible and inedible casein separately.

Industrial casein is used principally in the manufacture of coated paper, glues, cold water paints, mucilage-type adhesives, and other smaller uses.

Edible casein, sodium caseinate, and calcium caseinate are used in high protein food supplements, bakery goods, and soup tablets.

For reasons discussed later in this memorandum, imports were abnormally high and production was abnormally low during the period 1942-57.

Although domestic production and imports have fluctuated widely during the past three decades, the general trend of imports has been upward since 1932. The trend of domestic production has been downward since 1937.

During the period 1929-42, domestic production consistently exceeded imports and accounted for 76 percent of the new supply.¹ Thereafter imports have consistently exceeded domestic production (except in 1947). During 1954-57 imports accounted for 97 percent of the new supply.

Domestic production of casein has not reflected changes in demand in recent years because the raw material from which casein is made (skim milk) frequently is more profitably converted into other products. This was the case especially during the war, because of the heavy demands for whole milk products and for dried skim milk, largely for oversea shipment. Since 1952 the milk price-support program (under which the price of nonfat dry milk solids is supported) has constituted a material inducement for converting skim milk into products other than casein. The milk price-support program has operated to increase sharply the total production of milk and at the same time to induce a much higher percentage of the total production to be delivered as whole milk. In addition, much of the whole milk is separated and the major portion of the resulting skim milk is dried. This not only automatically reduces the quantity of skim milk available for conversion into casein but further reduces the relative profitability of such conversion. The yield of dried skim milk from a given quantity of liquid skim milk is 3.3 times as great as the yield of casein. With the price of dried skim milk being supported at 14¼ cents per pound for spray and at 12¼ cents per pound for roller, casein manufacturers would have to obtain from 42.5 to 47 cents per pound for casein in order to obtain the same return from their raw material converted into casein as they would if it were converted into dried skim milk and sold at support prices. Since the average annual foreign value of imported casein was 13.2 cents per pound in 1953, 17 cents per pound in 1954, 18.2 cents per pound in 1955, 20.2 cents per pound in 1956, 19.6 cents per pound in 1957, and 19.3 cents per pound in 1958, domestic casein has not been able to compete pricewise with the imported product, and producers have found it to their advantage—particularly so after the removal in 1953 of the import quota on casein under section 104 of the Defense Production Act of 1950—to convert their raw material into dried skim milk rather than into casein. The foreign unit value of imports (tables 1 and 2) has shown large year-to-year changes—as much as 16.3 cents a pound from 1951 to 1952. Domestic edible casein is offered for sale in wholesale quantities at 56-64 cents a pound. Domestic inedible casein is not quoted and production is nil. Imported inedible casein is for sale in New York at 20½ to 24½ cents a pound. The Tariff Commission has no information on the price at which the relatively small quantity of imported edible casein is sold.

Production of dried skim milk increased from 702 million pounds in 1951 to 1,678 million pounds in 1957, whereas production of casein declined from 21.6 million pounds to an estimated 1.7 million pounds during the same period.

The Department of Agriculture reported production of casein for 39 consecutive years prior to 1957, but it was not reported for 1957 since there were only two plants reporting. A Tariff Commission estimate of production for 1957, based on use of skim milk in the manufacture of casein, is included in table 1.

Argentina has long been the principal source of imports. Imports by principal source are shown in table 2.

¹ "New supply" refers to domestic production plus imports.

EXTENSION OF SUSPENSION OF DUTY ON IMPORTS OF CASEIN

TABLE 1.—Casein (or lactarene) and mixtures in chief value thereof, ground or unground: U.S. production, imports for consumption, ratio only of imports to production, duty, exports of domestic merchandise, and apparent domestic consumption, 1918-58

Calendar year	Production			Imports for consumption			Ratio of imports to production	Duty		Domestic exports		Apparent domestic consumption		
	1,000 pounds	Foreign value	Foreign unit value	Quantity	1,000 dollars	Cents per pound		Rate	Calculated ad valorem equivalent	Quantity	Value	Quantity	Value	Quantity
1918.....	8,755	985	13.6	7,084	985	Free	80.9	Percent	(1)	(1)	15,839	(1)	55.3	44.7
1919.....	13,925	2,010	11.7	17,077	2,010	Free	122.6	Free	(1)	(1)	31,002	(1)	44.9	55.1
1920.....	11,526	2,432	11.4	21,239	2,432	Free	184.3	Free	(1)	(1)	32,765	(1)	35.2	64.8
1921.....	8,076	843	8.7	9,717	843	Free	120.3	Free	(1)	(1)	17,793	(1)	45.4	54.6
1922: Jan. 1 to Sept. 21.....	(2)	853	8.3	10,321	853	Free	(2)	Free	(1)	(1)	(2)	(1)	(2)	(2)
Sept. 22 to Dec. 31.....	(2)	507	12.8	3,967	507	2½	(2)	19.6	(1)	(1)	(2)	(1)	(2)	(2)
Total.....	6,927	1,360	9.5	14,288	1,360	-----	206.3	-----	(1)	(1)	21,215	(1)	32.7	67.3
1923.....	14,548	4,216	16.6	25,406	4,216	2½	174.6	15.1	(1)	(1)	39,954	(1)	36.4	63.6
1924.....	20,759	1,398	8.1	17,246	1,398	2½	83.1	30.8	(1)	(1)	38,005	(1)	54.6	45.4
1925.....	16,660	1,709	8.9	19,182	1,709	2½	115.1	28.1	(1)	(1)	35,842	(1)	46.5	53.5
1926.....	16,953	2,901	10.8	26,832	2,901	2½	158.3	23.1	(1)	(1)	43,785	(1)	38.7	61.3
1927.....	18,033	3,117	12.8	24,260	3,117	2½	134.5	19.5	(1)	(1)	42,293	(1)	42.6	57.4
1928.....	22,151	28,612	12.8	28,612	3,674	2½	129.2	20.7	(1)	(1)	50,763	(1)	43.6	56.4
1929.....	30,537	3,298	12.1	27,369	3,298	2½	89.6	20.7	(1)	(1)	57,906	(1)	52.7	47.3
1930: Jan. 1 to June 17.....	(2)	1,817	11.1	16,346	1,817	2½	(2)	22.5	(1)	(1)	(2)	(1)	(2)	(2)
June 18 to Dec. 31.....	(2)	108	5.9	1,822	108	5½	(2)	93.1	(1)	(1)	(2)	(1)	(2)	(2)
Total.....	41,905	1,925	10.6	18,168	1,925	-----	43.3	26.4	(1)	(1)	60,133	(1)	69.8	30.2
1931.....	35,335	122	4.0	3,057	122	5½	8.7	137.8	(1)	(1)	38,392	(1)	92.0	8.0
1932.....	24,428	1,475	3.9	1,475	1,475	5½	6.0	140.8	(1)	(1)	25,903	(1)	94.3	5.7
1933.....	24,087	455	5.5	8,320	455	5½	34.5	100.6	(1)	(1)	32,407	(1)	74.3	25.7
1934.....	37,331	1,491	9.6	3,331	1,491	5½	4.0	57.5	(1)	(1)	38,822	(1)	96.2	3.8
1935.....	37,638	262	8.1	3,230	262	5½	8.6	67.8	(1)	(1)	40,868	(1)	92.1	7.9
1936.....	46,140	1,368	8.4	16,203	1,368	5½	35.1	65.1	(1)	(1)	62,343	(1)	74.0	26.0
1937.....	67,467	570	11.0	5,210	570	5½	7.7	50.1	(1)	(1)	72,677	(1)	92.8	7.2
1938.....	48,549	28	6.7	4,417	28	5½	81.9	31.9	(1)	(1)	48,966	(1)	99.1	.9

EXTENSION OF SUSPENSION OF DUTY ON IMPORTS OF CASEIN

Year	40,878	15,832	886	5.6	38.7	5 1/2	98.3	(1)	94	(1)	28	56,710	72.1	27.9
1939	46,616	24,523	1,243	5.1	52.6	5 1/2	108.5	(1)		(1)		71,139	65.5	34.5
1941	(2)	30,872	2,168	7.0	(2)	5 1/2	78.3	(2)		(2)		(2)	(2)	(2)
Jan. 1 to Nov. 14, 1941	10,646	10,646	1,634	15.3	(2)	2 3/4	17.9	(2)		(2)		(2)	(2)	(2)
Total	47,346	41,518	3,802	9.2	87.7		52.4		94		28	88,870	53.3	46.7
1942	42,268	16,819	3,500	20.8	39.8	2 1/4	13.2		492		82	58,595	72.1	28.7
1943	18,386	28,052	2,820	10.1	152.6	2 1/4	27.4		25		7	46,413	39.6	60.4
1944	15,264	46,418	4,444	9.6	304.1	2 1/4	28.7		3,405		722	58,277	26.2	79.7
1945	12,333	51,610	5,327	10.3	418.5	2 1/4	26.6		49		14	63,894	19.3	80.8
1946	18,319	45,346	11,336	25.0	247.5	2 1/4	11.0		603		144	63,062	29.0	71.9
1947	35,831	20,887	6,240	29.9	58.3	2 1/4	9.2		1,009		377	55,709	64.3	37.5
1948	14,372	40,585	9,255	22.8	282.4	2 1/4	12.1		108		44	54,849	26.2	74.0
1949	18,348	33,061	4,880	14.8	180.2	2 1/4	18.6		581		143	50,828	36.1	65.0
1950	18,531	54,552	10,055	18.4	294.4	2 1/4	14.9		91		33	72,992	25.4	74.7
1951	21,620	43,563	13,604	31.3	201.5	2 1/4	8.8		211		57	64,972	33.3	67.0
1952	7,482	56,836	8,533	15.0	759.6	2 1/4	18.3		167		33	64,151	11.7	88.6
1953	5,532	74,246	9,826	13.2	1,342.1	2 1/4	20.8		206		114	79,572	7.0	93.3
1954	5,175	59,833	10,146	17.0	1,156.2	2 1/4	16.2		140		85	64,868	8.0	92.2
1955	3,147	74,480	13,557	18.2	2,307.0	2 1/4	15.1		127		64	77,500	4.1	96.1
1956	2,533	70,673	14,276	20.2	2,790.0	2 1/4	13.6		277		65	72,929	3.5	96.5
1957:3														
Jan. 1 to Sept. 2, 1957	(2)	46,516	8,837	19.0	(2)	2 1/4	14.5							
Sept. 3 to Dec. 31, 1957	(2)	28,088	5,796	20.6	(2)	Free								
Total	41,717	74,604	14,633	19.6	4,345.0	Free	8.7		57		25	76,264	2.2	97.8
1958:3	(2)	91,233	17,564	19.3	(2)	Free			53		14	(2)	(2)	(2)

1 Not separately classified before July 1, 1941.

2 Not available.

3 Preliminary, except production.

4 Estimated.

Source: Production data compiled from official statistics of the U.S. Department of Agriculture; import and export data compiled from official statistics of the U.S. Department of Commerce.

TABLE 2.—Casein (or lactarene) and mixtures in chief value thereof, ground or unground: U.S. imports for consumption, by principal sources, 1942-58

EXTENSION OF SUSPENSION OF DUTY ON IMPORTS OF CASEIN

Calendar year	Total imports	Argentina	Australia	Canada ¹	New Zealand	France	Norway	Azores	Brazil	All other
Quantity (thousands of pounds)										
1942	16,819	15,353	56	50	68	---	---	---	1,148	212
1943	28,052	26,250	78	1,106	65	---	---	---	111	439
1944	47,418	46,642	---	664	435	---	---	---	222	353
1945	51,610	49,936	---	1,249	472	---	---	---	113	114
1946	45,346	43,280	118	1,154	368	---	---	---	6	196
1947	20,887	19,021	42	3,849	95	---	---	---	175	544
1948	40,585	35,626	296	2,513	---	---	---	---	164	385
1949	33,061	28,911	105	1,170	---	---	---	---	625	6,294
1950	54,552	41,901	1,023	1,393	1,760	983	88	68	---	---
1951	43,563	24,427	1,128	1,829	883	1,623	22	251	---	---
1952	56,838	34,129	1,580	2,780	8,077	3,183	899	342	---	---
1953	74,246	54,684	1,049	3,901	9,443	3,960	983	198	383	7,051
1954	59,833	41,249	1,460	2,824	5,591	3,504	400	120	---	---
1955	74,480	56,243	4,413	2,824	7,563	797	665	69	219	1,587
1956	70,673	51,712	6,503	2,951	818	448	428	210	109	7,494
1957 ²	74,604	55,673	4,152	1,074	8,298	1,128	1,163	314	192	2,610
1958 ²	91,233	48,988	13,567	1,048	13,560	1,209	573	404	241	12,043
Foreign value (thousands of dollars)										
1942	3,500	3,216	5	7	---	---	---	---	230	42
1943	2,867	2,533	18	209	13	---	---	---	8	86
1944	4,561	4,512	---	8	---	---	---	---	---	41
1945	5,327	5,107	---	109	48	---	---	---	32	31
1946	11,336	10,917	24	280	62	---	---	---	28	25
1947	6,240	5,812	---	284	117	---	---	---	(3)	15
1948	9,255	8,130	58	903	16	---	---	---	42	106
1949	4,880	4,163	17	474	---	149	---	---	23	54
1950	10,055	7,851	129	316	287	---	17	10	166	977
1951	13,604	8,133	529	485	279	1,695	---	66	7	2,403
1952	8,535	4,496	74	177	1,223	522	147	42	---	1,864
1953	9,826	6,981	149	511	1,182	195	200	26	49	533
1954	10,146	6,591	263	928	1,031	653	102	23	157	398
1955	13,557	9,976	780	668	1,495	160	127	17	47	307
1956	14,276	9,942	1,302	805	1,177	193	102	44	27	1,681
1957 ²	14,633	10,364	853	335	1,906	224	259	71	35	1,586
1958 ²	17,564	8,585	2,617	235	3,046	213	139	74	43	2,612

U.S. TARIFF COMMISSION.
Washington, D.C., February 8, 1960.

In re H.R. 7456.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR SENATOR BYRD: I have your letter of February 1 asking for information relative to competition between imported casein and domestically produced isolated soybean protein in nonedible uses.

Although casein and isolated soybean protein for nonedible use differ in nature and structure, they are so similar in appearance and working qualities that they can be used interchangeably in certain uses. It is reported that isolated soybean protein has displaced casein almost completely in the production of glues used in the manufacture of plywood, that it has displaced casein to a large extent in coating wallpaper and to a lesser extent in coating other papers, and that it has largely displaced casein in the manufacture of waterproof paints. It is also known, however, that synthetic resins and synthetic latex have, to a certain extent, displaced both casein and isolated soybean protein both in the above uses and in other uses.

Being interchangeable in use, it is probable that displacement of casein by isolated soybean protein was determined in large part by the fact, as shown in the attached table, that soya protein frequently was quoted at lower prices than casein. Contributing to this price differential, and offsetting a 2¼-cent decline in the quoted price of imported casein immediately following the effective date of transferring casein from the dutiable list to the free list, a new process for manufacturing isolated soybean protein was perfected in 1958 which enabled the material to be quoted at 4 cents per pound lower than material made by the old process. It is understood that both the old and the new processes are currently employed and, occasionally, that protein made by the old process is quoted at the same price as that made by the new process.

Official statistics on domestic production of isolated soybean protein are not available; but it is reported in the trade literature that production approximated 20 million pounds as early as 1951 when imports of casein amounted to 43.6 million pounds, and it is estimated by an official of the Soybean Processors Association that between 42 and 48 million pounds were produced in 1959 when 94 million pounds of casein were imported. Despite the increase in imports of casein subsequent to its having been placed on the free list, the ratio of production of isolated soybean protein to imports of casein appears to have increased (from 46 percent in 1951 to 48 percent in 1959), rather than to have decreased. Moreover, it is estimated that the domestic production of sodium, potassium, and calcium caseinates, and of casein hydrolysates—in large measure from imported casein because imports account for 98 percent of apparent domestic consumption—may remove at least 10 million pounds of casein from competition with isolated soybean protein in 1960.

If we can be of further service, kindly advise us.

Sincerely yours,

JOSEPH E. TALBOT, *Chairman.*

The CHAIRMAN. The first witness is Hon. John F. Baldwin, Jr., Congressman from California.

Mr. Congressman, take a seat, sir. We are very happy to have you with us.

STATEMENT OF HON. JOHN F. BALDWIN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Representative BALDWIN. Mr. Chairman, I want to express my deep appreciation to you and members of your committee for this opportunity to appear and testify before your committee.

I am the author of H.R. 7456, which originally provided for a 3-year extension in the suspension of import duty on casein, and so, actually, Mr. Chairman, all I am here to say is I think the committee used good judgment in approving the bill in January, and I am here

in support of the decision of the committee and hope that the committee will reaffirm their judgment.

This bill was passed by the Senate earlier this week but was modified to provide only a 3-month extension pending this hearing before the Senate Finance Committee. The suspension of import duty on casein was originally authorized by Public Law 85-257, which was passed in the 85th Congress.

Under the provisions of Public Law 85-257 the duty on casein was suspended from September 3, 1957, through the close of today, March 31, 1960. The purpose of my bill, H.R. 7456, was to continue this suspension of duty for a period of 3 additional years, until March 31, 1963. H.R. 7456 was approved by the House Ways and Means Committee last year by unanimous vote and passed the House of Representatives without a single dissenting vote. This bill was likewise approved by this committee, the Senate Finance Committee, in January of this year.

Favorable reports have been filed on H.R. 7456 by all interested Government departments. These include the Departments of Agriculture, Labor, and Commerce.

It is my understanding, Mr. Chairman, that a new report, again in approval of the bill, has just been filed this week, by the Department of Agriculture.

The report of the Labor Department, submitted to the House Ways and Means Committee, states that the "Department is not aware of any unfavorable developments resulting from the free importation of casein." The Department of Agriculture, after pointing out that Public Law 85-257 had afforded a testing period of approximately 3 years, likewise found no unfavorable developments and interposed no objection to the bill.

The reason for the original suspension of import duty on casein was that domestic production of casein has largely ceased. This was because the raw material from which casein is made, skim milk, has been more profitably converted into other products.

Since 1952 the milk price support program has constituted a material inducement for converting skim milk into products other than casein. The U.S. Tariff Commission has stated in its report on H.R. 7456 that imports of casein consist almost entirely of industrial casein.

Industrial casein is used principally in the manufacture of coated paper, glue, cold-water paints, mucilage-type adhesive, and other similar uses. Since practically no such industrial casein is produced domestically, there is no justifiable reason for continuing a protective tariff on the import of casein.

I hope very much that this committee will approve the 3-year extension of the suspension of duty on casein. I might say, reapprove, since you have already acted in this respect 2 months ago.

I believe this is for the best interest of the American consumers of this product. The Treasury Department has stated it does not object to the passage of this bill.

It is my understanding that the soya bean industry has, at the last minute, raised some objection to the 3-year suspension of duty on casein. I believe it should be pointed out that the House Ways and Means Committee did not have any requests from the soya bean industry to testify in opposition to H.R. 7456 and, to my knowledge, no

Member of the House of Representatives received such complaints at the time the bill passed the House. It does not seem to me that this last-minute objection should be considered favorably.

In this connection, Mr. Chairman, I would like to read a wire which I received this morning on the relative use of casein and soya bean products. This wire is from the Kaiser Gypsum Co., at Antioch, Calif., my congressional district:

KAISER GYPSUM Co.,
Antioch, Calif.

Hon. JOHN BALDWIN,
House of Representatives Office Building,
Washington:

With reference to casein, H.R. 7456, we are using both casein and soya protein in several products manufactured in our plant in Antioch, Calif., and are in favor of continued suspension of the duty on casein. In our research laboratory, we have done considerable work on the use of soya protein as a replacement for casein. To date, we have been able to work out formulations using only small percentages of soya protein mixed with casein. Large percentages of soya protein result in unsatisfactory adhesive and working qualities in these products. We have active studies going on with soya bean processing companies to overcome these problems. At the present time, the soya materials are not satisfactory replacements in our products for casein. We would like to have a competitive domestic source of casein available. Meanwhile, we are definitely interested in continuing the suspension of the duty on casein. Please feel free to use this information if you wish.

GEORGE B. KIRK, *Technical Director.*

Representative BALDWIN. Mr. Chairman, may I take this opportunity again to thank you for your courtesy in scheduling this hearing. I hope you will reconfirm the action already taken by this committee on extending the suspension of duty on casein for the next 3 years.

The CHAIRMAN. The next witness is Mr. Gustave Burmeister, Assistant Administrator of Foreign Agriculture Service, Department of Agriculture, accompanied by Walter W. Sikes, Director, Fats and Oils Division, Foreign Agriculture Service, and David L. Hume, Director, Dairy and Poultry Division, Foreign Agriculture Service, Department of Agriculture.

Please proceed.

STATEMENT OF GUSTAVE BURMEISTER, ASSISTANT ADMINISTRATOR OF FOREIGN AGRICULTURE SERVICE, DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY WALTER W. SIKES, DIRECTOR, FATS AND OILS DIVISION, FOREIGN AGRICULTURE SERVICE; AND DAVID L. HUME, DIRECTOR, DAIRY AND POULTRY DIVISION, FOREIGN AGRICULTURE SERVICE, DEPARTMENT OF AGRICULTURE

Mr. BURMEISTER. Thank you, Mr. Chairman. As indicated, I am Gustave Burmeister, Assistant Administrator of Foreign Agriculture Service. I have with me Mr. David Hume, Director of the Dairy and Poultry Division of the Foreign Agriculture Service, and Walter Sikes of the Fats and Oils Division.

Mr. Chairman, I believe that our position is pretty clearly stated in a letter that Under Secretary Morse sent to you on March 30. We do not have a written statement, or any further material to add,

except that we would be happy to answer any questions that the committee might have.

The CHAIRMAN. We will make that part of the record, sir. Perhaps you better read it sir. Read the letter, so if there are any questions.

Mr. BURMEISTER. All right, sir. I will do that.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR SENATOR BYRD: Thank you for your letter of March 24, 1960, regarding the views of this Department concerning H.R. 7456. In the determination of the probable effects of this legislation, particularly with respect to the soybean producers of the United States, a number of factors had to be considered.

The United States has been heavily dependent on imports of milk casein subsequent to the inauguration of price supports of nonfat dry milk solids in 1952, which encouraged a shift in the use of skim milk from use in the manufacture of casein to nonfat dry milk solids. Imports amounted to 43 million pounds in 1951, increased to 60 million pounds in 1954 and to 71 million pounds in 1956. After the suspension of the 2¼ cents per pound duty on September 3, 1957, imports continued their upward trend, amounting to 75 million pounds in 1957 and 94 million pounds in 1959.

Information made available to this Department indicates that there are four companies presently producing isolated soybean proteins, and of these, two have plans for expansion and a fifth company is planning to build a plant. Actual annual production of isolated soybean proteins is not known, but it is currently estimated to be 50 million pounds of industrial grade, plus about 5 million pounds of food grade. The use of good grade isolated soybean proteins have not yet developed a definite pattern, but it is being tested in perhaps as many as 80 products.

The average annual price of imported industrial grade milk casein changed little during this period, even after the suspension of the import duty. From 1954 to 1956 the price varied between 17 cents per pound (dockside, New York) to 20.2 cents. For 1957 and 1958 prices averaged 19.6 and 19.5 cents per pound, respectively. Preliminary data indicate that for 1959 the price averaged 19 cents per pound. The price for domestically produced industrial grade isolated soybean proteins has also been relatively stable, usually averaging 2 to 3 cents per pound more than for milk casein. The close conformance of the price of isolated soybean proteins and milk casein is probably largely explained by the competitive nature of their uses, both being largely used in various sizings, in addition to a number of less important uses. Current price quotations for food grade isolated proteins are from 32 to 50 cents per pound, depending on grade and quantity purchased. Domestically produced food grade milk casein is generally priced between 55 and 65 cents per pound. Use of the small quantity of domestically produced food grade milk casein is largely limited to specialty uses.

In the production of isolated soybean protein about 50 percent of the protein content of soybean meal is recovered, the oil being extracted first. In 1959, to produce an amount of isolated soybean proteins equivalent to the 94 million pounds of milk casein imported would have required 210,000 tons of soybean meal, or the meal equivalent of 9 million bushels of soybeans. Even though half of the protein content of soybean meal is not extracted in the manufacture of isolated soybean proteins, a large part of the remaining protein is available for use as feed.

From the above it appears that the reimposition of the 2¼ cents per pound duty on milk casein would have little effect on the price of imported casein, as is indicated by the stability in its price even after the suspension of the duty in 1957. What evidently happened in the past, and is likely to again happen, is that the exporting countries will adjust their export prices in order to remain competitive, alternative uses for skim milk, from which milk casein is produced, being limited in the major exporting countries. The 210,000 tons of soybean meal, which would have been required to produce an amount of isolated soybean proteins equal to imports of milk casein, would have been equal to only 1.6 percent of the meal equivalent of the 1958-59 production (less seed use) of soybeans. It is also unlikely that, even if the price of imported milk casein increased by the full amount of the duty, all of the imported milk casein would be displaced by isolated soybean proteins, the two not being perfect substitutes.

Since it is highly doubtful that the reimposition of the duty would materially aid our soybean industry, and in view of the U.S. interest in getting other countries to lower their duties on our exports, it is felt that the reimposition of the duty would not be in our best interest.

In arriving at its position on pending legislation, the Department certainly wishes to consider the interests of all parties who may be affected by such action. We certainly appreciate the opportunity to present the views of this Department on this piece of legislation.

Sincerely,

TRUE D. MORSE, *Acting Secretary.*

The CHAIRMAN. Thank you, Mr. Burmeister.

Any questions?

Senator KERR. I notice from this statement that the import of this product has more than doubled in 8 years. Do you have information as to what the figure was prior to 1951, which is the first one that I see here on which you tell how much was imported?

Mr. BURMEISTER. I am sorry, Senator, we don't have that figure with us, but we can get that figure for you.

Senator KERR. There is a gentleman walking up the aisle with a paper in his hands. Perhaps he is going to provide it for us.

Mr. BURMEISTER. Yes, sir.

Senator KERR. What was it in 1948?

Mr. BURMEISTER. 1948, 40,585,000 pounds.

Senator KERR. 1949?

Mr. BURMEISTER. 33,061,000 pounds.

Senator KERR. 1950?

Mr. BURMEISTER. 54,552,000.

Senator KERR. Well, the 1949 figure was the low you have got there apparently?

Mr. BURMEISTER. Yes, sir—excepting back to 1943, you get 28 million pounds.

Senator KERR. Well, that is all right. This gives it relatively.

Can you tell us what the support price on milk was in 1949, the year the 33 million pounds came in?

Mr. BURMEISTER. In 1949, the Government supported the price of manufacturing milk at \$3.14 per hundredweight. Purchases under the program in 1949 represented 2.5 billion pounds, milk equivalent.

Senator KERR. I don't think you had one in effect, either. But I think it was because the price of milk was above the support level, not because you didn't have the law for it, isn't that correct?

Mr. BURMEISTER. I think that is right.

Senator KERR. When did the two meet?

Mr. BURMEISTER. About 1951.

Senator KERR. What was that support level in 1951?

Mr. BURMEISTER. At the time I believe the price support was at 87 percent of parity. The price of milk for manufacture was supported at \$3.60 per hundredweight.

Senator KERR. What is the support level on milk today?

Mr. BURMEISTER. \$3.06 a hundred pounds for manufacturing milk.

Senator KERR. Now, does that mean skim milk?

Mr. BURMEISTER. No, the Government purchase price for nonfat dry milk is currently around 14¼ cents a pound.

Senator KERR. Around 14 cents a pound. What does that amount to a gallon?

Mr. BURMEISTER. You mean how much produced—

Senator KERR. No. This \$3.06. What is that?

Mr. BURMEISTER. That is per hundred pounds of whole milk.

Senator KERR. And skim milk is four times as much?

Mr. BURMEISTER. No. The dry milk—at 14 cents a pound, would be—

Senator KERR. What would that be in relation to the \$3.06 for whole milk?

Mr. BURMEISTER. Just a minute. We will get that for you.

Out of the \$3.06 for whole milk, the value of the skim milk would be about 91 cents. You see, you get butterfat, which is the most valuable product.

Senator KERR. Yes. In other words, then, the support level on the skim milk in the liquid form would be less than a penny a pound?

Mr. BURMEISTER. That is right.

Senator KERR. Well, now, here is what I would like to know.

At what point is it profitable to make—you make casein out of skim milk, don't you?

Mr. BURMEISTER. Yes, sir.

Senator KERR. At what point would it be profitable for the domestic producer of milk to make his skim milk into casein instead of—

Mr. BURMEISTER. Dry whole milk—I mean dry skim milk.

Senator KERR. Yes.

Mr. BURMEISTER. The present price of casein is about 20 cents a pound, 19 or 20 cents a pound. It takes 3 pounds of dry skim milk to make a pound of casein. So the price of—to make it profitable to convert the nonfat dry milk to casein, the price of the dry milk would have to be about 6½ cents a pound. That is, it takes 42 cents' worth of dry skim milk to make 19 cents' worth of casein.

Senator KERR. I thought you said you make a pound of casein out of 3 pounds of dry skim milk?

Mr. BURMEISTER. That is right. And the support price on dry skim milk is 14¼ cents per pound. So that it takes about 42 cents—

Senator KERR. Forty-two cents' worth of the one product to make 1 pound of the other product?

Mr. BURMEISTER. Yes, sir.

Senator KERR. In other words, then, you don't—the importation of casein is not in competition with the domestic producer of milk?

Mr. BURMEISTER. That is right—because we are supporting the price of the product from which you make casein at a higher level than it could go into making casein.

Senator KERR. Well, now, how near are they to being able to make casein out of soybeans?

Mr. BURMEISTER. Well, they are making a product comparable to casein out of soybeans now. As we said in our letter, I believe, they make 50 million pounds right now.

Senator KERR. Well, now, what is that product worth?

Mr. BURMEISTER. It is selling around—for food use—32 to 50 cents a pound. For industrial uses, it is 2 to 3 cents a pound above the casein, the milk casein.

Senator KERR. All right. Now, how much is the duty?

Mr. BURMEISTER. Two and three-quarters cents a pound.

Senator KERR. Then if the duty were not suspended, the domestic producer of the product out of soybeans would be competitive with the imported milk product which is casein?

Mr. BURMEISTER. Provided the foreign price remains the same.

Now, we said here we thought that the foreigner exporting casein would adjust his price in order to become competitive.

Senator KERR. And you are competing with him to see which one of you keeps that price down?

Mr. BURMEISTER. Well, when the duty—

Senator KERR. To the penalty of the domestic producer? If somebody is going to do it, you would rather do it than let him, is that the point?

Mr. BURMEISTER. No, sir; I don't think that is what we are saying. What we are saying is that there was not much adjustment in the price when the duty was suspended. And, mind you, we originally said we were willing to get the duty suspended to see what happened. In our view, not much has happened to the price of casein. But the imports have gone up.

Senator KERR. But the suspension of the duty left the price about the same?

Mr. BURMEISTER. Yes, sir.

Senator KERR. So that the only thing that has happened was the American consumer of that product pays the price, but the foreign producer got all of it, instead of our Government getting $2\frac{3}{4}$ cents of it in the form of a tariff?

Mr. BURMEISTER. That is about it.

Senator KERR. And you are opposed to that?

Mr. BURMEISTER. No, sir; we are not opposed to it. We said we are not either for or against this legislation. Our position is that we are not opposed to it, that is right.

Senator KERR. Well, if the only thing that would happen by reason of its enactment is that $2\frac{3}{4}$ cents a pound goes to a foreign producer instead of the U.S. Treasury, why should you be so benevolent about it?

Mr. BURMEISTER. I am not sure that went to the foreign producer, because the price didn't change very much, either one way or the other.

Senator KERR. Well, if it stayed as much after the import duty was suspended as it was before, that would mean that the foreign producer had to get that difference, or a broker, or a dealer here, because if the manufacturer that used it was paying the same price after the suspension of $2\frac{3}{4}$ cents a pound duty as he was paying before, it was, therefore, costing him as much, and the U.S. Government was getting $2\frac{3}{4}$ cents less. Somebody was getting it.

Mr. BURMEISTER. I think that what happened was that the foreign producer was able to market more product here at about the same price.

Senator KERR. But if he was enabled to ship more here—

Mr. BURMEISTER. He gained that much; yes, sir.

Senator KERR. He still would have gained it, because the fellow here was paying the same price?

Mr. BURMEISTER. Yes.

Senator KERR. So that it wasn't a reduction in price that brought about an increase in imports, because the price to the consumer here, you say, was the same. Now, if that is true, and your position is right, then if we reimpose the duty, the price to our consumer would

be the same. Then that foreign shipper, he would be just as well off. And the American purchaser would be just as well off, and Uncle Sam would be $2\frac{3}{4}$ cents a pound better off.

Mr. BURMEISTER. I am sorry. I may have misled you on that price.

Senator KERR. You didn't mislead me. You may have misstated the facts.

Mr. BURMEISTER. The way this price is set up it is the price the foreigner received that doesn't change too much. The price that the purchaser here did pay, because of the suspension of the duty, did go down slightly, about almost the amount of the duty.

Senator KERR. Well, then, this is a subsidy to the local manufacturer, isn't it?

Mr. BURMEISTER. It is a subsidy to the users; yes.

Senator KERR. That is the manufacturer that buys it and uses it?

Mr. BURMEISTER. Yes. What he paid did go down.

Senator KERR. Did the price to the ultimate consumer go down?

Mr. BURMEISTER. Well, I don't know. That is pretty hard—I don't know what all these products go into.

Senator KERR. I see one man shaking his head.

Mr. SIKES. That was a sign of not knowing, however. There are many products involved, and I do not know what effect there has been in the last few years since that tax went down, insofar as what the user of the commodity had to pay.

Senator KERR. What commodity does it go into?

Mr. SIKES. Industrial uses—sizings.

Senator KERR. Sizings?

Mr. BURMEISTER. Paper sizing.

Senator KERR. What is a paper sizing?

Mr. BURMEISTER. That is a technical question that I really don't know.

Senator BENNETT. May I answer that, Senator?

Senator KERR. I would be glad if you could.

Senator BENNETT. Paper sizing—sizing is the commodity which when added to paper will give it a smooth slick finish instead of a rough finish. It fills up the pores of the paper, and gives it that smooth finish.

Senator KERR. Well, does that product go primarily into paper?

Senator BENNETT. That is my understanding.

Senator KERR. Would you furnish for the record the figures on what the price of the product into which this casein goes is sold at to the purchasing consumer over these years?

Mr. BURMEISTER. That would be the paper products.

Senator KERR. Well, put that into this record so that we can see on a chart if by suspending this tariff, the American consumer got his product that much cheaper.

Mr. BURMEISTER. We will see what we can find out.

Senator KERR. Are you curious about that?

Mr. BURMEISTER. I am not sure we can find out what the price of the paper product—the shift in the price is. I understand that you have a paper manufacturer representative here to discuss this this morning. I would say this much—

Senator KERR. I am not casting any reflection on him. You are a branch of the Government, appearing before this committee. I

don't know whether you know it or not, but there is an inherent laziness in men, that when they can ask somebody else to get some information they want they have the tendency to do it.

Mr. BURMEISTER. That wasn't my intention at all, Senator. What I was trying to say is that we in the Department of Agriculture deal with agricultural products, and not paper products. You are going beyond our field of knowledge when we get into the manufacture of paper and the price of paper.

Senator KERR. I noticed you turned to that gentleman and asked him a question awhile ago, without embarrassment. Now, I am sure you have got alert, vigorous young fellows down there, and if you told them you needed this information for the Finance Committee—

Mr. BURMEISTER. We will try to find it out.

Senator KERR. And put it into this record?

Mr. BURMEISTER. Yes, sir.

(The following was subsequently received for the record:)

The first question, raised by Senator Kerr, was in regard to the effect of the abrogation of duty in 1957 upon the price of paper products. The only information we have been able to obtain has been from the Industrial Materials and Prices Section of the Cost of Living Division of the Labor Department. A-grade book paper for magazines sold at \$15.88 a hundred pounds in June 1957, before the duty was abrogated, and for the same price in December 1957, 3 months after the abrogation of the duty. The price today is \$16.45 per hundred pounds. No. 2 offset book paper sold in June and December 1957 at \$16.22 per hundred pounds, and currently is quoted at \$16.70 per hundred pounds. A writing paper with 25-percent-rag content which brought \$26.06 per hundredweight in June 1957 commanded the price of \$26.75 in December 1957, and currently costs \$26.875 per hundred pounds.

Senator KERR. Can you tell us the difference between edible and nonedible casein?

Mr. HUME. The difference principally between the edible and the inedible, as we understand it, is the method of manufacture, and the quality of the raw material.

Senator KERR. Is there a difference in the tariff on the two?

Mr. HUME. No, sir; not that we know of.

Senator KERR. Could the bill before us be changed so as to apply to nonedible casein only?

Mr. BURMEISTER. Yes, sir, I think so.

Mr. HUME. We might add, however, at the present time it is very difficult to distinguish between edible and inedible product, as far as the imports are concerned.

Senator KERR. You mean the distinguishing characteristics are so remote or indistinct that they can't be, or because of the fact that it is a chemical difference not discernible by casual inspection?

Mr. HUME. Well, I mean principally that there are no records on the imports at the present time which indicate the markings. They are not readily identifiable from the markings on the packages. Frequently, we understand that some of the imports may be edible, which are used for inedible uses.

Mr. BURMEISTER. Senator, I don't want to speak for the Treasury Department or customs, but it would be a problem for customs, to determine—distinguish and set up the necessary requirements.

Senator KERR. I don't want to add any more problems to anybody that has got them. If I couldn't eliminate some, I wouldn't want to do it.

Thank you very much.

Senator HARTKE. Let me ask you, sir, in regard to the last statement that the Senator from Oklahoma asked you, about the edibles and inedibles, as a practical matter, so-called inedible casein can be used for edible purposes even after it is brought to this country, can it not?

Mr. HUME. This is a technical question which other people can answer better than I could, sir. But, as I understand it, inedible casein can be reconverted to edible through a process, yes.

Senator HARTKE. So, really, if you are going to reduce this bill, to make it only apply to inedible casein, you in effect eliminate the bill entirely, isn't that right—because it all can be used for that purpose?

Mr. HUME. Well, I would assume that you have taken into consideration the cost of reconverting—

Senator HARTKE. I have not taken anything into consideration.

Mr. HUME. Maybe I don't understand your question, sir.

Senator HARTKE. Well, you made the statement here just a few minutes ago that it was hard to distinguish the edible casein from the inedible casein. For the moment, even inedible casein, after it is imported, can be used and made into the edible variety, can it not?

Mr. HUME. Through a process of reconversion, which would involve some expense, I am sure.

Senator HARTKE. I am not saying anything about expense. But I am saying it can be converted into the edible variety.

Mr. HUME. Yes, sir.

Senator HARTKE. So in effect, the inedible casein can be used for edible purposes. And, therefore, it is in direct competition to domestic milk products, is it not?

Mr. HUME. That could be; yes, sir.

Senator HARTKE. Not only could be; but it is, isn't it?

Mr. HUME. I don't have the information that it actually is.

Senator HARTKE. Don't you have a department down there that deals with this?

Mr. HUME. No specifically.

Senator HARTKE. Do you have any research department in the Department of Agriculture?

Mr. HUME. Yes, sir.

Senator HARTKE. Are any of those people here?

Mr. BURMEISTER. Yes, sir. Dr. Smith is here. But I am not sure he works on that.

But let me say one word about the controls—

Senator HARTKE. Let me ask you this. Is Dr. Smith, who is the expert on this, going to testify?

Mr. BURMEISTER. He is the research man.

Senator HARTKE. And you feel what he testifies to will be the position of the Department, is that right?

Mr. BURMEISTER. With respect to the technical problems; yes sir.

Senator HARTKE. All right. That is fine.

Mr. BURMEISTER. Let me say one word, though, with respect to—I know in some commodities we have set up classifications for edible and inedible. When a man brings these in, he has to make an assertion

or an affirmation that he is going to use them only for inedible purposes, because there are differences in duties applied on these products.

I think that if this was set up—and I am just speaking now from general observation with respect to imports—

Senator HARTKE. Does that have anything to do with this bill?

Mr. BURMEISTER. No. But the question was brought up as to whether or not—

Senator KERR. It could.

Mr. BURMEISTER. As to whether or not there could be a separation of edible and inedible. And I think there could be controls established, if the inedible was free, and the edible was dutiable, that there would be a control on the usage of the product.

Senator HARTKE. My understanding was, from your colleague here, that it could not be distinguished.

Mr. BURMEISTER. Yes. But a man importing inedible casein would have to make an assertion or a statement to the Treasury Department that he was going to use this only for inedible purposes. Otherwise, he would have to pay the duty.

Senator KERR. Would the Senator yield?

Senator HARTKE. Yes, sir.

Senator KERR. Is it possible that if the Department of Agriculture has difficulty in distinguishing between the edible and nonedible variety, the Secretary of Health, Education, and Welfare could be helpful to you in that matter?

Mr. BURMEISTER. Yes, he probably could.

Mr. HUME. This is a further point. There are no standards that I know of in the Food and Drug Administration which would make this distinction between edible and inedible at this time.

Senator KERR. Thank you.

Senator HARTKE. Well, let me ask you. What is the estimate of the Department of Agriculture as to the present time of the importation of edible casein?

Mr. BURMEISTER. I am told about 5 million pounds.

Senator HARTKE. But didn't the dairy records indicate that importable casein amounts to more nearly 30 million pounds?

Mr. BURMEISTER. I wouldn't know about that, sir.

Mr. HUME. At best, it is an estimate.

Senator HARTKE. Well, could it be 30 million?

Mr. HUME. I don't know. I would doubt very much if it would run to 30 million pounds.

Senator HARTKE. Would you doubt it would run to 25 million?

Mr. HUME. We are getting down in the area where I wouldn't know.

Senator HARTKE. Let me ask this. Let's go back basically to this bill. When this bill was first presented originally, what consideration was given to its competition with the soybean industry and the substitute and competitive products there?

Mr. BURMEISTER. Well, I don't recall. It was the Department's position at that time that we had no—we didn't introduce the bill, but we had no objections to its passage.

Senator HARTKE. What was your consideration given to it at that time, concerning the soybean—

Mr. BURMEISTER. We had some information from various industries that the continued importation of casein would be helpful to this whole protein problem.

Senator HARTKE. And did you indicate any place in your report, either to the Ways and Means Committee of the House, or the Ways and Means Committee—I mean the Finance Committee of the Senate—

Mr. BURMEISTER. No.

Senator HARTKE. You didn't this time, again, isn't that right?

Mr. BURMEISTER. In our original letter.

Senator HARTKE. Was there any consultation with the people who are charged with the soybean part of your Agriculture Department—was there any consultation with them whatsoever, prior to the time that your report was submitted to the Ways and Means Committee?

Mr. BURMEISTER. I don't recall.

Senator HARTKE. Well, in fact, probably there was not, is that right?

Mr. BURMEISTER. Well, when the Department renders a report, it gets a considerable review by all agencies of the Department, before it becomes a Department position.

Senator HARTKE. The question of soybean protein was never considered, was it?

Mr. BURMEISTER. I recall there was some consideration of the developments in the soybean—soy protein at that time. There was some discussion of it all right.

Senator HARTKE. There was some discussion of it?

Mr. BURMEISTER. Yes, sir.

Senator HARTKE. With whom?

Mr. BURMEISTER. In the Department of Agriculture.

Senator HARTKE. With whom?

Mr. BURMEISTER. Amongst the different agencies.

Senator HARTKE. With anybody who is concerned with the soybean section?

Mr. BURMEISTER. Yes, sir.

Senator HARTKE. There was. You don't know who it was?

Mr. BURMEISTER. No, sir.

Senator HARTKE. Would you be kind enough to furnish that for the record?

Mr. BURMEISTER. We will try.

(The following was subsequently received for the record:)

A review of the record shows that the Commodity Stabilization Service, which is concerned with all agricultural products under Government program, was a party at all times as to the position that the Department of Agriculture took on casein duty abrogation in 1957.

Senator HARTKE. Now, what are the annual appropriations of Government funds for research to develop industrial uses for our agricultural commodities?

Mr. BURMEISTER. I don't have that figure with me. I can get it for you.

Senator HARTKE. That is what is involved here, isn't it? This is a new use of an agricultural product?

Mr. BURMEISTER. Yes, sir.

Senator HARTKE. What are the expenditures for soybean utilization research? What are the amounts of the expenditures?

Mr. BURMEISTER. We will have to supply that for you.

(The following was subsequently received for the record:)

The appropriations for all utilization research for agricultural commodities in the Agricultural Research Service of the Department of Agriculture for fiscal year 1960 is \$16,116,700.

Senator HARTKE. You don't have that? You are making a substantial expenditure in this field, too, by the Department?

Mr. BURMEISTER. Yes, sir.

Senator HARTKE. And it wouldn't be wrong to say this is close to a million dollars a year; is that right?

Mr. BURMEISTER. I haven't the slightest notion, sir.

Senator HARTKE. What is the cost to the Government as a result of the suspension of this tariff?

Senator KERR. Two and three-quarter cents a pound on 95 million pounds. That is about \$25 million a year.

Senator HARTKE. About 2½ million, I think.

Senator KERR. \$2½ million a year. That is a small item in the Department of Agriculture.

Senator HARTKE. I am inclined to agree with my distinguished friend on that.

Now, you said that you consulted with the soybean section of the Agriculture Department. Did they, in turn, notify anybody in the soybean industry that they had been consulted upon this matter?

Mr. BURMEISTER. I can't answer that now.

Senator HARTKE. You are familiar with the fact, are you not, that the soybean business has increased tremendously in the United States?

Mr. BURMEISTER. Yes, sir.

Senator HARTKE. And that they have been able to do a pretty good job of utilization of their products; have they not?

Mr. BURMEISTER. Yes.

Senator HARTKE. How much do they have at the present time in the Commodity Credit Corporation—of soybeans?

Mr. SIKES. Eight million bushels are actually in inventory.

Senator HARTKE. If this soy protein were substituted for the imported casein, about how many bushels of soybeans would that take?

Mr. SIKES. I think the actual importation of casein represents the meal equivalent of about 9 million bushels.

Senator HARTKE. In other words, what this would do is completely eliminate the surplus in the soybean industry; isn't that right?

Mr. SIKES. No, I don't believe you can quite draw that conclusion, because let's say the 9 million bushels we are talking about is approximately what CCC has in inventory as of this date, in actual inventory. I don't think that the manufacturer of the casein, however, is in but one segment of the market. He is not in buying soybeans or buying oil or even meal. I don't believe it can be said had this 94 million pounds not come in, that the entire 9 million bushels in CCC inventory would consequently have been used, because they are buying meal. As I understand it, it is the meal that they would be purchasing to make the product, not the oil, and not the bean itself.

Senator HARTKE. Well, I understood you to say that it takes about 9 million bushels of soybeans to make—to cover the amount of the importation of casein.

Mr. SIKES. It takes the meal from approximately 9 million bushels of soybeans.

Senator HARTKE. And you would have 8 million bushels in the CCC at the present time?

Mr. SIKES. That is correct. It would take the meal from about the equivalent of the beans we have in CCC inventory. And the market for the raw product is in the meal market, as I understand it.

Senator HARTKE. In other words, you don't feel this would reduce the surplus, then?

Mr. SIKES. I think we are hopeful this effort will expand, and we are hopeful that the utilization can increase. I think it would—a new use would make a contribution to the market. I don't think it can quite be made in terms of CCC surplus position.

Senator HARTKE. But you are in favor of expanded uses of agricultural products; are you not?

Mr. SIKES. Yes, sir. We have spent, I think, at least a million dollars, made reference to.

Senator HARTKE. A year?

Mr. SIKES. It might be more, I am not sure. I think that is well spent.

Senator HARTKE. A million dollars a year is being spent in soybean research is what you are talking about?

Mr. SIKES. I believe it is certainly that much. It is well spent, I believe.

Senator HARTKE. All right. Now, then, as far as your statement here by Mr. Morse that the two are not the perfect substitutes, which is a conclusion—upon what facts is this conclusion based?

Mr. SIKES. I think we had to, in our particular work there, in my division, we relied on information that we received from the research group. As to substitutability, we were advised it was not completely substitutable.

Senator HARTKE. Are you familiar with the fact that the U.S. Patent Office Patent 269427, a paper quoting composition method, which is under the name of Eugene A. Bennett, as assignor to the Champion Paper & Fiber Co., in which they make the statement:

I have found that the soybean protein can be substituted for casein in quoting compositions in the present invention with good results.

Mr. SIKES. I was not familiar with that. I am aware there is a substitutability. We so stated in this letter we sent—that they are substitutable. But not, we were advised, completely.

Senator HARTKE. I beg your pardon?

Mr. SIKES. We were advised it is not complete.

Senator HARTKE. What percentage is available for substitution?

Mr. SIKES. I have no way of answering that.

Senator HARTKE. Pardon me?

Mr. SIKES. I don't know how to answer that—to what extent.

Senator HARTKE. Is there, to your knowledge, any duty imposed by foreign countries on the imports from the United States, or the ex-

ports from the United States, depending how you look at it, upon soy protein?

Mr. SIKES. Yes, sir. There are many countries, varied in range—in many countries there are import duties. Some on the protein, yes.

Senator HARTKE. Do you know what the average or the approximate amount of that it?

Mr. SIKES. No; I do not. I think we can determine that. It runs fairly high in a few countries, I know.

Senator HARTKE. It runs about 20, 25 percent; is that right?

Mr. SIKES. 20 percent was the figure I had in mind.

Senator HARTKE. United Kingdom countries?

Mr. SIKES. I believe that is 20 percent.

Senator KERR. Would the Senator yield?

Senator HARTKE. Yes, sir.

Senator KERR. Doesn't over half of the imports coming into this country have casein coming from Argentina?

Mr. SIKES. About 50 percent; yes, sir.

Senator KERR. Isn't there an import duty on this soybean product, 40 to 50 percent?

Mr. SIKES. I don't know. I thought on what you might call the comparable product it was probably less than that, but still substantial.

Senator KERR. Would you check that and put the accurate figure into the record?

Mr. SIKES. All right, sir.

Senator HARTKE. Now, what is the import duty in regard to—according to the latest figures I have of October 1959—in the second largest country which supplies imported casein; namely, Poland?

Mr. SIKES. I would have to check it. I don't know.

(The following was subsequently received for the record:)

I am advised that Poland, a supplier of casein to this country, has no duty on their imports of soya meal or soya protein. The duty Argentina would place on soya flour and soya protein, the Department of Commerce advised us, would be 45 percent, the same as the duty now exacted on soybean meal.

Senator HARTKE. This is an Iron Curtain country, so to speak, is it not?

Mr. BURMEISTER. A satellite country.

Senator HARTKE. Is that right?

Mr. BURMEISTER. I would judge that they don't have a duty. I would judge they have an outright restriction.

Senator HARTKE. But they are the second largest in October of 1959, and are increasing their amounts of exportation of casein to the United States rapidly, and have reached a place where they are second; is that right?

Mr. BURMEISTER. We would have to check that.

Mr. HUME. I have the figures on an annual basis. They are increasing very fast. I think you are correct.

Senator HARTKE. What are your latest figures?

Mr. HUME. The preliminary figure for 1959 would indicate that Poland supplied the United States 8,976,000 pounds of casein.

Senator KERR. The later part of the year was much heavier than the first part of the year, wasn't it?

Mr. HUME. Yes, sir. But I don't have the monthly figures.

Senator KERR. I think there were other countries that imported more for the total year than that?

Mr. HUME. That is correct.

Senator KERR. But you think at the end of the year the rate of imports probably had gone up to where Poland was maybe second in the picture, but not for the whole period, I believe?

Mr. HUME. It is up—their imports of record, according to our figures, from Poland, began in 1958, when they imported about 7,500,000 pounds. This would indicate an increase of about a million and a half pounds in a year.

Senator KERR. I think both New Zealand and Australia imported more than that last year?

Mr. HUME. You are correct, sir.

Senator HARTKE. For the benefit of the members of the Department, I tried to obtain this information yesterday in the Department of Commerce. They, in turn, referred me over to the Polish Embassy.

Senator HARTKE. They said also that it fluctuated from day to day so much, it was impossible to give a concrete answer. Is that your opinion?

Mr. BURMEISTER. On the imports from Poland?

Senator HARTKE. Yes.

Mr. BURMEISTER. We get the imports monthly.

Senator HARTKE. I am not talking about the amount. I am talking about the amount of duty of the importing—

Mr. BURMEISTER. Yes. I don't think they have a duty. They import, or permit the imports, whenever they decided that they want to permit it. If they don't give a permit, there is none imported.

Senator HARTKE. Is soy protein on any of the reciprocal trade lists?

Mr. BURMEISTER. Not unless it is in a basket clause of some kind.

Senator KERR. What kind of clause?

Mr. BURMEISTER. A basket clause, where you have a whole group of products.

Senator KERR. I misunderstood you.

Senator HARTKE. In other words, what we are doing, we are supporting the price of milk to help the foreigners so they can import—export casein to the United States? At the same time we are being penalized and prohibited from sending our soy protein over to their countries by restrictive tariffs. And we are aiding in all of this by taking the money out of the Treasury to the extent of about \$2 million in lost revenue, which you say would have no effect whatsoever evidently upon the price—to the extent that we are putting about a million dollars a year annually into the experimental use and development of soybeans. The net result of which, we have about 8 million bushels in the Commodity Credit Corporation, and at the same time, we are doing the best we can to help Mr. Khrushchev overcome us economically in this competition by helping the country of Poland. And you think this is good for the United States?

Senator KERR. Now, on the advice of counsel, you are not compelled to answer.

Senator HARTKE. I have no further questions, Mr. Chairman.

Mr. BURMEISTER. I was going to say I didn't think I was qualified to answer that question.

The CHAIRMAN. Thank you, Mr. Burmeister.

Senator HARTKE. Mr. Chairman, one more question. Are you familiar with Senate bill 690, or the bill which was substituted for it in the House, which deals generally with providing aid for increased use of agricultural products for industrial purposes?

Mr. BURMEISTER. I am not familiar with the details. I am only familiar that it is a bill, and it is to expand research and utilization of agricultural products.

Senator HARTKE. Is the Department generally in favor of such legislation?

Mr. BURMEISTER. I believe they are in favor of one of those bills; yes, sir. I have forgotten which one, though.

Senator HARTKE. All right, thank you, sir.

The CHAIRMAN. All right. The next witness is Mr. Kaplowitz, U.S. Tariff Commission.

**STATEMENT OF PAUL KAPLOWITZ, U.S. TARIFF COMMISSION;
ACCOMPANIED BY JOSEPH S. NICHOLSON, COMMODITY INDUSTRY
ANALYST, U.S. TARIFF COMMISSION; AND THOMAS J. SCOTT
ASSISTANT CHIEF, CHEMICAL DIVISION, U.S. TARIFF COMMISSION**

Mr. KAPLOWITZ. Mr. Chairman, we were asked to appear here today. We have no prepared statement. We reported to your committee on this bill in August. We also wrote a letter in response to a letter from you in February 1960. I have Mr. Tom Scott, and Mr. Joseph Nicholson, our commodity experts, to answer any questions which the committee may have.

The CHAIRMAN. Does the committee desire the letter recorded of February 8, 1960? Perhaps you may read the letter.

Mr. KAPLOWITZ. February 8?

I have your letter of February 1 asking for information relative to competition between imported casein and domestically produced isolated soybean protein in nonedible uses.

Although casein and isolated soybean protein for nonedible use differ in nature and structure, they are so similar in appearance and working qualities that they can be used interchangeably in certain uses. It is reported that isolated soybean protein has displaced casein almost completely in the production of glues used in the manufacture of plywood, that it has displaced casein to a large extent in coating wallpaper and to a lesser extent in coating other papers, and that it has largely displaced casein in the manufacture of waterproof paints. It is also known, however, that synthetic resins and synthetic latex have, to a certain extent, displaced both casein and isolated soybean protein both in the above uses and in other uses.

Being interchangeable in use, it is probable that displacement of casein by isolated soybean protein was determined in large part by the fact, as shown in the attached table, that soya protein frequently was quoted at lower prices than casein. Contributing to this price differential, and offsetting a 2¾-cent decline in the quoted price of imported casein immediately following the effective date of transferring casein from the dutiable list to the free list, a new process for manufacturing isolated soybean protein was perfected in 1958 which enabled the material to be quoted at 4 cents per pound lower than material made by the old process. It is understood that both the old and the new processes are currently employed and, occasionally, that protein made by the old process is quoted at the same price as that made by the new process.

Official statistics on domestic production of isolated soybean protein are not available; but it is reported in the trade literature that production approximated 20 million pounds as early as 1951 when imports of casein amounted to 43.6 million pounds, and it is estimated by an official of the Soybean Processors Association that between 42 and 48 million pounds were produced in 1959 when

94 million pounds of casein were imported. Despite the increase in imports of casein subsequent to its having been placed on the free list, the ratio of production of isolated soybean protein to imports of casein appears to have increased (from 46 percent in 1951 to 48 percent in 1959), rather than to have decreased. Moreover, it is estimated that the domestic production of sodium, potassium, and calcium caseinates, and of casein hydrolysates—in large measure from imported casein because imports account for 98 percent of apparent domestic consumption—may remove at least 10 million pounds of casein from competition with isolated soybean protein in 1960.

If we can be of further service, kindly advise us.

Sincerely yours,

JOSEPH E. TALBOT, *Chairman.*

The CHAIRMAN. Thank you; are there any questions?

Senator HARTKE. Mr. Chairman, isn't it true that some of the competitive items of casein resulted from the fact that isolated soya protein was used in new items, and then the casein came in after they had developed the new process?

Mr. NICHOLSON. I have seen that on brochures submitted by the Central Soya Co.

Senator HARTKE. That is right. In regard particularly to washable wallpaper. They developed this item for washable wallpapers, and after it was developed with soy protein, the casein moved in to take over their business.

Mr. NICHOLSON. That was the first time that I knew that.

Senator HARTKE. And also this was true in water-based latex paints; isn't that right?

Mr. NICHOLSON. That statement I think is in the same brochure.

Senator HARTKE. In other words, they have been doing the experimentation, and then the casein comes in and takes over the business.

Mr. NICHOLSON. That is in their brochure. That is the first time I had known or seen it.

Senator HARTKE. You have no reason to doubt but what that is true; do you?

Mr. NICHOLSON. I have no reason to doubt, because I don't know.

Senator HARTKE. Are you familiar with what the duty is, if any, from Poland, on the American soy protein?

Mr. KAPLOWITZ. Polish duty? No, I don't have that information.

Senator HARTKE. Thank you. That is all I have.

The CHAIRMAN. Thank you very much.

The next witness is Mr. Phillip S. Blickensderfer, Champion Paper & Fibre Co., accompanied by William P. Taylor.

Take a seat, Mr. Blickensderfer, and you may proceed.

STATEMENT OF PHILLIP S. BLICKENSDERFER, DIRECTOR OF PROCESS CONTROLS, CHAMPION PAPER & FIBRE CO., ACCOMPANIED BY WILLIAM P. TAYLOR, ASSISTANT DIRECTOR OF RESEARCH AND DEVELOPMENT, AND G. A. JACKSON, DIRECTOR OF PURCHASING

Mr. BLICKENSDERFER. Mr. Chairman, my name is Phillip S. Blickensderfer. I am appearing before you today in support of the proposal to extend the suspension of the import duty on casein for an additional 3 years.

I am employed by the Champion Paper & Fibre Co. whose principal offices are located at Hamilton, Ohio. My title is director of process

controls. In this capacity I am responsible for the supervision of all the Champion's technical activities that are carried out at our three manufacturing divisions.

I obtained a bachelor of arts degree in chemistry from the University of Wisconsin. I have performed technical work in research and in production during more than 22 years of employment at Champion.

The statements I am to make represent Champion's experience with isolated soya protein versus casein as paper coating adhesives. These technical statements are supported by the experiences of the S. D. Warren Co. and the Mead Corp., who, with us, represent three of the largest users of soya protein and casein as industrial adhesives for the production of high grade coated printing papers.

If you wish verification of these statements, representatives of these companies are present here this morning.

Representing the S. D. Warren Co. are Dr. Joseph J. Thomas, associate director of research and Charles A. Gooding, assistant manager of purchasing.

Representing the Mead Corp. is Mr. George E. Brombacher, Jr., director of corporate purchasing.

Representing the Champion Paper & Fibre Co., in addition to myself, are: Mr. G. A. Jackson, director of purchasing, and Mr. W. P. Taylor, assistant director of research and development.

We believe that other paper companies who use coating adhesives also would concur with us in our views.

Please feel free to interrupt me at any time. The representatives of the aforementioned companies and I are anxious to clarify our statements. We shall be glad to answer, to the best of our abilities, any questions you may have.

I would like to leave with the committee an illustration of Champion's and S. D. Warren's coated paper for your possible interest and inspection.

(The following was subsequently received for the record:)

Mr. Blickensderfer submitted for the committee's files, as an example of the coated and cast-coated papers of which casein is an essential ingredient, a brochure published by Champion entitled: "View 1: The War We Are In." The text of this special publication describes the political and economic threat of the worldwide Communist regime, and the steps which must be taken to defeat it.

The Champion Paper & Fibre Co. has been manufacturing printing papers for 67 years. Today it is one of the leading manufacturers of fine printing papers in the United States.

Champion operates pulp and paper mills in Canton, N.C., and at Pasadena, Tex.; also two paper mills at Hamilton, Ohio. Our company employs approximately 11,000 people, has an annual payroll of approximately \$70 million, and has a gross sales of approximately \$190 million annually.

The paper industry uses over 60 percent of all the nonedible casein imported into this country. Nearly all of this casein is used in the manufacture of coated paper. As one of the leading manufacturers of high-quality coated paper, Champion is one of the largest users of nonedible casein.

The paper and allied products industry has a total annual sales of about \$10.5 billion. Of this, coated paper sales amount to about \$500

million annually. Casein plays a vital and integral role in this industry.

The selection of a coating adhesive is a complicated matter. The best adhesive is one that gives the most favorable balance between product quality, manufacturing cost, and runability, using available equipment and know-how. I would like to elaborate on this point:

Each grade of paper—and there are many grades—represents a combination of properties which has been arrived at by years of experimentation and evaluation. To change a single grade, as a rule, will involve thousands of dollars and might require months, if not years, for acceptance by our customers.

Soya protein is an effective and satisfactory adhesive for some grades of coated paper. During the past several years Champion has made a concerted effort to utilize soya protein as an adhesive in our paper production; for example, we purchased approximately one-half million dollars' worth of soya protein in 1959 and incurred great expense in attempting to adapt it to our manufacturing processes. Furthermore, as in the past, our research and production people are continuing to work closely with the soya protein manufacturers.

However, soya protein usage represents only a fraction of our total coating adhesive requirements. The majority of our demand is filled by casein, starch, and latex. As in the case of soya protein, our usage of casein, starch, and latex represents our best efforts to select the most satisfactory adhesive for the particular requirements to be met.

We use large quantities of casein for those grades of paper that require the highest printing quality, the best degree of water proofness, and those that require a variety of critical properties which must be adjusted in the proper overall balance.

These papers include machine coated, off-machine coated, and cast coated grades used for exceptionally fine letterpress, offset, and roto-gravure printing. We emphasize that, in many cases we have been unable to use soya protein to obtain the required properties for these high quality grades under satisfactory manufacturing conditions, in spite of our best efforts and with support from soya protein manufacturers, and their technical representatives. We stress that soya protein is not a satisfactory replacement for casein in the majority of our coated paper grades.

We find that the principal deficiencies in soya protein which prevent it from being a satisfactory replacement for casein are—

1. Unsatisfactory waterproofness, including wet rub resistance.
2. Inferior printing quality, especially in lithographic grades.
3. Difficulties in operating variables on conventional coating equipment.

In support of this statement, when the duty on imported casein was in effect, we were unable to substitute any substantial amount of soya protein for casein in our coating operations. When the duty was removed in 1957, we did not diminish our purchases of soya protein nor did we relax our efforts to find ways to use it.

We believe it is to our best interests to secure a satisfactory substitute for casein, particularly one of domestic origin.

Such a substitute would give us an alternative raw material that would require less inventories. As previously stated, we have invested

much time and energy in research on soya protein. Also, we have spent many thousands of dollars in running mill trials.

We are continuing these efforts today. Perhaps in the future the paper industry and the soya protein industry, working cooperatively, might be able to obtain this result with soya protein. Until that happens, however, we must continue to use casein as our principal coating adhesive.

Since our use of casein is based on its unique properties, and since our products, our processes and our equipment require the use of this material, we do not anticipate increasing the ratio of soya protein to casein in the immediate future even if a tariff were to be reimposed upon casein.

The net effect of such a tariff merely would be to increase our costs of manufacture but not to increase our usage of soya protein.

In summary, we contend that as in the past, the interests of both the paper industry and the soya manufacturers would be served best by improving soya protein through research and development. We believe that neither the paper industry nor the soya protein manufacturers would benefit by a tariff on imported casein.

Because of the foregoing reasons, we wholeheartedly support and urge the adoption of proposed legislation to continue the suspension of the import duty on casein for an additional 3 years.

Thank you.

The CHAIRMAN. What are your total purchases of casein?

Mr. BLICKENDERFER. In casein? I would like, Mr. Chairman, to refer that question to our director of purchasing, Mr. Jackson, if you would so permit.

Mr. JACKSON. Mr. Chairman, in the paper manufacturing industry, the relative usage of these adhesives has been held by all of us as a trade secret.

The CHAIRMAN. A trade secret how much?

Mr. JACKSON. Yes, sir; we have not given that information. I would like to—

The CHAIRMAN. In other words, what I am getting at, what is the percentage of your soya protein as compared to casein that you use. That is separated, isn't it?

Mr. BLICKENDERFER. Well, I would say that this depends to a considerable extent on the particular product mentioned at the time. And speaking for our own company, we might use as much as 10 to 15 percent soya protein of our total adhesive demands, if we found that that particular adhesive was satisfactory, and in many cases we have said it is.

The CHAIRMAN. In other words, of casein, you would use 80 to 85 percent?

Mr. JACKSON. Yes. And our past usage would not reflect a true usage, because much of it has been done in research and experimentation, Mr. Chairman.

The CHAIRMAN. Have you got knowledge of how the imports are separated as between soya protein and casein? Is it all under one head?

Senator BENNETT. We don't import the soya protein. That is made in this country.

The CHAIRMAN. All the imports are casein?

Mr. JACKSON. Yes, sir.

Mr. BLICKENSBERGER. I might mention that in our company we are quite selective in the type of imported casein that we want to buy. We can specify what company we buy it from, because there are slightly different properties in different supplies.

The CHAIRMAN. You are using soya protein wherever you can?

Mr. BLICKENSBERGER. Yes, sir.

The CHAIRMAN. It is 2 or 3 cents more costly, isn't it? The cost is a little more than the casein?

Mr. JACKSON. That market fluctuates from time to time. At times they are somewhat comparable. In the recent past soya protein in some instances has been higher.

Mr. BLICKENSBERGER. Perhaps this would be helpful, Mr. Chairman.

We in manufacturing try to supply a product to satisfy a customer. And we try to do this at the lowest possible price. And we try in every way we can to meet his demands.

The CHAIRMAN. The finishing of the paper in this pamphlet here, would this be with soya protein or casein?

Mr. BLICKENSBERGER. That is predominately casein coating.

The CHAIRMAN. Do you mix the two together?

Mr. BLICKENSBERGER. Well, again, if we find we can meet the requirements, and if there is an economic advantage, either to us or to the customer, we do so. We are saying that our best efforts have not permitted us to do this yet to any great extent. Possibly it would be helpful to the committee if we would ask Dr. Thomas, of the S. D. Warren Co., if he would like to comment, reflecting the viewpoint of a different company that you could compare with our company.

The CHAIRMAN. You look forward to an increase in soya protein, do you?

Mr. BLICKENSBERGER. We look for an increase—

The CHAIRMAN. Percentagewise?

Mr. BLICKENSBERGER. We would be anxious to use an improved product, especially if it is one that would be economic as well.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Yes, Mr. Chairman.

Where do you import your casein from?

Mr. JACKSON. Principally Argentina. Some of our imports have come from Poland.

Senator HARTKE. How much from Poland?

Mr. JACKSON. A small amount—a very small amount.

Senator HARTKE. Do you believe it is to your advantage to do business with Poland?

Mr. JACKSON. That has been more or less an experimental process, Senator.

Senator HARTKE. In what relation?

Mr. JACKSON. We have not bought any big quantities of Polish casein.

Senator HARTKE. What relation to experimental? Type of it, or what do you mean?

Mr. BLICKENSBERGER. May I answer that, Mr. Chairman?

We find that there are slight differences in casein, depending upon the country in which it is produced, because in fact the methods of

production are slightly different between different countries. It would not be to our company's best interests if we didn't explore all the possibilities to arrive at the very best product for our end product, and for our customers. And so knowing this, we will use experimentally caseins from various countries—France, Poland, New Zealand, and the Argentine, and so on.

Senator HARTKE. You are the biggest users in the business of casein; is that right?

Mr. BLICKENSBERGER. We are one of the largest users in the coated paper industry.

Senator HARTKE. On this amount that is coming in from Poland, do you feel you are the biggest users of the importation from Poland?

Mr. JACKSON. No, sir.

Senator HARTKE. Who is?

Mr. JACKSON. I don't have any idea.

Senator HARTKE. Do you have the figures there?

Mr. BLICKENSBERGER. No.

Senator HARTKE. But you believe if the Polish casein proved to be economically advantageous to you, and it had the proper qualities for doing so, that it would be to your best interests to use it; isn't that right?

Mr. BLICKENSBERGER. On the face of it, the answer, of course, would be yes, because our long-range interests are much broader, possibly, than our immediate interests. You see, our big interest is to stay in business, and to give our customers the very best product that we can possibly give them at the lowest possible cost. Our customers, of course, are all over the United States and represent a large number of people.

Senator HARTKE. And because of the differential of cost between imported casein—soya protein and imported casein, it is to your advantage to continue to import casein; isn't that right?

Mr. BLICKENSBERGER. Yes. But first, because of quality, sir. We have to make a product that is acceptable or we can't sell it. Then our next problem is to make it at a profit. Would you care to comment on that, Mr. Taylor?

Senator HARTKE. Have you ever heard of the Alliance Paper Mills, Ltd.?

Mr. BLICKENSBERGER. Yes.

Senator HARTKE. Are they considered a reputable outfit?

Mr. BLICKENSBERGER. By all means.

Senator HARTKE. Are you familiar with the fact that Canada just recently imposed a 25-percent duty on soya protein?

Mr. BLICKENSBERGER. I have been led to so believe; yes.

Senator HARTKE. And, as a result of that, they have had to discontinue the use of protein and go back to using casein; isn't that right?

Mr. BLICKENSBERGER. I know that the import duty has been imposed. I am not familiar with the results.

Senator HARTKE. But you do believe that price is one of the predominant factors in—

Mr. JACKSON. May I—

Senator HARTKE. Now, wait a minute. You do believe that price is one of the predominant factors in which country you should import your casein from; isn't that right?

Mr. BLICKENSBERGER. I would like to put it this way. In any manufacturing process, costs of manufacture, of course, are exceptionally important. But the way we normally work is that we try to start out with an acceptable product, and then we try to get the lowest possible cost for it. And since removal of the duty in 1957, as we pointed out, we have used more soya protein than any previous time. But that has been primarily, first, that we could work it in, as we indicated in our presentation, and that to that extent we have been able to use it.

Senator HARTKE. And in the event that an item which was of a substantive quality came from Argentina and Poland, and the price advantage would be to buy from Poland, it would be to your best interests to purchase from Poland; would it not?

Mr. BLICKENSBERGER. Only if we felt that the quality—

Senator HARTKE. That is what I said. And you believe in this type of thing very deeply, do you not, in order to maintain your business economically?

Mr. BLICKENSBERGER. Well, we are in a competitive business, and we try to do the best we can, taking everything into consideration.

Senator HARTKE. And that means doing business with the Communist countries; doesn't it?

Mr. BLICKENSBERGER. Well, before purchasing casein, if there are restrictions imposed by the Government—

Senator HARTKE. I am not talking about restrictions now. I am talking about basic philosophy. In other words, this is what you believe; isn't that right?

Mr. JACKSON. We are buying caseins that are much more expensive than soya bean proteins.

Senator HARTKE. I am not talking about soya proteins at all. I am talking about casein which you would buy from Argentina, which is a bigger supplier than Poland. If the price is better from Poland you would buy it there.

Mr. JACKSON. Senator, if you are implying we are unAmerican in our activities, we deny that, certainly.

Senator HARTKE. Well, the reason I ask that question, you put out this big brochure here, and you put this big picture of Mr. Khrushchev saying, "We value trade least for economic reasons and most for political purposes." And it appears you are evidently going to contribute to this while give lip service to the contrary view.

Mr. BLICKENSBERGER. No, sir, I don't think that is the way we see that at all, sir.

(The brochure referred to was submitted as exhibits of Champion's and S. D. Warren's coated paper. The text was considered irrelevant. See p. 28 for description of brochure.)

Senator HARTKE. And in this brochure you gave to us you quote from the Communist Economic Strategy National Planning Association of 1959, on page 16, in which it says, and I quote, "On the other hand, agricultural production in the U.S.S.R. is already two-thirds of America's, and may well surpass it by 1965, the more so as the problem in the United States is the restriction rather than the stimulation of farm output."

Mr. BLICKENSBERGER. We did not necessarily quote that. That is a quotation which we printed for the American people to understand.

Senator HARTKE. For the American people to understand?

Mr. BLICKENSBERGER. That is right, sir.

Senator HARTKE. And what we are doing here is doing business with Poland, with these very people, to the detriment of our soybean people in the United States, are we not?

Mr. BLICKENSBERGER. No, sir, I wouldn't say that, sir; not to the detriment.

Senator BENNETT. Mr. Chairman, may I ask a question or two?

Do you require a variety of caseins in the whole range of your manufacturing program—caseins with a variety of characteristics?

Mr. BLICKENSBERGER. Bill, would you care to answer that?

Mr. TAYLOR. I am William P. Taylor, assistant director of research and development.

“Require” is perhaps too strong a word. We prefer to have a variety of caseins available. Some of them, such as New Zealand casein, have different properties from other caseins, like the casein from the Argentine, and we feel there is an advantage in using one rather than another under certain circumstances. They are essentially interchangeable, though. We do not find the enormous difference between different grades of casein that we find between casein and soy protein under some conditions.

Senator BENNETT. I used to be in the paint manufacturing business, and we called them formulas. Your manufacturing formulas are written up so that if in a given formula New Zealand casein is available, you put New Zealand casein there, regardless of the price on Argentine casein.

Mr. BLICKENSBERGER. That is right, sir.

Senator BENNETT. So there are differences in the characteristics of these caseins.

Mr. BLICKENSBERGER. That is correct.

Senator CARLSON. Now, I assume from what you said earlier that there are also differences in the characteristics of soya protein. Are there different characteristics between soya proteins from different sources?

Mr. BLICKENSBERGER. By all means, sir.

Senator BENNETT. So the idea that you can say that casein is just one homogenous product, and soya protein is another homogenous product, and you can substitute back and forth freely on a basis of price, is not a very sound idea?

Mr. BLICKENSBERGER. That is correct, Senator.

Senator BENNETT. If you were deprived today of any foreign casein, and found yourself faced with the responsibility to change over completely to soya protein, what kind of a problem would you face?

Mr. TAYLOR. It would be an enormous problem, Senator. We would not change completely to soya protein, because we could not. It is completely unsuitable for use in some of our grades. We would initiate an expensive research program to use some synthetic products which are now a replacement for both soya protein and casein, and which we are now using to some extent.

Senator BENNETT. Then the problem is not entirely a competition between casein and soya protein. They are just two of a variety of coating products you have available.

Mr. BLICKENSBERGER. That is correct, sir.

Senator BENNETT. And price is not the only basis on which you make your choice? There are product characteristics?

Mr. BLICKENSBERGER. That is right.

Senator BENNETT. Which led you to make your choice?

Mr. BLICKENSBERGER. Yes, sir.

Senator BENNETT. If soya protein were available, and you could be sure that you had a price advantage in soya protein over any casein—how greatly would that change your current manufacturing process?

Mr. BLICKENSBERGER. Well, it would certainly encourage us to find ways of using it, because of the obvious economic benefit.

Senator BENNETT. But you wouldn't be able to change it over completely?

Mr. BLICKENSBERGER. No, not as we understand it now, sir.

Senator BENNETT. You might turn to the other substitutes.

Mr. BLICKENSBERGER. Yes, sir.

Senator BENNETT. Is it fair to say, as I have listened to this discussion, that your experience, the experience of the industry, both yours and that of the manufacturers of isolated soya protein, is probably less in extent than your experience with caseins? Is this a more naturally untried product than casein?

Mr. TAYLOR. You are correct, for this reason, that it has been improved very rapidly in recent years. The earlier products which we got about 1942 were entirely unsuitable for any use, in any of our products. By virtue of research which has been done in the soya protein business, there are now grades of soya protein which are suitable for some grades of coated paper. It is not yet a complete replacement. If we continue the research activities at the present rate, we have hopes there will be some high grade and interesting products available in the next 5 or 10 years.

Mr. BLICKENSBERGER. That is why we concluded by saying we encourage the research effort by the soya people and are participating in it.

Senator BENNETT. Can you give me or give the committee any idea of the area of "substitutability," I think somebody used that word, now, as between casein and soya protein, if you were free to make your choice—over what proportion of your production could you replace casein with soya protein, without damaging your product?

Mr. BLICKENSBERGER. Well, the figure we gave you represents the maximum.

You see, our position is this. We manufacture very high quality printing papers for offset printing, or cast coated paper, such as the cover on this brochure we presented. At the present time we require the use of casein. We cannot satisfactorily produce that quality with soya protein yet. And therefore that is just an example. Therefore, I would say maybe 5 to 10 percent maximum, depending upon our particular product mix.

Senator BENNETT. Well, that is the kind of picture I wanted to get. We are being given the impression that you can substitute soya protein completely for casein.

Mr. BLICKENSBERGER. This is not true.

Senator BENNETT. That has been bothering me. You say it is probably 5 to 10 percent?

Mr. BLICKENSBERGER. We don't doubt that some companies have a higher percentage than that. We are only speaking from our own experience.

Senator BENNETT. And if you found yourself in a situation where you were literally forced to make a substitution, it would probably result in a change of the quality of your paper?

Mr. BLICKENSBERGER. That is right.

Senator BENNETT. Or it might require you to draw a paper and substitute one?

Mr. BLICKENSBERGER. That is right.

Senator BENNETT. So they are not completely interchangeable?

Mr. BLICKENSBERGER. Absolutely not.

Senator BENNETT. Thank you, Mr. Chairman.

The CHAIRMAN. Is there any tariff on soybean protein? I understand it would not be profitable to import it. But should it be offered by an importer, is there a tariff on it?

Mr. JACKSON. I don't know, sir.

Senator BENNETT. Is the Tariff Commission man here?

Mr. SCOTT. We called the Customs Bureau, who have to say on that, and they didn't know.

The CHAIRMAN. I would like somebody to furnish that for the record.

(The following was subsequently received for the record:)

U.S. TARIFF COMMISSION,
April 1, 1960.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR SENATOR BYRD: During the hearings on H.R. 7456, a bill to continue the present suspension of the duty on imports of casein, you asked the Tariff Commission representatives present at the hearing to supply the Senate Finance Committee with information as to the present duty on imports of "isolated soybean protein."

As there have been no imports of "isolated soybean protein" the Bureau of Customs has not made an official ruling as to the tariff classification of this product. We have discussed this matter informally with certain members of the staff of the Customs Bureau. They believe that imports of "isolated soybean protein" would be classifiable as a nonenumerated manufactured article under paragraph 1558 of the Tariff Act of 1930, as modified, if the duty on casein is suspended. In such a case the duty would appear to be at the rate of 20 percent ad valorem if the product is edible, or at a rate of 10 percent if inedible. However, during any period when the duty on casein is not suspended, they believe that "isolated soybean protein" would be dutiable by virtue of the similitude clause in paragraph 1559 of the Tariff Act of 1930, as amended, at the rate applicable to casein, i.e., 2.2 cents per pound if a product of Cuba or 2¾ cents per pound if a product of any other country not of the Soviet bloc.

If we can be of further service in this matter, please advise us.

Sincerely yours,

J. ALLEN OVERTON, JR.,
Acting Chairman.

Senator HARTKE. Mr. Chairman, in other words, though, the mere fact that the tariff on this is not suspended would not keep you from importing casein; would it?

Mr. TAYLOR. Your question, as I understand it, was does the tariff affect our usage of casein?

Senator HARTKE. Read the question.

(The question was read by the reporter.)

Mr. TAYLOR. I should like to emphasize as strongly as possible the very small part that the tariff has played in our choice of adhesives. During the 3 years that there has been no tariff whatsoever, we have used more soya protein than in the entire history of the company before that time.

On the other hand, before then, when the tariff was in effect, it did not cause us to decrease our uses of protein. Our choice is entirely based on quality. If the price becomes prohibitive, as I say, we should be forced into another material entirely than either soya protein or casein. But our choice between the two is not affected by the tariff.

Senator HARTKE. I didn't ask anything about between the two. I just asked a simple question. I said if the tariff is not suspended, it would not keep you from importing casein; isn't that right?

Mr. TAYLOR. That is correct.

Senator HARTKE. And any implication that the quality of the paper is going to go down because this tariff is not suspended is not true. That is not a fair assumption; is it?

Mr. BLICKENSBERGER. No, sir.

Senator HARTKE. Now, Mr. Chairman, for the sake of the committee, I would like to read for the record a statement from a reputable paper company. If the committee decides they want the name of the company it is all right.

This is a cancellation of an order.

This order has been on record for a long time now. I thought that it would be best if I wrote you and canceled it. I am sorry to have to do this but it doesn't look like we will be taking this order unless there should be a sudden jump in casein prices. At this time of year, this is hardly going to happen—in fact, we expect the casein price will drop slightly.

Delta protein at 20 cents per pound, plus 25 percent duty, plus freight, is landing here at a slightly higher price than casein. We have been fortunate in obtaining casein at 25 cents per pound. If we could get the duty taken off, then it would again be an attractive proposition.

Which in substance, Mr. Chairman, from a reputable outfit, is a fair assumption that price is the overriding consideration.

Mr. BLICKENSBERGER. Mr. Chairman—

Senator HARTKE. I have no further questions.

Mr. BLICKENSBERGER. Mr. Chairman, to attempt to clarify a point that Senator Hartke mentioned earlier with regard to the brochure which we used to illustrate our paper, if the Senator will read our brochure, we believe he will find that, contrary to the implications of the question, the document before him is directed as a message to the American people as a warning against the Soviet menace. This was an attempt to produce this message on our paper, as a warning to the American people. And we feel that this is in the public service.

The CHAIRMAN. You understand—you said something about putting it in the record. You are referring to this; aren't you?

Mr. BLICKENSBERGER. Yes, sir.

The CHAIRMAN. We will file it with the committee. But we couldn't very well put it in the record.

Mr. BLICKENSBERGER. Yes, sir.

Senator BENNETT. Can you say offhand whether there are any papers in this pamphlet that have been coated with soya protein?

Mr. BLICKENSBERGER. To my knowledge, no sir.

Senator BENNETT. Are there any papers in here that have been coated with substitutes—other substitutes for casein?

Mr. BLICKENSBERGER. Yes, sir. We think that that would be true, sir.

Senator BENNETT. This outside has been coated with casein?

Mr. BLICKENSBERGER. Yes.

Senator BENNETT. No coating on there other than casein?

Mr. BLICKENSBERGER. That is right.

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

The CHAIRMAN. The next witness is Dr. Allen K. Smith, of Northern Regional Laboratories, Department of Agriculture, Peoria, Ill.

Dr. Smith, take a seat, sir, and proceed.

STATEMENT OF DR. ALLEN K. SMITH, NORTHERN REGIONAL LABORATORIES, DEPARTMENT OF AGRICULTURE, PEORIA, ILL.

Mr. SMITH. I only knew of this meeting on Tuesday. I did not come with a prepared statement. I understood that I was to act as a technical man in this meeting. I would be glad to have you ask me any technical questions that you would care to ask me, and I will answer them the best I can.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. How long have you been working at research with isolated soya protein?

Mr. SMITH. Since about 1934.

Senator HARTKE. Can you just briefly tell us what isolated soya protein is?

Mr. SMITH. Well, I can define isolated protein best by a brief description of the method of making it. The whole beans are taken. The hulls are removed and the oil is removed. Then you have what we call soybean oil and meal, a rather special grade, because they avoid all heat treatment.

Following that, they extract this meal with alkaline solution, which dissolves most of the protein. This alkaline solution is separated from a residue, which is insoluble. The solution then containing the protein, we have the so-called isolated protein. That is the process of isolating it. And it is dried.

I should add also that when this is made for industrial purposes, it usually received some additional chemical treatment, to make it meet the requirements for which it is intended.

Senator HARTKE. To what extent is isolated soybean protein interchangeable with the use of casein?

Mr. SMITH. In my opinion it is quite generally interchangeable. I would say that in most applications. I would feel that soya protein is interchangeable. In cases where there are some differences, perhaps these differences can be corrected through research.

Senator HARTKE. Generally speaking, they are interchangeable; is that right?

Mr. SMITH. Generally speaking, yes, they are quite interchangeable.

Senator HARTKE. Is this true also of edible?

Mr. SMITH. Oh, yes. Perhaps it is more true of the edible than it is of the industrial.

Senator HARTKE. Will you just briefly review the progress which has been made in the field of isolated soya protein during your experience since 1934?

Mr. SMITH. In 1934 I was in the Institute of Paper and Chemistry at Appleton, Wis., when the first pilot plant for making isolated protein was installed at Cleveland, Ohio. We were asked to investigate the use of isolated protein in paper. And we did find the first industrial use for isolated protein in paper sizing.

We were also particularly interested in developing the paper-coating field, because that is the largest single application for the industrial protein. Through our work and that of the company involved, the properties of protein were developed and adjusted to meet that requirement for making good paper. And of course naturally other uses followed.

Later, I joined the Department of Agriculture, the U.S. Regional Soybean Laboratory at Urbana. Since that time I have worked on industrial proteins, to some extent on food proteins. I have seen a gradual development of the protein industry from a very small plant, 1 ton a day in Chicago, to as testified recently here approximately 50 tons a day for industrial production, and a small tonnage now for food products.

This is largely through chemical research, contributed by industry, and the efforts of the Department of Agriculture.

Senator HARTKE. It has been a cooperative affair?

Mr. SMITH. It has been very cooperative, yes, sir.

Senator HARTKE. In your opinion, is it possible that isolated soya protein could completely replace casein in paper coating and in paint and in joint cement?

Mr. SMITH. I wouldn't want to say at this time that you could have a complete replacement.

Senator HARTKE. About what percentage, would you say?

Mr. SMITH. I wouldn't be able to give you any good figures percentage-wise. However, in all this utilization, there are often small differences in the final products which are important, of course, in marketing. However, I feel that certain soybean protein would be able to fulfill a very large percent of any market that casein might have.

Senator HARTKE. Is it not true that the entire quantity at the present of casein imports could be reprocessed and then used for edible purposes?

Mr. SMITH. That is a good possibility.

Senator HARTKE. And thereby they could displace and replace the domestic milk products, and soybean protein, and wheat gluten; is that right?

Mr. SMITH. It could. I mean, they are very similar in properties, quality, and things of that kind. I might point out that the soybean has had to be chemically developed more than the casein. It requires more research to get it into the industrial food products than casein; it is somewhat easier to use than casein. But through this development, it is possible to replace the casein with the soybean protein.

Senator HARTKE. The soybean industry, as a result of these experiments, and this scientific use with chemicals—we have been able to assimilate an awful lot of soybeans in the United States?

Mr. SMITH. Yes.

Senator HARTKE. It is now becoming one of our leading agricultural products.

Mr. SMITH. Well, soybeans is one of our leading agricultural products. Of course, the industry we are talking about now we have to say is a small industry. However, the food angle of this industry is very young. It is only a few years old. Those of us in the field feel its potential is far beyond what the industrial use is at this time or even in the future.

Senator HARTKE. Therefore, in your opinion, we should continue these experiments; isn't that right?

Mr. SMITH. I think so, of course.

Senator HARTKE. That is all the questions I have, Mr. Chairman.

The CHAIRMAN. Thank you very much, Doctor.

The CHAIRMAN. I understand that Mr. J. D. Sykes, of Ralston Purina Co., has to leave town on a plane, so we will take him next.

STATEMENT OF J. D. SYKES, VICE PRESIDENT OF THE RALSTON PURINA CO.

Mr. SYKES. I am J. D. Sykes, Ralston Purina Co. I am vice president in charge of public relations.

I would like to thank the committee on behalf of our company for this opportunity to present this very brief statement, being one of the newer manufacturers of industrial protein, or isolated protein.

With your permission, Mr. Chairman, I will read the statement very briefly.

Casein, a skim milk derivative used in the manufacture of paper, plastics, adhesives, paints and certain foods, enjoyed protection of U.S. tariff provisions from 1922 until 1957. On September 2, 1957, H.R. 38 was enacted to provide for the temporary free importation of foreign casein until March 31, 1960. H.R. 7456 now seeks to renew this temporary suspension of duty on foreign casein until March 31, 1963.

The suspension of duty on imported casein was effected in 1957 because Government subsidization of the dairy industry had resulted in the channeling of dairy products away from the manufacture of casein and into more profitable pursuits. The U.S. agricultural situation has changed to the point that if the suspension of the duty on foreign casein is extended, it will amount to a subsidization of Argentine, Polish, Austrian, United Kingdom, and other foreign farmers at the direct expense of American farmers and taxpayers.

In recent years agricultural research and advanced production techniques have succeeded in producing, on a practical commercial scale, isolated soybean protein, a competitive product of casein. A large percentage of industrial casein needs today is filled by isolated soybean protein. Expanding soybean production capacity has always been adequate to supply this fast-developing market.

The commercial use of isolated soybean protein affords promising markets for an important American farm product, soybeans. These expanding markets are a direct result of carefully planned and costly research programs of both Government and industry. Last year, the U.S. Northern Regional Laboratory alone expended approximately

\$900,000 in research for soybean utilization. This expenditure and effort are multiplied many times over by other government and industry research having the same objective.

A most serious deterrent to a continuance of this research and industrial development will be posed by passage of H.R. 7456. Duty-free foreign casein competes directly with American isolated soybean protein.

If the proper climate for further development of the domestic isolated soybean protein industry is effected by defeat of H.R. 7456, the potential markets afforded American farmers will be boundless. Already some 23 million acres are devoted annually to soybean production, making it a major American crop. Passage of H.R. 7456 would seriously discourage further capital investment and continued research in isolated soybean protein production.

The depressing effects of suspending the duty were shown in 1957 when, after enactment of H.R. 38, substantially larger quantities of casein flowed into this country from such countries as Poland, Austria, the United Kingdom, Argentina, and others. (A schedule of imports by countries for the past 10 years is attached.)

At the same time, United Kingdom countries maintain a 20-percent ad valorem duty on American isolated soybean protein, and ad valorem duties imposed by Argentina and some other casein-producing countries range as high as 40 to 50 percent. Continuance of duty-free casein thus would deprive American farmers of the competitive protection foreign governments afford their own farmers.

Of great national concern is the development of markets for American farm products to relieve the burdens of commodity surpluses. Tremendous sums of tax money have been, and are being, appropriated for this purpose. The passage of H.R. 7456 would work directly in opposition to these efforts, would subsidize foreign agriculture at the expense of American agriculture, and would be contrary to the best interests of the United States.

(The tabulation referred to is as follows:)

Casein—U.S. imports by country of origin

[Thousand pounds]

Country of origin	1954 ¹	1955 ¹	1956	1957	1958	1959 estimated
Canada (including Newfoundland and Labrador).....	3,901	2,824	2,951	1,074	648	
Argentina.....	41,249	56,243	51,712	55,672	49,021	
Brazil.....			109	192		
Uruguay.....			492	923		
Other Latin American countries.....					1,229	
Norway.....			428	1,163	573	
Denmark.....			173			
Netherlands.....			460	1,024	2,244	
France.....	3,564	797	448	1,128	1,209	
West Germany.....			109		778	
Azores.....			210	314		
Spain.....			80			
Poland.....				324	7,490	
Portugal.....				221		
Yugoslavia.....				106		
Other European countries.....				13	946	
Australia.....		4,413	6,503	4,152	13,567	
New Zealand.....	5,591	7,563	6,998	8,298	13,560	
Other countries.....	5,528	2,640				
Total.....	59,833	74,480	70,673	74,604	91,265	101,000

¹ Imports for major countries only, which account for 91 to 96 percent.

Dr. SYKES. Thank you, sir.

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

Senator HARTKE. Thank you, Mr. Sykes.

The CHAIRMAN. The next witness is Mr. Strayer, Soybean Council of America.

**STATEMENT OF GEORGE STRAYER, EXECUTIVE VICE PRESIDENT
AND SECRETARY-TREASURER OF THE AMERICAN SOYBEAN
ASSOCIATION**

Mr. STRAYER. Mr. Chairman, gentlemen of the committee, first I would like to identify myself. My name is George Strayer. I came from Hudson, Iowa. I am executive vice president and secretary-treasurer of the American Soybean Association, which is the growers' organization. I am speaking today in behalf of that organization, the organization of producers of soybeans.

I also serve in a capacity with the Soybean Council of America. But I am not speaking for the Soybean Council today.

The question has arisen here this morning as to why there was not opposition by the soybean industry to this bill at an earlier date. I must confess that so far as our organization is concerned, we were not aware that the bill had passed in the House of Representatives, and we were not aware that it had come to the Senate Finance Committee, and that we did enter protest just as soon as we were aware the bill was underway. But it was probably our negligence. We must plead that we did not know what was going on in this matter.

We do appreciate very much the reconsideration by this committee of this matter.

The CHAIRMAN. Just for the purpose of the record, the Chair would like to state that no requests were made for hearings before the bill was reported by the Senate Finance Committee. It was on the calendar of the Senate Finance Committee since September 2, 1959.

The Finance Committee is very meticulous about giving hearings whenever they are requested. I think it was reported by the Senate Finance Committee in January 15. And during that period of 5 or 6 months, there was no request for any hearing.

I merely mention that—not in criticism at all, but to make it clear that the Finance Committee always gives hearings if it is requested to do so.

Mr. STRAYER. We greatly appreciate that fact, Senator. And we appreciate your willingness to reconsider this matter and hold hearings after we have passed up what would be the normal opportunity for such hearings.

I apologize for not having a written statement to submit to you today, but I have not been back at my headquarters since last Saturday, and this whole matter has come to a head since I left there. And I have not had an opportunity to present or prepare a written statement. I will do so, and submit it to your committee. (The prepared statement was subsequently submitted and appears on p. 119.)

The producers of soybeans are opposed to H.R. 7456, and to its passage for a period of 3 years, because it adversely affects our market for soybeans.

Now, soybeans are the fourth most important agricultural crop grown in the United States today. And in the Midwest and Midsouth areas, they are the second most important agricultural crop. They are today a major crop. We are not talking about a crop which is of minor importance. We are talking about a major crop, one which is of great importance to the farmers of the Midwest and the Midsouth areas.

We are not interested in banning exports and imported casein. We are interested in creating a favorable atmosphere for the growth in production of a product which we think is a good product, and which will receive much greater usage through a period of years.

Today, if the full market were absorbed by soy protein, it would take the production of about 9 million bushels of soybeans. But no one knows at this stage what this potential market might be. Certainly, it is much greater than it is today, because this whole field of isolated proteins is in its mere infancy.

We are trying to keep the soybean industry, and the producers of soybeans, out of trouble. And we think this is one means of doing this job.

I would like to point out to this committee that soybeans are one of the few commodities which have not been in price support trouble. We have never had sales of soybeans for foreign currencies or for any other program. Soybean production has increased tremendously to the point where it now absorbs about 23 million acres, more than 23 million acres, of land which would otherwise be used in the production of crops which would be in surplus.

During the period since World War II ended, we have increased the production of soybeans from approximately 18 million bushels per year, to a 1959 figure of 537 million bushels. And that increase has come about because our industry has gone out and found and developed markets for the commodities which are the end products of this soybean crop. So that this matter of market for isolated soy protein is one of a vast number of possible or potential markets, but it is one which is very important to us at this time.

Due to the intelligent pricing policies and the vigorous research programs on the part of both Government and industry, and these aggressive marketing efforts, the soybean from the beginning has been a blessing to American agriculture in its ability to absorb acreage out of other commodities, other crops.

It has offered a profitable outlet for farmers who were plagued with surpluses in these other areas.

Now, the two main products or commodities which come from soybeans are soybean oil and soybean meal. And it is the meal portion in which the protein is found.

The oil goes into largely the edible field. Some of it goes into the industrial field also. The major portion of the soybean meal, up to this time, has been used in livestock feeding. And today, some 90 to 95 percent of the total tonnage goes into livestock feeding.

But we have approximately reached the place in the development of this soybean industry when we could not go much further in expanding the markets for soy protein in livestock feeding operations. So that we must look to the industrial field for continuing and expanding outlets for this soy protein, if we are to continue to produce more soybeans.

Now, the thinking of many of the farmers in my part of the United States is that we cannot continue, through a period of years, to produce larger and larger quantities of corn to put into storage. We cannot continue to produce larger and larger quantities of wheat. We must develop markets for those commodities as rapidly as we can. But the potential markets for the products of soybeans in this country, and in other countries of the world, are vastly greater in terms of percentage than are the potential markets in many of these other commodities.

The American Soybean Association is opposed to the continuation of the suspension on this duty on milk casein, because we think that a duty which was in effect for a long period of years, and was suspended only 3 years ago, and was placed in effect at the request of one agricultural group in the United States in order that they might place their house in order and protect their pricing policies, we feel that our industry has a right to expect the same type of treatment at the present time.

I want to point out again that while we are talking in terms here today of 9 million bushels of soybeans, or roughly 400,000 to 500,000 acres of soybeans, that is not a large quantity in terms of our total. But the potential is much greater than that. I certainly am not in a position to even place a figure on it. But I can well remember the time when we wondered what we were going to do with the soybean meal from 75 million bushels of soybeans. Today we are producing over 500 million bushels of soybeans, and we are marketing the products. This is one step in a development process which in my estimation will go on through a period of years, and find much greater usage of protein from vegetable sources.

We ask that we have the benefit of this protection which was in existence until 3 years ago, during the period of time when our industry, the soybean industry, has an opportunity to grow into proportions under which it may meet today's needs, today's demands, and tomorrow's needs and demands.

I thank you again, Senator, for this opportunity to appear in behalf of the men who produce the soybeans of the United States.

The CHAIRMAN. We certainly thank you, sir, for a very able statement.

Senator HARTKE. Mr. Chairman, can I ask just one question. Were you ever notified, Mr. Strayer, by the Agriculture Department, of this bill coming up?

Mr. STRAYER. No, the first notification we had that this bill existed was about the middle of January when it was reported out of the Senate Finance Committee. Our usual sources of information on this type of thing did not divulge to us that this bill was in existence. We immediately filed a protest with our committee, when we learned of it. Up to that date we had not known of this bill.

Senator HARTKE. I think it is fair to say, however, that the chairman of this committee has been very gracious in permitting us to have this hearing, in order to have the facts brought out.

Mr. STRAYER. Yes, very definitely. We are highly appreciative of the efforts of the chairman of this committee to hold a hearing, and give us an opportunity to be heard.

The CHAIRMAN. I appreciate that. And I want to say that Senator Hartke was the first one to call it to my attention. As I said before, he is one of the very best members of the committee.

I would like to ask Senator Hartke if it be satisfactory to recess until 2:30?

Senator HARTKE. Fine.

(Whereupon, at 12:30 p.m., the committee was recessed, to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

Senator BENNETT. The time of 2:30 having arrived, and Senator Hartke has been reminded, I think we should go forward with the hearings.

Before we call the first witness, I have been asked to read this statement into the record.

In the interest of expediting the hearings, Mr. Ernest Stein of F. H. Paul & Stein Bros., Inc., of New York, who was scheduled to testify today, has relinquished his time.

He would like to be recorded as favoring a 3-year extension of the suspension of import duty on casein.

It is my understanding that the first three witnesses this afternoon will all be representatives of the Central Soya Co., Mr. Huger, Dr. Johnson, and Mr. Buelens.

Do you three gentlemen want to sit at the table together or do you want to testify separately?

I understand you each have a separate statement; that is fine. According to this list, Mr. Huger is to be the first witness.

Mr. HUGER. Yes, sir.

Senator BENNETT. Is that in complete accordance with your understanding?

All right, then, Mr. Huger, you may proceed.

Mr. HUGER. Thank you.

STATEMENT OF W. E. HUGER, VICE PRESIDENT, CENTRAL SOYA CO., INC.

Mr. HUGER. We should like, first, to thank the committee for giving us this opportunity to present this phase of the subject.

We should like further to make clear that we are not requesting that imports of casein be barred. We are, however, urging a climate which will encourage research and development of new uses for U.S. agricultural commodities.

When the Soybean Council of America was formed in 1956, Mr. David Wing, an Ohio farmer, and a director of this new organization, made the following statement:

I am hopeful that this organization can help prevent the same thing happening to soybeans, which have happened to corn, wheat, and cotton.

The December 1959 issue of the Chemurgic Digest, on the cover page, relates briefly the corn problem to which Mr. Wing referred. A copy of this issue, schedule A is attached. Mr. Wheeler McMillen's editorial in this issue points out the need for vision if chemurgic progress is to be accomplished.

A part of the wheat problem is recorded in the March 25 issue of Agricultural Marketing Service, Grain Market News, which reports that every bushel of this season's exports of 365,303,000 bushels of wheat from July 1, 1959 to March 18, 1960 was accomplished under Government subsidized programs.

Cotton has recorded a closely similar situation.

March 1 Planting Intentions indicate farmer plans to devote 24,667,000 acres to soybeans in 1960.

More than 20 million of this acreage increase has developed in the last 25 years.

This growth was no accident. It was the result of continued research and development in new processing methods, new products, new markets.

There is no readymade market awaiting the products of more soybean acreage. If soybeans are to stay out of the trouble which has befallen other crops, it will be accomplished by intensive research and exploration of potential markets.

Isolated soybean protein has been produced in the United States since 1935. During that period research has developed increasing adaptations in various industrial and food applications. This modest phase of the industry now utilizes approximately 3½ million bushels of soybeans annually.

The early history of isolated soybean protein was pioneered by three companies: the Glidden Co., the Drackett Co., and the Buckeye Cellulose Co.

In 1957 the Glidden Co. had started construction at Indianapolis of a large new isolated soybean protein plant, which would have doubled the utilization of soybeans for that purpose.

Following the casein duty suspension in late 1957, Glidden Co. halted construction of this new plant, abandoned plans for expansion in this field, and subsequently opened negotiations for the sale of their chemurgy division.

Attached schedule B shows photos of the stage of construction at that time. This incomplete structure and associated equipment might be considered today, a drab monument to the duty-free import of casein.

In late 1957 the Glidden Co. chemurgy division was transferred to Central Soya Co. Shortly thereafter Buckeye Cellulose Co. also abandoned the isolated soybean protein field, and sold its facilities to Ralston Purina Co.

In mid-1957 when casein duty suspension was being considered, the Drackett Co., another pioneer in the isolated soybean protein field, abandoned this field and sold its facilities to Archer-Daniels-Midland Co.

One might well ask: is this a healthy atmosphere for U.S. agriculture? Do we solve our agricultural problems in such manner?

As outlined in the attached schedule C most nations enjoying the duty-free casein market in the United States have formidable tariff walls against U.S. soybean products.

Furthermore, a trade news service currently reports—casein export subsidies from one of these countries. Copies of these trade news bulletins, schedules D and E are attached.

Also attached is schedule F containing information which we have submitted to the Tariff Commission and to the Department of Agriculture on this subject.

I am sure that Congress is sincerely concerned with the cost to taxpayers of agricultural surplus.

Furthermore, the Senate Finance Committee, by giving us an opportunity to testify on this subject, has demonstrated a sincere interest in encouraging development of new uses for U.S. agriculture.

Thank you, Senator.

Senator BENNETT. Now, do the three of you want to proceed and be questioned as a group or would you like to answer questions one at a time?

Mr. HUGE. Whichever way you wish, Senator. It might be better for each of these gentlemen to testify because questions may cover any variety of fields.

Senator BENNETT. If that is satisfactory to you, Senator Hartke?

Senator HARTKE. Yes.

Senator BENNETT. Let us call on the next witness who is Dr. Dale Johnson. You have a written statement?

Mr. JOHNSON. Yes, I have a statement.

Senator BENNETT. Before you testify, is it your hope, Mr. Huge, that the material you submitted with your statement will be included in the record?

Mr. HUGE. Yes, sir. There is one exception, however. This one brief involves considerable confidential information, it has been marked. We will prefer that the contents being confidential be omitted from the public record.

Senator BENNETT. Is this—

Mr. HUGE. That is schedule F.

Senator BENNETT. I do not have a copy of it.

Mr. HUGE. We will supply copies.

Senator BENNETT. But all of the material that I have—

Mr. HUGE. All of the material—

Senator BENNETT. Is to be included in the record?

Mr. HUGE. Yes.

Senator BENNETT. Without objection it will be so included, and portions of schedule F, if copies are provided, will be held confidential by the committee.

(Exhibits A, C, D, E, and that portion of exhibit F which was not classified confidential, follow. A copy of exhibit F including the confidential material was made a part of the official committee bill file.)

EXHIBIT A

[From Chemurgic Digest, December 1959]

TOO MANY, TOO LOW, TOO MUCH—AND NO ALTERNATIVE

"Our corn production comes from too many acres producing too low yields," Dr. George D. Scarseth remarked recently.

That could be said of some other crops, too.

The enormous 1959 corn crop, some 4.4 billion bushels, points up the statement. Many fields yielded from 100 to 140 bushels an acre, and a few even surpassed 200 bushels. The national average will be somewhere around 50—meaning thousands of acres producing even less.

Not so many years ago 100 bushels was phenomenal. Now, with hybrid seed, 100-bushel yields are commonplace, 125 is common, and a 304-bushel record has been achieved.

Fewer acres could obviously produce all the corn that can be sold profitably in the markets now available. Despite costly governmental efforts to reduce acreage, the output has risen year by year.

If soybeans had not been introduced, and all the soybean acreage were planted to corn, there could have been this year another billion bushels of corn.

How desperately the farm economy—and the national economy—need another crop as useful and as profitable as soybeans have been. And how little is being done about it.

We not only have, as Dr. Scarseth has said, too many acres in corn producing too low yields, but too many acres with nothing else to grow.

REMARKS FROM THE CHAIR

(By Wheeler McMillen)

IDEAS TAKE TIME

Electricity waited about a century after Franklin's kite before Morse used it in the telegraph. Another 30 years passed before Bell made the telephone work and Edison came up with the electric light. The steam engine was around for half a century before it was put to moving on wheels.

Those of us who are deeply aware of chemurgy's significance grow impatient at times. Realizing the irreplaceability of mineral resources we hate to see them vanish into consumption for purposes which vegetable materials could supply. Confident that new crops could be found to occupy many of the acres now growing unsalable wheat, corn, and cotton, we dislike the inadequate endeavors to study the earth's floral potentials and the waste of fertility that goes into the surpluses. We are made unhappy that vast sums of public money are wasted on subsidies which appropriations, most moderate in comparison, for research could make unnecessary.

Ideas, no matter how obvious to some, no matter how sound, do take time to grow. Unless they are tremendously and loudly insistent, they reach men's minds slowly. In its few decades the chemurgic idea has grown solidly. Its achievements are substantial and real. No one who truly understands its implications can doubt that chemurgy is on the march and that it will eventually conquer its objectives.

SHAW'S ANALOGY

Somehow the foregoing reminds one of the purported instance when a large American religious organization conceived the idea of inviting George Bernard Shaw to address its annual convention. The leaders asked Shaw's biographer, Archibald Henderson, of North Carolina, to convey the invitation. Henderson's letter was returned with a scrawled note: "Dear Henderson: For 2,000 years these people have refused to listen to Jesus Christ. What makes you think they would listen to me? G.B.S."

CHEMURGY IS BASIC

Ours is not a religious crusade in any sense. We talk in terms of materialism. Nevertheless, as has often been said, the laws of nature are the laws of God. What chemurgy preaches is effort to discover more of these laws, and to discover how to obey them.

Every scientific achievement must be in such obedience, or it is not scientific. So, in this holiday season when men's thoughts turn to fundamentals, this is a reminder that chemurgy is in accord with the spirit of truth.

FOR THE 1960'S

To all the Council's members, we extend the wish that the sixties may be as golden as the most roseate predictions suggest. For chemurgy, we expect the most productive decade ever.

EXHIBIT C

H.R. 7456, EFFECT UPON U.S. SOYBEAN INDUSTRY

U.S. agriculture, for three decades, has faced repeated problems in its effort to develop markets for the expanding productivity of its acres.

In the course of that period, a new U.S. crop, soybeans, provided profitable occupation for continually increasing acreage. This expanded market resulted from continued research in development of new soybean products and new uses for such products.

Soybeans now provide a useful occupation for more than 23 million acres annually. Acres which might otherwise contribute to surplus problems of other crops

Annual carryover of soybeans had been negligible until last year's record carryover of 62 million bushels, most of which became a ward of Government through support price mechanism. Although consumption last year was at record levels, bumper yields expanded production more rapidly than new market development.

Soybeans, like many other crops, must depend upon the ingenuity of continued research to develop new products, useful for food or industrial purposes, if it is to provide expanded use for acreage.

In an effort to supplement research and development programs of industry and Government research laboratories, Congress has considered crash programs, at Government expense, to search for new industrial uses for agricultural commodities.

An important field, holding promise of expanded use of U.S. agricultural commodities involves isolated soybean protein.

Over 20 years of industrial research and development has produced a modest industry which has steadily broadened its market and today utilizes approximately 3 million bushels of soybeans annually.

However, a serious deterrent to expanding research, and capital investment in plant facilities for the production of this material is contained in H.R. 7456.

Foreign casein has been subject to import duty since 1922. On September 2, 1957, this duty was suspended through March 31, 1960. H.R. 7456 now provides further suspension through March 31, 1963. Imported casein is used almost exclusively for industrial purposes. It is, therefore, directly competitive with isolated soybean protein, which competes with casein in the same industrial fields.

So far as we know, H.R. 7456 was considered without examination of its relationship to the soybean subject.

The capture of growing U.S. markets by duty free imports of casein is depicted by attached schedule A which lists casein production, import, and price statistics as published by the Agricultural Marketing Service.

The attached schedule B details the casein import history, since 1948 by country of origin. We should like to call your attention to the fact that the list of beneficiaries of this duty suspension includes some Iron Curtain countries.

Furthermore, most of the countries supplying duty free casein to U.S. markets have established formidable tariff walls against U.S. soybean products.

Duty free imports of casein directly displace a potential market for industrial isolated soybean protein approximating the equivalent of 6½ million bushels of U.S. soybeans annually.

Facilities now established in the United States have production capacity for isolated soybean protein, which would utilize over 4 million bushels of soybeans annually. Further expansion can logically be expected if this use of agricultural products in the industrial field is not further discouraged.

We trust that it is not the intention of the U.S. Congress to enact legislation, such as H.R. 7456, which would discourage private research and development from continually searching for new and expanded uses for U.S. agricultural commodities.

We trust, too, that it is not the intent of the U.S. Congress to thus export U.S. jobs.

Respectfully submitted.

CENTRAL SOYA CO., INC.,
W. E. HUGO, *Vice President.*

Schedule A.—Casein

Year	Millions of pounds		Wholesale price per pound	
	Production	Imports	Domestic	Imported
1935-39 average.....	48.1	8.2	-----	-----
1940.....	46.6	24.5	13.1	12.3
1941.....	47.3	41.5	21.8	20.0
1942.....	42.3	16.8	21.5	(1)
1943.....	18.4	28.1	23.2	(1)
1944.....	15.3	47.2	24.0	18.3
1945.....	12.3	51.6	23.0	20.0
1946.....	18.3	45.3	30.1	30.4
1947.....	35.8	20.9	29.8	30.8
1948.....	14.4	40.6	32.0	28.5
1949.....	18.3	33.1	22.6	20.3
1950.....	18.5	54.6	29.5	27.3
1951.....	21.6	43.4	41.7	38.8
1952.....	7.5	56.8	30.5	21.2
1953.....	5.5	74.2	30.0	19.5
1954.....	5.2	59.8	28.7	22.7
1955.....	3.1	74.5	28.6	24.1
1956.....	2.5	70.7	32.2	24.3
1957.....	(1)	74.6	64.0	23.0
1958.....	(1)	91.3	64.0	19.7

¹ Not available.

USDA, Agricultural Marketing Service.
Dairy Situation, June 1959.

Schedule B.—Casein imports
[In thousand pounds]

Commodity code 0943000	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Canada.....	3,849	2,513	1,170	1,393	829	2,780	3,901	2,824	2,951	1,074	648
Brazil.....	3,175	164	625	20	1,617	1,883	995	219	109	1,192	241
Uruguay.....	539	164	1,582	1,229	3,429	1,662	1,695	875	492	923	989
Argentina.....	35,626	28,911	41,901	24,427	3,129	54,683	41,249	56,243	51,712	55,673	49,021
Denmark.....		1	1,740	3,136	708	708	114		173	10	222
Netherlands.....		220	1,459	2,323	1,592	1,257	606	770	460	1,024	2,244
France.....		983	1,623	6,281	3,183	1,960	3,564	797	448	1,128	1,200
Australia.....	296	105	1,023	2,128	530	1,050	1,460	4,413	6,503	4,152	13,567
Haiti.....	1				162	21					
United Kingdom.....	3		1,760	983	8,077	9,444	5,591	7,563	6,998	8,298	13,560
New Zealand.....	95		63	1	2						
Union South Africa.....	1		16								
Venezuela.....			88	22	899	983	460	665	428	1,163	573
Norway.....			990	742	640		22		109		778
West Germany.....			55	109	234	33					
Switzerland.....			68	251	342	198	120	69	210	314	404
Azores.....			366	240		84	126			221	139
Portugal.....			22								
Italy.....				99	781			4		2	43
Sweden.....				2	102						3
Belgium.....					44						
Peru.....					42						
Malta.....											
Mexico.....								36			
Poland.....								2		324	7,490
Spain.....									80		
Yugoslavia.....										106	22
Austria.....											112
Total.....	40,585	33,061	54,551	43,386	56,838	74,246	59,833	74,480	70,673	74,604	91,265

Date book was issued March 1949; April 1950; April 1951; April 1952; May 1953; June 1955; May 1957; June 1958; July 1959.
Source: Report No. F7110—U.S. Imports of Merchandise for Consumption Commodity by Country of Origin, U.S. Department of Commerce; Bureau of the Census.

1959 casein imports

[In thousand pounds]

Commodity code 0943000	January	February	March	April	May	June	July	August	September	October
Canada.....	48					139	74	143		
Brazil.....	219			77		6,974	4,214	3,088	127	145
Argentina.....	3,729	3,041	4,372	2,931	4,119	148	75		132	219
Norway.....	118				242	491	374		3,875	2,855
Netherlands.....	110	100	151	145	81	109		290	162	310
France.....	153		76							
West Germany.....	135	133	76	87	122	82	155	93	124	83
Poland.....	604	216	648	1,092	762	972	325	1,135	1,089	1,188
Australia.....	1,087	2,219	1,298	1,176	487	1,023	494	352	157	196
New Zealand.....	1,725	1,323	3,755	2,750	313	2,457	2,016	592	2,760	1,133
Uruguay.....				220						331
Azores.....							80		69	60
Portugal.....	65	100	55	21	20		101	28	72	39
Other countries.....										
Total.....	7,993	7,132	10,934	8,499	6,146	12,395	7,976	5,721	8,517	6,558
Issued (1959).....	April	May	June		August	September	September	October	November	December

EXHIBIT D

NEW YORK, *March 15, 1960.*

COMTELBURO'S WEEKLY U.S.A. CASEIN REVIEW

The price structure of the casein market was firm during the past week, with increased buying interest noted. Market observers point out that consumers had been holding off recently due to uncertainties regarding the import duty of casein, and in some directions the belief that the market would work lower. However, with sellers remaining firm, it was realized that inventory covering was necessary and consequently this buying bolstered the market. Regarding the continuance of the elimination of the import duty on casein, Congress has still taken no action and the re-imposition of this 2¼ cents per pound is scheduled for April 1, 1960. The buying side of the market appears to realize that this duty will be added to their costs, and is inclined to replenish inventories despite the lack of action by Congress. However, market observers generally feel that should the duty be reinstated, it will be short-lived and that Congress will shortly get around to passing the bill eliminating it for another three years.

Pricewise, Argentine spot sellers are quoting spot and nearby afloat stocks in a range of 19¼ to 19¾ cents per pound, exdock New York. Australian offers remain tight, with the market quoted at 21½ to 22 cents per pound for spot goods and 21 cents afloats, exwarehouse New York. New Zealand casein remains steady at 25 cents per pound exwarehouse New York. Polish was steadier in line with higher Argentine prices and limited stocks. Some spot resale goods were offered at 19-19¼ cents per pound exdock New York.

The Department of Commerce reports U.S. casein imports in December 1959 amounted to 6,252,968 pounds compared 6,334,717 pounds in November and 9,156,121 pounds in December 1958. The December 1959 total comprised 75,638 pounds Canada, 3,643,977 pounds Argentina, 176,388 Netherlands, 70,850 West Germany, 163,141 Poland, 1,530,508 Australia, 515,302 New Zealand, and 77,164 other countries. For the year 1959, January-December inclusive, U.S. casein imports totaled 94,458,388 pounds compared 90,646,672 pounds in 1958, and 74,604,090 pounds in 1957.

Buenos Aires (Comtel).—The Argentine casein market displayed moderate strength during the past week, reflecting a keener demand. A total of 1,250 tons were sold to the United States. The price early in the week was 16.50 cents per pound f.o.b., but subsequently improved to 16.875 cents for the final 405 tons. Japan paid 133 sterling per ton for 30 tons.

Good production was maintained with stocks estimated at around 7,000 tons unsold. Shipments during the week totaled 1,064 tons, comprising 1,026 tons to the United States, 20 France, 13 United Kingdom and 5 tons to Norway. The 1,026 tons to the U.S. comprised, all in tons clearing Buenos Aires: *Carrasco* cleared February 24 with 260 tons New York; *Gudmundra* cleared February 19 with 175 New York, 25 Philadelphia; *Mormacrey* cleared February 27 with 40 Los Angeles, 176 Seattle, 50 San Francisco; *Farida* cleared February 26 with 125 New York and 25 Boston; and the *Nopal Trader* sailed February 27 with 150 tons for New Orleans.

Buenos Aires (March 14) Comtel.—Argentina was under a state of emergency today as President Arturo Frondizi moved to curb terrorist opposition to his government.

Paris (Comtel).—French casein exports in January this year totaled 148.8 tons compared with only 7.4 tons in December 1959 and 180.7 tons in November. Total exports in 1959 totaled 5,518.8 tons.

Of the January 1960 imports, Italy took 49.9 tons, W. Germany 20 tons and Belgium-Luxembourg 29.7 tons.

Paris (Comtel).—The French Government yesterday (Monday) canceled the liberalisation of casein imports from the dollar area and countries outside the O.E.E.C.

This is the first move to reorganize French milk by-products markets following last weeks fixing of milk and butter prices. With the butter price being kept at a relatively low level and the milk price fixed above the previous level, it has become necessary to protect the domestic casein market against foreign competition, particularly in view of the fact that domestic production is now insufficient for all local needs. Despite the recent rally in Argentine casein, world prices are still considerably below the French level.

The government is now expected to fix a new domestic casein price effective April 1 and to earmark funds for an export subsidy. Trade sources believe

it may also subsidize the domestic price to prevent a rise in the cost of consuming industries while ensuring an adequate return to producers.

Pending the fixing of the new export subsidy, sales for export are expected to remain difficult.

NEW YORK, *March 22, 1960.*

COMTELBURO'S WEEKLY U.S.A. CASEIN REVIEW

The undertone of the casein market was described as firm during the past week. Dealers report that supporting factors were the strength in Argentine offering prices in face of a steadily improving consumer demand in this country. It is pointed out that in some instances consumers had let their inventories deplete dangerously in anticipation of lower prices which did not materialize and it is also said that the general feeling in the trade is that the 2¾ cent per pound import duty on casein will continue suspended, which consequently could make for some upward price adjustment in the weeks ahead.

Pricewise, Argentine spot and afloat nearby stocks are firmer at 19½ to 19¾ cents per pound exdock New York. Australian offers remain tight at 22 cents for spot and 21½ afloats, exwarehouse New York. N. Zealand is firm at 25 cents, spot New York exwarehouse, and Polish stocks are tight and priced firmer in re-sellers hands at 19½ cents per pound, spot New York, exdock.

Buenos Aires (Comtel).—The Argentine casein market moved upward in price last week, and sales improved substantially, particularly to the United States. Early in the week the U.S. paid 16,875 cents per pound for 335 tons and later bought 450 tons for 17.125 cents. Likewise, early in the week Germany paid 17 cents for 150 tons and later paid 17.125 cents for 100 tons. Japan paid 134½ sterling per ton for 30 tons. Meanwhile, production continues good and stocks unsold stand at over 6,000 tons.

Shipments during the week totaled 1,192.6 tons comprising U.S. 890.7 tons, Sweden 130, Singapore 86.9, United Kingdom 75 and Japan 10 tons. The U.S. total comprised, all clearing Buenos Aires in tons; "Mormacwren" sailed March 4th with 25 tons Charleston 50 Boston, 50 Phila. The "Del Cao" sailed Feb. 27th with 400 tons New Orleans, 35 Mobile and 50 Houston; the "Santos" sailed March 5th with 5 tons for Boston and the "Brasil" sailed March 7th with 275 tons for New York.

Paris (Comtel).—Export business in casein, which had been halted for some time because of lack of credits to continue subsidies, has been resumed at new levels. The new basis will remain in force only until April 1st, 1960—when new milk prices will be announced, which in turn, will require a government decision on export subsidies.

Export prices for lactic casein are as follows: To Britain, 150 per metric ton f.o.b.; to Belgium 21 Belgian francs per kilo, free on border; to Germany 1.78 DM per kilo, free on border, to Italy 265 lire per kilo, free on border.

Ottawa.—The Dominion Bureau of Statistics reports Canadian casein production during December 1959 amounted to 132,000 pounds, bringing production for the period Jan.—Dec. inclusive 1959 to 4,281,000 pounds compared with 3,430,000 pounds same period 1958.

Production for January 1960 was 94,000 pounds and February 1960 83,000 pounds. Production for Jan.—Feb. inclusive 1960 was 177,000 pounds compared 96,000 pounds in same period 1959.

Canadian casein stocks in warehouses and held by or for manufacturers as of March 1st, 1960 amounted to 346,000 pounds compared 443,000 pounds (revised) Feb. 1st, 1960 and 356,000 pounds March 1st, 1959.

INFORMATION TO BE CONSIDERED IN CONNECTION WITH H.R. 7456 AND ITS EFFECT ON THE SOYBEAN INDUSTRY

INTRODUCTION

In consideration of the bill, H.R. 7456, which deals with the continued suspension of duty on casein imports, there are a number of factors which must be taken into account.

Casein (nonedible) and industrial isolated soy proteins are interchangeable in most applications. Edible casein, sodium caseinate, and edible grades of isolated soy proteins, as well as certain other high protein soy products, are likewise interchangeable in many food product applications.

As a result of free importation of casein beginning in 1957, and generally lower prices on a large portion of imports, the industrial isolated soy proteins have been in a disadvantageous competitive position.

Recently isolated soy proteins of the edible type have been developed. These new products find themselves in a difficult competitive position with imported edible sodium caseinate made directly from milk in foreign countries, or from casein reworked to make sodium caseinate in foreign countries and in the United States.

If new and expanded markets for soybeans are to be developed, the soy processing industry should be given tariff protection to provide time and incentive to make improvements in processing of the industrial and edible high protein materials and to construct plants so such products can eventually compete in free world markets.

SUMMARY

1. Evidence is presented to show that duty-free importation of casein has had an adverse effect on marketing of industrial isolated soy proteins.

2. Evidence is presented to show that the continued duty-free importation of casein products will have an adverse effect on the future development of edible soy protein products and the future growth and diversification of industrial soy protein products.

3. Duty-free importation of casein, if allowed to continue, will curtail future development of high protein products from the soybean. This can have an effect on future price and surpluses of an important agricultural commodity.

4. In order to create new uses and expanded markets for farm products, thus resulting in potential higher prices to farmers and eventually remove the burden from taxpayers as buyers of surplus soybeans, Government agencies and laboratories, as well as many industrial concerns, have spent millions of dollars on research and development. Time and protection, from competitive low-priced imports, must be given to the commercial developments in order to bring them to the point where they can compete in free world markets.

5. Evidence is presented to show that because of the existence of industrial isolated soy proteins, users of imported casein have enjoyed much lower prices than would have been the case without competition from the interchangeable isolated soy proteins.

6. Imported casein and isolated soy proteins are interchangeable in most uses. Information and historical background on industrial applications of these products is given.

7. Information is presented on the history of soybean production and development of special high-protein products and their importance to the U.S. farmer and the public.

8. Information is presented on casein imports and prices in relationship to soybean production and isolated soy protein prices.

DISCUSSION

In this discussion, factual information is being presented to show the relationship between American agriculture, the soybean processing industry, isolated soy protein production, and imported casein.

Soybean production in the United States

By way of background, soybean production in the United States dates back to the early 1920's.

In 1927 soybean production in the United States was 7 million bushels; in 1937, 47 million bushels; in 1947, 186 million bushels; in 1957, 483 million bushels.

Recent years show continued growth. Table 1 shows the historical soybean crop summary for the last 10 years. These figures show a tremendous growth rate for a crop which, today, has an income value of over \$1 billion to U.S. farmers.

Table 2 gives the breakdown on the soybean acreage, yield and production by States for the years of 1958 and 1959.

New products from soybean research

During the past 25 years, a considerable amount of money has been spent by Government agencies and industry to develop useful products from the soybean, including isolated proteins and high protein products for industrial and food use.

While the industrial applications of soy protein products has grown steadily, high protein edible soy products have been subject to increasing investigation and appear to offer a great potential for the future, not only in the United States, but worldwide. The lowest priced, high-quality, high-protein nutritional products can be made from the soybean.

While we, in the United States, presently have adequate protein supplies, from all sources, with the exploding population facing us and the rest of the world, it is important to encourage the development of low-cost protein products for food use. This can only be done if foreign competition is not allowed to stifle research, development, engineering, and capital expenditures.

Soybean products and casein picture

In table 3, a graph is presented showing a comparison of soybean production, Commodity Credit Corporation owned soybeans, casein imports, total available casein (through 1956) and soybean prices. This graph shows that there has been a steady increase in casein imports from about 33 million pounds in 1949 to an estimated 94 million pounds in 1959. This graph also shows that, since 1957, there has been a gradual increase in the number of bushels of soybeans which U.S. growers, under the price support program, sold to the Commodity Credit Corporation. It is interesting to note that there has been a gradual decrease in the production of domestic casein, and no figures are available on domestic production since 1956.

Table 3 shows that there has been a gradual decrease in the price paid to farmers for their soybeans in recent years. While this data has been presented on the same graph, the conclusion should not be drawn that there is a correlation between lower soybean prices and increased casein imports.

Table 4 presents a graph showing comparison of casein imports, total available casein (through 1956), imported casein prices, and soybean prices. Table 5 presents this information in tabular form on soybean prices, soybean production, soybeans owned by Commodity Credit Corporation, casein imports, domestic casein production, and imported casein prices for the years 1949 through 1959. (See pp. 28, 29, and 30 for information in appended letter from U.S. Department of Agriculture Agricultural Research Service.)

Information is presented in table 6 covering the imports of casein from various foreign countries for the years 1948 through 1958. It will be noted that over 50 percent of the casein imports are from Argentina. It is the Argentine casein which is historically the lowest priced material, and that which is most highly competitive with the industrial isolated soy proteins.

Recently Poland has become a large exporter of low-priced casein. Argentina and Poland have become exporters into fields that are competitive with industrial isolated soy protein. Most of the other countries export casein which is used principally in specialty industrial applications and food use. (See p. 28, par. 6 of appended letter from U.S. Department of Agriculture Agricultural Research Service.)

Industrial isolated soy proteins

In table 7, data are given on a comparison of Central Soya Co. Chemurgy Division industrial protein prices (alpha protein and delta protein), and Argentine casein prices since 1955. It will be noted that there has been considerable fluctuation in Argentine prices over this period with generally lower average prices following the suspension of duty (September 1957) on imported casein. In the case of alpha protein, it will be noted that the price over this period has not changed.

* * * * *

Due to the competitive picture, which was further aggravated as a result of the suspension of duty on casein imports in September 1957, it was found necessary to see what could be accomplished in the development of a new type of protein material, of lower quality, which could compete in many applications with lower priced imported casein. After approximately 7 months of research and development, a new product was developed, delta protein, which was put on the market at 21 cents per pound. (See p. 24.)

As the chemurgy division got into commercial production, valuable processing knowledge was gained. The process looked promising and, it announced that delta protein was available in commercial quantities at a reduced price of 19 cents per pound (see p. 25). It was necessary that this price be reduced in order to meet the competition from casein, which had continued to drop over the period

of this development, due to the knowledge of the trade in general of the lower priced soy protein products becoming available. (See p. 31 quotes from Comtelburo Trade News, June 10, 1958.)

In referring to table 7, it can be seen that beginning in approximately July 1957, there was a steady drop in the casein price from about 22 cents per pound, at that time, to a price of around 18 cents per pound in July or August 1958. This was during the period that the chemurgy division was developing and beginning to market the lower quality isolated soy protein (delta protein).

* * * * *

Marketing of industrial isolated soy proteins

It should be pointed out that there are important differences in the manner of marketing casein and isolated soy proteins. It is reasonable to say that, in general, the sale of casein has been accomplished largely on the basis of price advantage. During those periods of lower price levels for casein, buyers normally make heavy purchases of casein and/or long-term commitments.

It should be emphasized that the fact that isolated proteins were developed, has resulted in substantial savings to purchasers of casein. There is no doubt that if imported casein had depended on competition from domestic casein, rather than from isolated soy protein, the price to purchasers of imported casein would be much higher than they presently are and have been in the past. (See quotes from Comtelburo Trade News on prices dealing with imported casein in relation to price paid for isolated soy protein.)

Generally speaking, the sale of isolated soy proteins has been possible through uniformity of product, quality, flexibility of product, uniformity of pricing and, highly important, the technical service and know-how of the seller of isolated soy proteins to users of these materials.

Through developments in Government and industrial laboratories, it has been possible to utilize the isolated soy protein in high-speed coating on paper and paperboard machines, which has permitted steady and increasing sales of high-quality isolated proteins in competition with imported casein.

* * * * *

Applications of Soy Products and Casein

There has been some apparent misunderstandings on applications of casein and isolated soya protein. It is known that some casein was used in plywood glue for the manufacture of interior-grade plywood prior to World War I. Since that time, other types of adhesive materials have come into wide use for this purpose and, in the last 20 to 25 years, soy flour products have been widely used and not isolated soya proteins.

In other words, it was other materials, including soy flour, which replaced the limited amount of casein used and, for practical purposes, no isolated soya protein is being or has ever been used for this particular application.

One of the original applications of isolated soy protein was in the washable wallpaper field. Prior to the use of isolated soy protein, casein had not been used. Since this particular application was developed by the use of isolated soy protein, casein, at a later date, started to come into the picture and competes to take a small part of this market.

Another important field which has shown a steady growth, and where isolated proteins were first used, is in the field of water base-latex (styrene-butadiene) paints. In this application of protein materials, casein has again enjoyed some of the benefits of developments first credited to isolated soy proteins, in that it is taking part of the market for protein-type products in this type of paint material. Actually prior to the development of the water base-latex paints, there were so-called casein paints on the market which were replaced by this type of paint almost completely. This replacement was not due to isolated soy proteins but was due to the development of latex and other types of paints which were more satisfactory for wall application than the casein water paints.

In table 8, figures for trade production estimates for latex-type (styrene-butadiene) and resin paints, are presented. It will be noted that there has been a steady increase in the styrene-butadiene paints despite competition from the resin-type paints.

* * * * *

While no exact figures are available as to amounts of isolated soy proteins used for this purpose based on available estimates, it is probable that imported casein enjoys well over 60 percent of this market.

Soy Protein Products in the Food Field

As stated earlier, the field of isolated soy protein and other high-protein products produced from the soybean is of major importance to the future development of useful marketable products, which will help to expand the farm economy and should eventually contribute to higher prices for soybeans.

It should be pointed out that, from a nutritional standpoint, there are vast differences in proteins from various protein sources. Nutritionists generally recognize that protein from the soybean is equivalent in quality to most proteins from animal sources. It is universally agreed that animal-type proteins are usually of higher quality than those from most vegetable sources. Also the concentration of proteins from animal sources are generally considerably higher than those from vegetable sources.

The lowest priced, high quality, high-protein products from a nutritional standpoint, in the United States, as well as in the rest of the world, can be made from the soybean. These proteins offer opportunities for supplementing other foods to increase protein content and protein quality, as well as offer opportunities for developing new types of high-quality foods.

Edible Casein and Edible Soy Protein Products

These have been increasing amounts of so-called edible sodium caseinate which have been sold at prices competitive with the newly developed edible isolated soy proteins. It is known that imported edible sodium caseinate is being delivered to purchasers' plants in the United States at prices in the range of 34 cents to 35 cents per pound, and reportedly, in one instance, at a price as low as 28 cents per pound. We show a price schedule on Central Soya's edible isolated soy protein (Promine) which shows carload price to be 35 cents per pound, f.o.b. plant.

Recently certain companies have been importing inedible casein from foreign countries for reworking to make sodium caseinate products in this country. It has been reported that some foreign countries are importing low-priced Argentine casein to make sodium caseinate which is exported to the United States as edible quality material.

Unfortunately, it has not been possible to get exact figures on imports of edible sodium caseinate as such, but it is known that the imports amount to several millions of pounds per year. This competitive product has a tendency to retard research, development and capital expenditures for plant construction which would foster the continued growth in the soy processing field. There is no doubt that as products and processes are improved, American ingenuity, if given time and tariff protection, will develop their processing facilities to the point where they could eventually be in position to compete in free world markets.

General activity in production of edible soy protein products

As evidence of the interest and potential in this field, at least four other soya processing companies have, or are developing, plans for new processing facilities for the production of isolated soy protein and other high-protein-type soy products.

* * * * *

At least two other soy processing companies are in research or pilot plant stage on similar type products and are planning to produce this type of product on a commercial scale.

* * * * *

It is known that, providing these products can be made at a low enough cost, the potential market in years to come would amount to hundreds of millions of pounds of such products, annually.

Reference is given to two articles attached at the end of this report, on the isolated soy protein development at the Central Soya Co., published in the Soybean Digest and Food Processing magazines.

National emergency problems

It is well known that during national emergencies, such as war, all nations so involved, have problems of food supply. Proteins are essential to our national health, and it will be recalled that during World War II rationing of meat, one important source of protein, was necessary in order to stretch our supplies.

The development of edible soy protein products for food use would be a great aid in protecting and insuring adequate protein supplies, as well as making possible the storage of a concentrated dry protein product or products with excellent keeping qualities, which could be transported to all parts of the world with a minimum of shipping space and weight.

* * * * *

Soy protein exports

Casein products are presently imported to the United States duty free in competition with isolated soy proteins. Soy proteins, when exported to many foreign countries, are subject to substantial import duties.

TABLE 1.—*Historical soybean crop summary*

Year	Soybeans for beans (thousand acres)	Yield per acre harvested (bushels)	Production (thousand bushels)
1950.....	13,807	21.7	299,249
1951.....	13,615	20.8	283,777
1952.....	14,435	20.7	298,839
1953.....	14,829	18.2	269,169
1954.....	17,047	20.0	341,075
1955.....	18,620	20.1	373,522
1956.....	20,642	21.8	449,446
1957.....	20,826	23.2	483,715
1958.....	23,900	24.3	579,713
1959.....	22,428	24.0	537,895

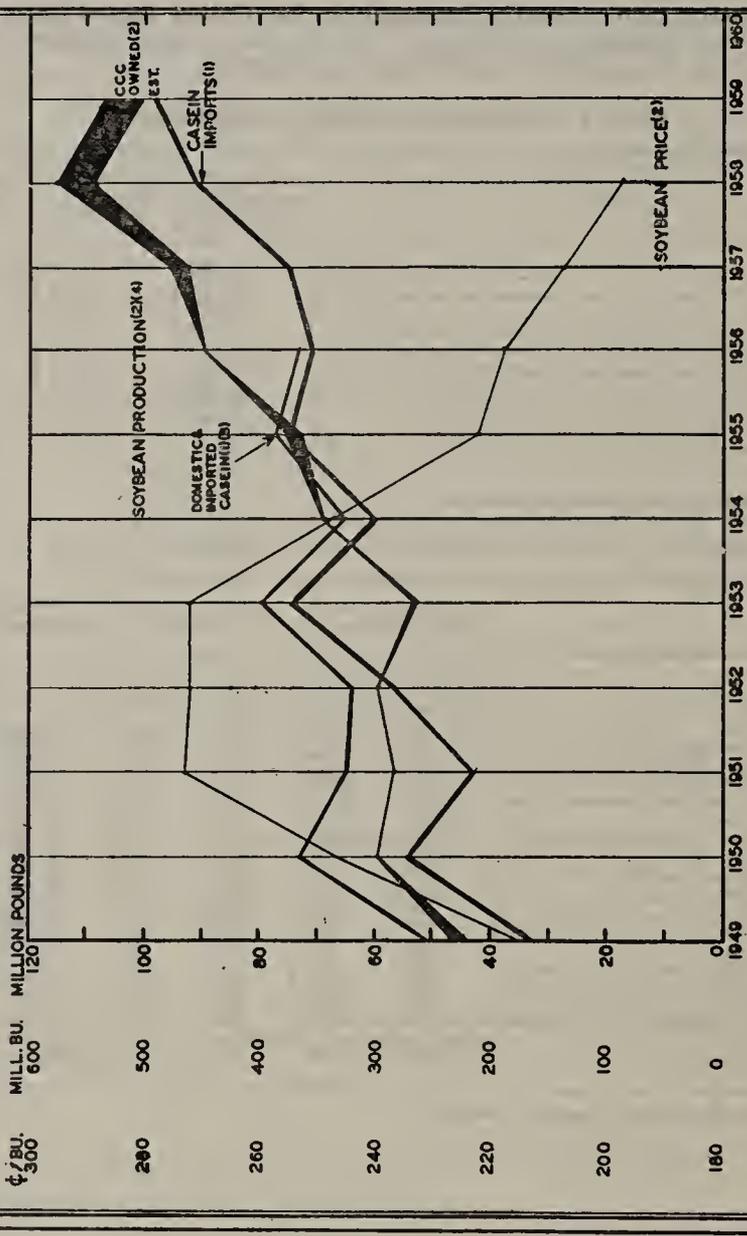
Source: National Soybean Processors Association.

TABLE 2.—*Soybean acreage, yield and production by States*

	Acreage harvested (thousand acres)		Yield per acre (bushels)		Production (thousand bushels)	
	1958	1959	1958	1959	1958	1959
1. Illinois.....	5,066	4,740	28.0	26.5	141,848	125,610
2. Iowa.....	3,116	2,394	25.5	26.5	79,458	63,441
3. Indiana.....	2,269	2,312	27.0	26.0	61,263	60,112
4. Arkansas.....	2,026	2,318	24.5	24.5	49,637	56,791
5. Missouri.....	2,132	2,270	26.0	23.0	55,432	52,210
6. Minnesota.....	3,082	2,193	17.5	19.0	53,935	41,667
7. Ohio.....	1,441	1,472	26.0	26.0	37,466	38,272
8. Mississippi.....	800	903	23.0	23.0	18,400	20,769
9. North Carolina.....	454	436	23.0	22.0	10,442	9,592
10. Kansas.....	421	434	22.0	21.0	9,262	9,114
11. Tennessee.....	276	317	23.5	22.5	6,486	7,132
12. Virginia.....	269	291	22.5	20.5	6,052	5,966
13. South Carolina.....	362	370	15.5	16.0	5,611	5,920
14. Michigan.....	265	225	23.0	24.0	6,095	5,400
15. Maryland.....	193	205	22.0	20.5	4,246	4,202
Total of 15 other leading producing States.....	1,728	1,548	19.7	20.5	34,080	31,697
United States total.....	23,900	22,428	24.3	24.0	579,713	537,895

Source: National Soybean Processors Association.

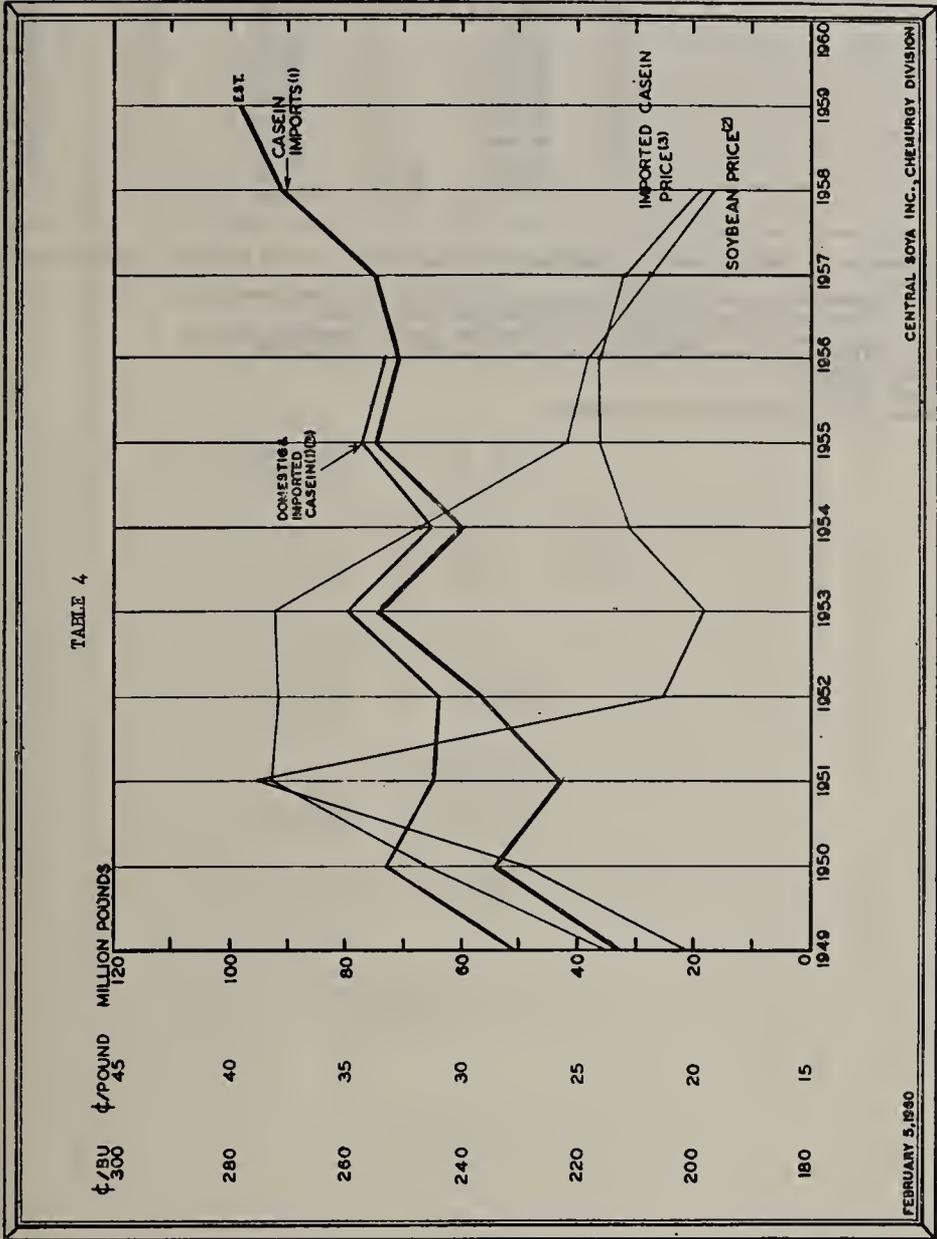
TABLE 3



CENTRAL SOYA INC., CHEMURGY DIVISION

FEBRUARY 3, 1960

(1) SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS, REPORT FT 110
 (2) SOURCE: STATISTICAL ABSTRACT OF THE UNITED STATES
 (3) SOURCE: U.S.D.A., AGR. MARKETING SERVICE, DAIRY SITUATION, JUNE 1959
 (4) SOURCE: U.S.D.A., AGR. MARKETING SERVICE, CROP PRODUCTION REPORT



(1) SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS, REPORT FT 110
 (2) SOURCE: STATISTICAL ABSTRACT OF THE UNITED STATES
 (3) SOURCE: U.S.D.A., AGR. MARKETING SERVICE, DAIRY SITUATION, JUNE 1959

TABLE 5

Year	Soybean price ¹ (cents/ bushel)	Soybean production ² (1,000 bushels)	Soybeans owned by CCC ³ (1,000 bushels)	Casein imports ⁴ (1,000 pounds)	Domestic casein production ⁵ (million pounds)	Imported casein price ⁶ (cents/ pound)
1949.....	216	234,194	10,414	33,061	18.3	20.3
1950.....	247	299,279	53	54,552	18.5	27.3
1951.....	273	282,477	34	43,386	21.6	38.8
1952.....	272	298,052	38	56,838	7.5	21.2
1953.....	272	268,528	1,948	74,246	5.5	19.5
1954.....	247	341,565	18	59,833	5.2	22.7
1955.....	222	373,522	7,821	74,480	3.1	24.1
1956.....	218	449,446	26	70,673	2.5	24.3
1957.....	207	479,841	15,679	74,604	(⁶)	23.0
1958.....	197	579,713	31,178	91,265	(⁶)	19.7
1959.....	-----	537,895	7 35,322	⁸ 98,245	-----	-----

¹ Price received by farmers, season average price for clean beans. Source: Statistical Abstract of the United States.

² Source: Statistical Abstract of the United States and USDA, AMS, crop production.

³ Owned on June 30. Source: Statistical Abstract of the United States.

⁴ Source: U.S. Department of Commerce, Bureau of the Census; Report No. FT 110.

⁵ Source: USDA, Agricultural Marketing Service, Dairy Situation, June 1959.

⁶ Data not available.

⁷ Estimate of USDA.

⁸ Estimate based on 10-month average imports.

TABLE No. 6
0943000 casein or lactarene, and mixtures in chief value thereof, not specifically provided for

Commodity code 0943000 ¹	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Canada.....	3, 848, 909	2, 512, 951	1, 170, 248	1, 392, 625	828, 640	2, 780, 108	3, 900, 926	2, 824, 304	2, 950, 542	1, 073, 901	648, 258
Brazil.....	174, 880	163, 963	625, 048	19, 683	0	382, 718	925, 286	218, 696	109, 348	191, 616	240, 566
Uruguay.....	539, 555	164, 022	1, 582, 236	1, 228, 562	1, 617, 026	1, 662, 547	1, 694, 890	875, 086	492, 066	922, 841	988, 644
Argentina.....	35, 625, 785	28, 910, 896	41, 901, 410	24, 427, 189	34, 129, 131	54, 683, 510	41, 248, 695	56, 242, 918	51, 711, 687	55, 672, 514	49, 021, 097
Denmark.....	0	1, 091	1, 739, 610	3, 136, 040	3, 633, 000	707, 644	114, 126	179, 665	10, 003	10, 003	222, 364
Netherlands.....	0	220, 400	1, 459, 430	2, 323, 347	1, 592, 330	1, 256, 615	605, 682	789, 754	460, 160	1, 024, 199	2, 243, 774
France.....	0	982, 698	1, 622, 736	6, 280, 743	3, 182, 981	960, 463	3, 564, 395	796, 544	448, 048	1, 128, 466	1, 209, 280
Australia.....	295, 603	104, 730	1, 023, 361	2, 128, 434	529, 772	1, 049, 788	1, 460, 130	4, 413, 214	6, 503, 270	4, 152, 036	13, 566, 820
Haiti.....	1, 223	0	0	0	0	21, 548	5, 591, 047	7, 563, 034	6, 997, 787	8, 298, 486	13, 560, 022
United Kingdom.....	3, 246	0	1, 759, 693	983, 496	8, 076, 694	9, 443, 633	0	665, 294	428, 045	1, 163, 365	573, 367
New Zealand.....	94, 688	0	63, 186	500	2, 205	0	0	0	109, 348	0	778, 047
Union South Africa.....	700	0	0	0	0	0	0	0	0	0	0
Venezuela.....	0	0	15, 763	0	0	982, 862	460, 426	0	0	0	0
Norway.....	0	0	87, 884	22, 046	889, 298	0	21, 870	0	0	0	0
West Germany.....	0	0	990, 377	741, 850	640, 268	0	0	0	0	0	0
Switzerland.....	0	0	54, 615	108, 507	234, 402	32, 619	119, 829	68, 570	210, 374	313, 909	403, 897
Azores.....	0	0	68, 341	251, 411	341, 795	197, 958	125, 844	0	0	220, 636	139, 022
Portugal.....	0	0	365, 590	240, 301	0	83, 576	0	0	0	0	0
Italy.....	0	0	21, 978	0	0	0	0	4, 409	0	2, 205	0
Sweden.....	0	0	0	99, 307	780, 668	0	0	0	0	0	43, 069
Belgium.....	0	0	0	2, 151	102, 571	0	0	0	0	0	3, 144
Peru.....	0	0	0	0	43, 740	0	0	0	0	0	0
Malta.....	0	0	0	0	41, 887	0	0	0	0	0	0
Mexico.....	0	0	0	0	0	0	0	36, 000	0	0	0
Poland.....	0	0	0	0	0	0	0	2, 205	0	0	0
Spain.....	0	0	0	0	0	0	0	0	79, 812	0	0
Yugoslavia.....	0	0	0	0	0	0	0	0	0	324, 098	7, 489, 941
Austria.....	0	0	0	0	0	0	0	0	0	105, 821	22, 046
Total.....	40, 584, 589	33, 060, 751	54, 551, 506	43, 386, 192	56, 838, 342	74, 245, 589	59, 832, 796	74, 480, 028	70, 673, 152	74, 604, 030	91, 265, 368

¹ Dates books were issued: 1948, March 1949; 1949, April 1950; 1950, April 1951; 1951, April 1952; 1952, May 1953; 1953, June 1954; 1954, June 1955; 1955, May 1956; 1956, May 1957; 1957, June 1958; 1958, July 1959.

Source: Report No. FT110—United States Imports of Merchandise for Consumption, Commodity by Country of Origin, U.S. Department of Commerce; Bureau of the Census.

09,43000¹ casein, 1959

[Pounds]

	January	February	March	April	May	June	July	August	September	October
Canada.....	48,000	0	0	0	0	139,393	73,652	142,680	127,285	145,179
Brazil.....	219,348	3,040,531	502,522	77,161	4,119,096	6,973,934	4,213,906	3,087,087	132,276	219,521
Argentina.....	3,728,619	3,040,531	4,372,442	2,930,769	241,660	147,742	75,368	3,875,160	3,875,160	2,855,239
Norway.....	118,097	100,000	151,360	144,600	81,370	490,550	373,510	289,923	162,300	309,620
Netherlands.....	109,800	100,000	151,360	144,600	81,370	109,128	373,510	289,923	162,300	309,620
France.....	152,921	100,000	76,411	87,088	121,850	81,700	151,850	92,850	123,700	83,000
West Germany.....	155,186	133,334	75,838	87,088	121,850	81,700	151,850	92,850	123,700	83,000
Poland.....	604,403	216,050	648,047	1,092,460	762,042	972,230	325,281	1,134,869	1,038,468	1,187,846
Australia.....	1,086,859	2,219,327	1,297,728	1,175,758	486,962	1,023,258	493,870	351,995	156,800	194,723
New Zealand.....	1,724,543	1,322,677	3,754,520	2,749,902	312,600	2,457,191	2,016,047	592,527	2,760,175	1,133,040
Uruguay.....				220,460			80,068		69,238	330,690
Azores.....							100,949			59,526
Portugal.....							68,053			
Other countries.....	65,422	100,041	54,763	21,042	20,308			28,431	71,891	39,467
Total.....	7,963,198	7,131,960	10,933,631	8,499,240	6,145,888	12,395,126	7,975,554	5,720,962	8,517,293	6,557,851

¹ Issue date: January, April 1959; February, May 1959; March, June 1959; April, June 1959; May, August 1959; June, September 1959; July, September 1959; August, October 1959; September, November 1959; October, December 1959.

TABLE 8.—Estimated production, resin and latex base paints

[Millions of gallons]

	1954	1958	1960	1962
Aerylics.....	1	7	10	15
Polyvinyl acetate.....	13	20	25	45
Styrene-butadiene.....	29	38	40	45
Total.....	43	65	75	105

Source: Chemical and Engineering News trade estimates, Chemical and Engineering News, vol. 38, No. 7, p. 40, 1960.

CENTRAL SOYA Co., INC.,
CHEMURGY DIVISION,
Chicago, Ill., April 1, 1958.

GENTLEMEN: On March 7 you took in three bags of our Delta protein, and maybe you have had an opportunity by now to evaluate it.

At any rate, at that time we gave you a price of 21 cents a pound in carloads. This has now been changed to—

	<i>Per pound</i>
40,000 pounds or more.....	\$0. 19
20,000-40,000 pounds.....	. 1925
100-20,000 pounds.....	. 195

F.o.b. our plant, Chicago, Ill. Packed in 100-pound multiwall paper bags. Terms: Net 30 days.

I hope this price is attractive and that you can use Delta protein, as there would certainly be quite a saving.

Very truly yours,

W. M. BAIN,
Manager, Protein Sales and Service.

CENTRAL SOYA Co., INC.,
CHEMURGY DIVISION,
Chicago, Ill., February 14, 1958.

GENTLEMEN: To supplement our "Alpha" protein, which you have been using over the years, we now have a new isolated soya protein, Delta protein, which we would like to have you evaluate for your coating operation. We are sending you a sample today, marked for your attention.

In the past you have used our low viscosity "Alpha" protein for your machine coating operation, and we are sending you a comparable grade in the Delta protein. In addition to the low viscosity we make a medium and a high viscosity in which you might be interested. If so, we shall be glad to send you samples of these also.

Our price schedule on this new material is—

	<i>Per pound</i>
40,000 pounds or more.....	\$0. 21
20,000-40,000 pounds.....	. 2125
100-20,000 pounds.....	. 215

F.o.b. our plant, Chicago, Ill. Packed in 100-pound multiwall paper bags. Net 30 days.

While we have accumulated a fairly large inventory of Delta protein, it might take 2 or 3 weeks to get out shipments, as we will now be carrying two inventories—one of "Alpha" and the other Delta protein.

We are looking forward to receiving your ideas about this new product.

Very truly yours,

W. M. BAIN,
Manager, Protein Sales and Service.

CENTRAL SOYA Co., INC.,
CHEMURGY DIVISION,
Chicago, Ill., December 12, 1958.

GENTLEMEN: For the past year we have been selling our "Delta" protein at 19 cents a pound in carload lots, f.o.b. Chicago. We were able to do this because the price of our basic raw material has been comparatively low and because of certain efficiencies in our processing of this particular product.

Now that the cost of our raw materials and labor is up substantially, it is necessary for us to increase the price of "Delta" protein 1 cent. Effective December 15, 1958, our price schedule on this product will be:

	<i>Per pound</i>
40,000 pounds or more-----	\$0. 20
20,000-40,000 pounds-----	. 2025
100-20,000 pounds-----	. 205

F.o.b. our plant, Chicago, Ill. Packed in 100-pound multiwall paper bags. Terms: Net 30 days.

Our research laboratory is constantly working on methods to improve quality and the economics of producing our isolated proteins. We believe "Delta" protein has been a worthwhile contribution, and we have delayed changing the price as long as possible.

We certainly have appreciated your past orders for "Delta" protein, and trust we may continue to serve you.

Very truly yours,

W. M. BAIN, *Sales Manager, Industrial Proteins.*

CENTRAL SOYA CO., INC.,
CHEMURGY DIVISION,
Chicago, Ill., December 4, 1959.

GENTLEMEN: Because of substantially increased costs to produce "Delta" protein, we find it necessary to increase the price 1 cent per pound. This increase will be effective on "Delta" protein shipped after January 1, 1960.

Effective January 2, 1960, our new price for "Delta" protein will be:

	<i>Per pound</i>
40,000 pounds or more-----	\$0. 21
20,000-40,000 pounds-----	. 2125
100-20,000 pounds-----	. 215

F.o.b. our plant, Chicago, Ill. Packed in 100-pound multiwall paper bags. Terms: Net 30 days.

We very much appreciate the business you have placed with us in the past and look forward to filling your "Delta" protein requirements in the future.

Very truly yours,

W. M. BAIN, *Sales Manager, Industrial Proteins.*

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL RESEARCH SERVICE,
Washington D.C., March 14, 1960.

Mr. DALE JOHNSON,
Central Soya Co., Inc.,
Chicago, Ill.

DEAR MR. JOHNSON: I am glad to be able to send you some information which I assembled several weeks ago on the competitive position of casein and isolated soy protein.

CASEIN

Casein is the principal protein of skim milk. It has varied industrial uses, primarily in paper coatings and adhesives.

Industrial requirements for casein have been in the range of 50 million to 80 million pounds annually for 25 years. Under a tariff of 5½ cents per pound which prevailed in the 1930's this consumption was met largely by domestic production. In 1941, the tariff was reduced to 2¾ cents per pound. This figure was maintained until the suspension of the tariff in 1957. During this period (1942-57) imports became the major source of supply, and since price supports on nonfat dry milk were established in 1952 which made domestic casein production uneconomical only a few million pounds have been produced here annually for specialty markets.

Imports and domestic production casein in recent years are given in the attached table. There are no substantial exports.

Casein prices have fluctuated through the years but have been relatively stable at 18 to 20 cents per pound for the past 5 years. Since March 31, 1957, it has been duty free under the suspensions of duty put into effect then.

A small but growing market for casein is its use in food products. Edible domestic casein is priced at 56 to 64 cents per pound. Preliminary estimates for 1959 show that 4.5 million pounds were imported from New Zealand at an average price of 40.6 cents per pound, which indicates that most of this was of edible grade.¹

ISOLATED SOY PROTEIN

Soy protein is used industrially as an adhesive or binder. The principal field of use is in paper coating, with smaller quantities in wallpaper, paper sizes, and water-based paint for formulations. A cruder product, industrial soy flour, is used as a plywood adhesive.

Annual production of isolated soy protein in 1959 is estimated to be about 50 million pounds. Two grades of the inedible product are sold: The "old process" at 25 cents per pound and the "new process" at 20 cents per pound. The latter appeared on the market in 1958.

Edible grades of isolated soy protein are also produced for use in formulated food products. Estimated production in 1959 was about 5 million pounds. No generally quoted prices are available for the edible product, but quotations from 32 to 50 cents per pound are currently made for various grades.

SUMMARY

Similarity in properties, in composition, and in price make casein and soy protein competitive to a degree in both adhesive uses and as edible grades for food formulation uses. In industry they are also competitive with synthetic resin adhesives and with other protein sources such as animal glue and blood meal, both of which are used widely as adhesives.

I realize that this is an abbreviated statement, a number of aspects of which would have to be expanded if it were to be submitted to a technical trained group. I hope it is a satisfactory summary of the situation for a nontechnical audience.

As we discussed recently, I probably will be in Chicago about April 20 and will call you then if I can.

Very truly yours,

SAM R. HOOVER,
Assistant to the Administrator.

Casein imports and domestic production 1954-59, inclusive

Year	Imports (million pounds)	Price (cents per pound)	Domestic production (million pounds)
1954.....	60	17.0	5
1955.....	75	18.2	3
1956.....	71	20.2	3
1957.....	75	19.6	12
1958.....	91	19.5	11
1959.....	194	19.0	11

¹ Estimated.

Evidence as to the relationship between isolated soya-protein prices and the pricing of casein is presented in the following quotes from the Comtelburo Trade News, a leading international commodity and trade reporting service:

June 10, 1958

"We are told that soya protein is being offered to the mills at 19 cents per pound delivered, with no uncertainties regarding shipments apparent and a stabilized price generally assured. We are also told, by a usually reliable source, that the paper mills are getting as good results from soya-protein as they are from casein."

¹ See p. 12 of this report for additional recent information on edible casein product prices in the United States.

December 9, 1958

"The market for inedible casein was described as steady during the past week with buying interest modest. One well informed trade source said 'while the market may be called firm as the seller's end demand is anything but aggressive.' The primary reason for the lack of good demand was said to reflect the availability of soya-protein as a substitute. It was pointed out that a strong market in casein defeats itself in that customers automatically switch when prices reach a certain level."

December 16, 1958

"A softer tendency was reported in the inedible casein market during the past week, with offerings fully adequate for a moderate inquiry. Consumers are buying sparingly, only to cover immediate requirements with year-end inventories being whittled. And, as noted previously, readily available soya protein is being taken as casein values are considered too high."

December 23, 1958

"A factor that may help strengthen the casein market, was the report this week that soya-protein prices are going higher. One source reported that a leading manufacturer advanced a cent per pound from 19 cents to 20 cents per pound, f.o.b. producing plant."

October 20, 1959

"Meanwhile, we are told that U.S. consumers are shying from the continued strength shown in the market and are offering increased price resistance. It is also pointed out to us that the move back to the competitive soya-protein is expanding as uncertainties regarding casein supplies broaden. The soya-protein market is presently indicated at 20 cents per pound, f.o.b. producing plant, with stocks readily available."

October 27, 1959

"It was also reported in the trade locally, that Australia is unable to make any further offers for the current producing season. Finally, with casein prices high and indications that they will be higher, coupled with the scarcity of supplies—it is reiterated by the trade that the consuming mills are turning to the competitive soya-protein product, with a further expansion of the casein trade expected to turn in that direction."

November 2, 1959

"Meanwhile, demand from consuming mills is cautious with price resistance expanding. In face of extremely tight offerings, consuming mills are only showing a moderate replacement demand. The price structure of casein is being watched carefully—and local prominent casein traders point out that if the current tight supply situation should push casein prices higher—expanded use of the competitive soya-protein can be expected."

November 17, 1959

"U.S. consuming mills, a reliable source says, should now be low on inventories of casein and resumption of this demand will be watched closely to see if any large-scale diversion to soya-protein takes place. With casein supplies tight and prices steady to firm, greater demand for soya-protein could develop, we are told."

December 22, 1959

"The undertone of the casein market was on the soft side during the past week as consumer demand remained light in face of increased offers from Argentina. Trade sources say consumers are refusing to build up yearend inventories and in some cases have stocked with soya-protein as the casein price worked higher recently. Argentine production is reported to be excellent, while European demand has dried up for the time being and there is some speculation as to whether it will resume before the European flush production season sets in * * *."

December 22, 1959 (same report as above)

"* * * For the first 9 months of 1959, U.S. casein imports totaled 75,312,852 pounds compared with 68,210,584 pounds in the corresponding period of 1958."

These are typical quotes, and the historical pattern has been similar over the years. This relates specifically to the industrial usage only and is in no way related to the present edible market.

CENTRAL SOYA CO., INC.

CHEMURGY DIVISION, SPECIAL PRODUCTS DEPARTMENT

ISOLATED EDIBLE SOYA PROTEIN, PRICE SCHEDULE EFFECTIVE OCTOBER 26, 1959

Unit: 50 pound multiwall paper bags. When material is packed in Osnaburg bags with water resistant liners, additional charge 40 cents per 50-pound bag. When material is packed in fiber drums, 100 pounds net, additional charge of \$2.50 per hundred weight.

F.o.b.: F.o.b. our plant, Chicago, Ill. For delivery in Chicago area: Add 35 cents per hundred weight.

Terms: Net 15 days.

[Cents per pound]

Product	Description	Minimum carload lots	Minimum truckload lots	50 to 19,950 pounds	50 to 450 pounds
Promine "R"---	A water insoluble spray dried isoelectric protein.	35	36	37	38
Promine "D"---	A water soluble spray dried sodium proteinate.	35	36	37	38

NOTE.—Prices are subject to change without notice.

STATEMENT OF DALE JOHNSON, MANAGER, EDIBLE PRODUCTS DEPARTMENT, CHEMURGY DIVISION, CENTRAL SOYA CO., INC.

Mr. JOHNSON. My name is Dale Johnson, and I am manager of the edible products department of the Chemurgy Division of the Central Soya Co.

I am going to talk about interchangeability of isolated soya proteins and casein.

Casein (nonedible) and industrial isolated soya proteins are interchangeable in most applications. Edible casein sodium caseinate and edible grades of isolated soy proteins, as well as certain other high protein soy products, are likewise interchangeable in many food product applications.

As a result of free importation of casein beginning in 1957, and generally lower prices on a large portion of imports, the industrial isolated soy proteins have been in a disadvantageous competitive position.

Recently isolated soy proteins of the edible type have been developed. These new products find themselves in a difficult competitive position with imported edible sodium caseinate made directly from milk in foreign countries, or from casein reworked to make sodium caseinate in foreign countries and in the United States.

Generally speaking, the industrial soy proteins find their widest application in the paper, paint, and joint cement fields. These are fields in which imported casein is widely used.

In high and medium solids paper coating, soy protein is interchangeable with casein. On aging or under proper drying conditions, the wet rub resistance of the coated surface using soy proteins will be as good as casein.

While casein and soy proteins, as presently manufactured, are very close in all respects, they are not exactly the same. Therefore, where casein may show an advantage under certain conditions, slight changes in condition, when using soy proteins, can make it equal to casein.

It has been stated that soy proteins are not as strong as casein in adhesive strength. When these statements are made, it should be recognized that reference is being made to high-quality casein of higher price which are being imported into the United States and not to the lower priced Argentine-type casein. In the case of the Argentine-type casein, we are told that the soy proteins work equally as well insofar as adhesive strength is concerned.

In the paint field soy proteins are used in so-called latex water-base paints, and since the very earliest work, have been found to be, generally, superior to casein. It is agreed that, with modification, blends of casein and isolated soy protein works satisfactorily. In some latex-base paint products, of slightly lower quality, there is a good deal of casein being used. It is estimated that more than 60 percent of the latex-base paints are using imported casein.

In the field of joint cements, it is our understanding that a number of manufacturers are using combinations of casein and soy proteins and, in some cases, casein alone. Many times, claims are made that one material may not replace another in a given application. This may be true if all conditions are the same. If modifications are made, it is often true that materials can be substituted, one for another, in a given application.

It has already been mentioned that there is an ever-increasing interest in isolated soy proteins and other high-protein products from the soybean for use in foods.

It should be pointed out that, from a nutritional standpoint, there are vast differences in proteins from various protein sources. Nutritionists generally recognize that protein from the soybean is equivalent in quality to most proteins from animal sources. It is universally agreed that animal-type proteins are usually of higher quality than those from most vegetable sources. Also, the concentration of proteins from animal sources are generally considerably higher than those from vegetable sources.

The lowest priced, high-quality, high-protein products, from a nutritional standpoint, in the United States, as well as in the rest of the world, can be made from the soybean. These proteins offer opportunities for supplementing other foods to increase protein content and protein quality as well as offer opportunities for developing new types of high-quality foods.

It is known that, providing these products can be made at a low enough cost, the potential market in years to come would amount to hundreds of thousands of pounds of such products, annually.

It is well known that during national emergencies, such as war, all nations so involved, have problems of food supply. Proteins are essential to our national health, and it will be recalled that during World War II, rationing of meat, one important source of protein, was necessary in order to stretch our supplies.

The development of edible soy protein products for food use would be a great aid in protecting and insuring adequate protein supplies, as well as making possible the storage of a concentrated dry protein product or products with excellent keeping qualities, which could be transported to all parts of the world with a minimum of shipping space and weight.

It is our belief that the developments of isolated soy protein and other high-protein products offer sizable potential markets for farm commodities and is of importance to the future of the United States as well as to the rest of the world.

Further evidence to substitute the interchangeability of casein and soy protein is presented in the following patents:

Product	Patent No.	Date	Company
Paper coating.....	2, 369, 427	Feb. 13, 1945	Champion Paper & Fiber Co.
Do.....	2, 759, 847	Aug. 21, 1956	S. D. Warren Co.
Do.....	2, 769, 725	Apr. 6, 1956	Do.
Latex paint.....	2, 636, 829	Apr. 28, 1953	Sherwin-Williams Co.
Do.....	2, 709, 689	May 31, 1955	Glidden Co.
Do.....	2, 587, 657	Mar. 4, 1952	Do.
Water-base paint.....	2, 246, 983	June 24, 1941	U.S. Gypsum.
Do.....	2, 257, 280	Sept. 30, 1941	Do.
Do.....	2, 257, 281	Sept. 30, 1941	Do.

I do not know that it is necessary to go into detail of these unless somebody wants to, but we have those, and we will attach it to this as a part of the record of those patents.

Senator BENNETT. You attach them and we will include them in the record.

(The documents referred to will be found in the files of the committee.)

Mr. JOHNSON. There is one question I would like to ask in connection with this interchangeability. A letter was put in the record during this morning for the U.S. Tariff Commission where there are certain aspects of this that I feel should be cleared.

Is this protocol to mention this at this time or not?

Senator BENNETT. I think it is perfectly proper for you to comment on the testimony of another witness or on the material that was put into the record.

Mr. JOHNSON. In this letter of theirs this morning I will quote:

It is reported that isolated soybean protein has displaced casein almost completely in the production of glues used in the manufacture of plywood.

I am going to quote from a report, schedule F which is attached to Mr. Huges' report:

There has been some apparent misunderstandings of applications of casein and isolated soybean protein. It is known that some casein was used in plywood glue for the manufacture of interior grade plywood prior to World War I. Since that time other types of adhesive materials have come into wide use for this purpose, and in the last 20 to 25 years soy flour products have been widely used, and not isolated soy proteins.

In other words, it was other materials, including soya flour which replaced the limited amount of casein used and, for practical purposes, no isolated soy protein is being or has ever been used in this particular application.

Senator BENNETT. What you are saying is that there is a misunderstanding, and the word "isolate," the name "isolated soy protein," has been used, and they should have referred to soya flour.

Mr. JOHNSON. That is correct.

The statement further goes on to say that it has displaced casein to a larger extent in coating wallpaper, and I would like to comment on that:

One of the original applications of isolated soy protein was in the washable wallpaper field. Prior to the use of isolated soy protein, casein had not been used. Since this particular application was developed by the use of isolated soy protein, at a later date, casein started to come into the picture, and it competes to take a small part of this market.

Now, going back to the quote from the letter that it has largely displaced the casein in the manufacture of waterproof paint, actually I do not believe the intended waterproof paint, that is waterproof latex—waterproof latex-type paints is what they really meant, and in that specific field, which has shown a steady growth, and where isolated proteins, soy proteins, were first used, is in the field of water base latex, that is the styrene butadiene paints.

In this application of protein materials, casein has again enjoyed some of the benefits of developments first created by isolated soy proteins and that it is taking a part of the market for protein-type products in this type of paint materials. Actually prior to the development of water base latex paints, there were so-called water casein paints on the market, which were replaced by this type of paint almost completely.

This replacement was not used due to isolated soy protein, but was due to the development of latex and other types of paint, which were more satisfactory for wall applications than the casein-water paints.

While no exact figures are available as to the amounts of isolated proteins used for this purpose, based on available estimates it is probable that the imported casein enjoys well over 60 percent of this market.

Now, in the last paragraph of that letter they state that approximately 20 million pounds of casein—wait a minute, I will go back to the paragraph:

Official statistics on domestic production of isolated soybean protein are not available, but it is reported in the trade literature that production approximated 20 million pounds as early as 1951 when imports of casein amounted to 43.6 million pounds, and it is estimated by an official of the Soybean Processors Association that between 42 and 48 million pounds were produced in 1959 when 94 million pounds of casein were imported. Despite the increase in imports of casein subsequent to its having been placed on the free list, the ratio of production of isolated soybean protein to imports of casein appears to have increased (from 46 percent in 1951 to 48 percent in 1959), rather than to have decreased.

That statement is a correct statement, but I think it should be pointed out that at the time that increase occurred, that the actual increase in casein imports was in the range of something over 50 million pounds, while the actual increase in soy protein in that same period was in the range of, say, 25 million pounds, so there is twice as much casein which went into various applications in that same period of time as isolated soy protein in that same period was in the range of, say, 25 million pounds, so there is twice as much casein which went into various applications in that same period of time as isolated soy proteins.

Another statement is that they, of course, at that time were considering only the industrial side, and the statement was made that:

Moreover, it is estimated that the domestic production of sodium, potassium, and calcium caseinates, and of casein hydrolysates—in large measure from imported casein because imports account for 98 percent of apparent domestic consumption—may remove at least 10 million pounds of casein from competition with isolated soybean protein in 1960.

It would remove 10 million pounds from competition with the industrial proteins, but this again comes into competition with the edible proteins, which they were not aware of at that time.

Thank you very kindly.

Senator BENNETT. All right, Mr. Buelens, we'll be glad to hear you.

**STATEMENT OF EMIL BUELENS, GENERAL SALES MANAGER,
CHEMURGY DIVISION, CENTRAL SOYA CO., INC.**

Mr. BUELENS. Thank you, Mr. Chairman.

My name is Emil Buelens and I am with Central Soya Co. and employed as general sales manager of the chemurgy division.

Senator BENNETT. What is your position, Dr. Johnson?

Mr. JOHNSON. Manager of edible protein products of the chemurgy division.

Senator BENNETT. And you are vice president?

Mr. HUGE. I am vice president and a director of the company.

Senator BENNETT. At this point, before Mr. Buelens starts, when Mr. Huge presented the material to be put in the record, exhibit "B" a page of pictures. We do not usually reproduce pictures in the record, so exhibit "B" will be made a part of our file, but they will not appear in the printed record.

Mr. HUGE. All right.

Senator BENNETT. All right, now, Mr. Buelens. Will you proceed, please?

Mr. BUELENS. The reason for Central Soya's interest in H.R. 7456.

The free importation of casein beginning in 1957, has had an adverse effect on the marketing and development of our edible and industrial grades of isolated soya proteins. Duty-free importation, if allowed to continue, will have a tendency to curtail future developments of high protein products from the soybean. We believe this will have a detrimental effect on future prices and surpluses of an important agricultural commodity.

In order to create new uses and expanded and new markets for farm products, thus resulting in potential higher prices to farmers and eventually remove the burden from taxpayers as buyers of surplus soybeans, Government agencies and laboratories, as well as many industrial concerns, have spent millions of dollars on research and development. Time, and protection from low-priced casein imports, must be given to allow commercial development of soy protein products in order to advance them to the point where they can compete in free world markets.

Over the years there has been some fluctuation in casein imports and beginning about 10 years ago, the amount of casein shipped into the United States was in the range of 35 to 55 million pounds. Since that time, the importation of casein has risen to about 94 million

pounds, an overall increase in the range of 40 to 50 million pounds per year.

While exact figures are not available for the production of isolated soya proteins, it is estimated that 10 years ago the production was in the range of about 24 million pounds and today it is estimated to be between 45 and 50 million pounds, an increase of 20 to 25 million pounds per year. These figures show that the increase in casein use in the United States has increased at a rate of about twice as fast as soya protein on a pound-for-pound basis.

We would like to point out that we have enjoyed a very fine relationship with our customers who have been using our products, as well as casein, in the industrial field. Our objective is to continue this type of relationship and work together to develop new uses and applications with their technical staffs.

We recognize that companies are in business to make a profit and that it is the responsibility of management to their stockholders to operate that business as efficiently as possible. This means buying materials at the lowest possible price commensurate with quality, service and sound business policies.

We should like to call to attention at this time, and emphasize the fact that as a result of the development of isolated soya proteins, users of casein have enjoyed substantial savings over a number of years, due to lower-priced casein.

There is a great deal of evidence to show that if imported casein had to depend on competition from domestic casein rather than from isolated soya proteins, the price to purchasers of imported casein would be much higher than they presently are and have been in the past.

Evidence of this is available from personal contact with users of casein, from letters received from these users who consider casein and industrial isolated soya protein to be interchangeable and who buy on the basis of which commodity is available to them at the lowest price. Also, quotes from Comtelburo Trade News tie the price of casein to the price of isolated soya proteins and not to domestically produced casein products.

Although we do not know the details of the manufacturing procedures of users of casein and isolated soya proteins, we do know that many users make blends of casein and soya protein. It is our understanding that there is no particular advantage to using blends other than the fact that users of casein desire the manufacturers of isolated soya proteins to stay in business so that when the relationship in price of casein to soya protein becomes such that it is advantageous to them to buy the soya protein, materials will be available.

We have been told that the blends of casein and isolated soya protein vary from 20 percent casein to 80 percent soya, but more commonly the reverse, 80 percent casein and 20 percent soya.

Generally speaking, the sale of isolated soy proteins has been possible through uniformity of product, quality, flexibility of product, uniformity of pricing and, highly important, the technical service and "know-how" of the seller of isolated soy proteins to users of these materials.

In the last few years there has been an ever-increasing interest in isolated soya proteins and other high protein products for use in

human foods. These new products are of major importance in the future development of useful, marketable products, which will help to expand the farm economy and should eventually contribute to higher prices of soybeans.

At the time that our company became interested in the isolated soya proteins, the price on edible soya caseinate, both domestic and imported, was in excess of 50 cents per pound. It was felt with prices on high protein products as they existed, there was an opportunity and market for high protein products from the soybean.

Since we began our research and constructed plants for the manufacture of such materials, there has been a gradual drop in the prices of edible sodium caseinate so that it is now being delivered to purchaser's plants in the United States at prices in a range of 34 to 35 cents per pound, and recently reported, in one instance, at a price as low as 28 cents per pound. The price on our edible isolated soya proteins is presently 35 cents per pound.

Recently certain companies have been importing inedible casein from foreign countries for reworking to make sodium caseinate products in this country. It has been reported that some foreign countries are importing low-priced Argentine casein to make sodium caseinate which is exported to the United States as edible quality material.

Unfortunately, it has not been possible to get exact figures on imports of edible sodium caseinate as such, but it is known that the imports amount to several millions of pounds per year. This competitive product has a tendency to retard research, development and capital expenditures for plant construction which would foster the continued growth in the soy processing field. There is no doubt that as products and processes are improved, American ingenuity, if given time and tariff protection, will develop their processing facilities to the point where they could eventually be in position to compete in free world markets.

Senator BENNETT. Thank you.

Senator Hartke?

Senator HARTKE. I have no questions.

Senator BENNETT. I have several questions.

First, Mr. Huge, in your testimony you would like us to believe that, or I judge that the intent of your testimony regarding the fact that Glidden, Buckeye & Drackett sold out, you assumed that it was, that this was because—it was caused by the elimination of the tariff on casein.

Mr. HUGE. I would assume it to be a contributing factor.

Senator BENNETT. It is very interesting that our records show that these people made no representations to us at the time we were considering the elimination of this tariff. They did not consider it sufficiently serious to come down and ask us not to take the tariff off.

My next question is a very natural one. If this were so serious, why did you three newcomers buy these products and go forward with them?

If people like Glidden, one of the giants in this field, could not make it work, I am interested to know why someone else stepped in and decided if this was assumed to be a death blow to the soya protein business?

Mr. HUGÉ. I cannot speak for our competitors on that subject. But I believe certainly in our case, and I suspect it may be true with them as well, it is perhaps a matter of the three successors being more deeply interested and involved in agriculture than their predecessors have been.

I am not sure of the circumstances concerning the Drackett Co. or Buckeye Cellulose Co.'s silence in 1957, but from the investigations we have been able to make concerning Glidden's attitude at that time, it develops that they considered that they had too great a conflict of interest to be willing to take a position on the subject.

Senator BENNETT. In other words, they decided it was not good business for them to take this position because they already had means of supplying themselves with products adequate to meet their needs?

Mr. HUGÉ. I am not sure what impelled their decision, but their interest in agriculture, in this phase, was a small part of their total business.

Senator BENNETT. Then it is not fair to assume that the removal of the casein tariff was the overwhelming reason why these people quit the business and why one of them abandoned the construction of a building, pictures of which you supplied to us?

Mr. HUGÉ. It may be a matter of individual interpretation. It appears a coincidence, though, that all three abandoned the field within the same period of time. Undoubtedly it was an influence in their decision.

Senator BENNETT. You do not think that we might possibly look for changes in technology that might have affected this decision?

Mr. HUGÉ. That I do not know. I am not aware of all of the factors that affected the decision of each of the three companies.

Senator BENNETT. What percentage of the casein business or the soya protein business, how is this business divided between the edible and inedible; let us take casein first. What percentage of the total casein used in this country is edible?

Mr. HUGÉ. I believe Dr. Johnson can answer that.

Mr. JOHNSON. The figures on that are rather vague. There are not any. But based on information that we get from various sources, I would say that it looks as if it is somewhere in the range of 12 to 15 million pounds of sodium caseinate a year.

Senator BENNETT. Out of 94 million pounds?

Mr. JOHNSON. Yes.

Senator BENNETT. That is roughly one-sixth?

Mr. JOHNSON. That would be about right, a little less.

Senator BENNETT. About fifteen percent, let us say?

Mr. JOHNSON. A little less.

Senator BENNETT. All right. What percentage of the soy proteins that are sold are edible?

Mr. JOHNSON. As we have indicated, the edible soy protein business is a new business, and it is a relatively infant business at this time.

We have a plant, and these figures are in the record, designed as a semi-works plant to get more information from the standpoint of the plant design and operation, which would make 5 million pounds of material a year.

We have on the drawing board a completed plant for making considerably larger amounts than that, several times that particular figure.

There are other people also getting into this edible protein field who you will hear about a little later.

But today I would say that the sale of the edible isolated soy proteins would be probably not more than at the rate of 5 or 6 million pounds a year at the present time. It is just getting started.

Senator BENNETT. Out of 50 million pounds?

Mr. JOHNSON. That 50 million figure we should qualify as being the industrial and not the edible type protein product.

Senator BENNETT. You lose me a little bit. You say out of 94 million pounds of casein approximately 15 percent is edible.

Now, out of X million pounds of soya protein, edible and inedible, added together—

Mr. JOHNSON. Ten percent for a rough figure at the present level, and that has just been starting in the past year or two when this business started rolling a little bit.

Senator BENNETT. Is it increasing?

Mr. JOHNSON. Yes, it is; and I might add sodium caseinate is the biggest competitor in certain fields.

Senator BENNETT. Well, I am curious, in what food products is sodium caseinate used?

Mr. JOHNSON. Sodium caseinate is used, the largest field would be as a binder in meat products, that would be sausage-type products, meatloaf type products, and that sort of thing.

I would say probably the next largest field would be in the cereal field, breakfast cereal products, high protein breakfast cereal products.

Then there is some going into things like pressure dispenser top-pings, baby foods, and bread, and a variety of other uses.

Senator BENNETT. Wouldn't you think if a new product came in and in 2 years got 10 percent of the market that that was pretty good progress?

Mr. JOHNSON. I do not know if I quite follow you there, sir.

Senator BENNETT. Well, as I understand you, edible soya, isolated soya, protein has only been on the market, I think you said, 2 years.

Mr. JOHNSON. Well, really we have been working on it 5 years for marketing, but basically about 2 years.

Senator BENNETT. Basically you said it had been on the market for 2 years, and you got 10 percent of the market.

Mr. JOHNSON. Yes.

Senator BENNETT. I would say that is pretty good penetration.

Mr. JOHNSON. Ten percent of the soya protein market.

Senator BENNETT. Yes, you got 10 percent of the soya protein market.

Let me ask you the third question then: What is the approximate relationship today between edible soya protein and edible caseinate?

Mr. JOHNSON. Well, all of these products, insofar as food use is concerned, have just been developed in the past few years.

Senator BENNETT. Even in the caseinates?

Mr. JOHNSON. Even the sodium caseinates have been coming into the picture more so in the last few years. Now the general interest in proteins and food has really been developing gradually. Since the

war, the interest has been coming out, and right now there is not a major food company in the United States which is not devoting a considerable effort and dollar expenditure to develop, for the development of, improved food products from the standpoint of protein quality and higher protein products, and that includes all areas of the food field, the dairy field, and all the rest of them.

Senator BENNETT. Well, can you come back to my question: You told me there were 5 million pounds—

Mr. JOHNSON. Yes, sir.

Senator BENNETT (continuing). Of soya.

Mr. JOHNSON. Right.

Senator BENNETT. Soya caseinate.

Mr. JOHNSON. Soya protein, sodium—

Senator BENNETT. Yes.

How many million pounds of caseinate are there, edible caseinate?

Mr. JOHNSON. I again am saying that I will have to estimate it. Based on figures we have had from various sources it is somewhere in the range of 12 to 15 million pounds.

Senator BENNETT. So you have got at least 25 percent of that market, maybe a little more?

Mr. JOHNSON. Yes, I think so.

Senator BENNETT. I go back to what I said, and I correct it, that you do not have 10 percent of the market, you have 25 percent of the market in 2 years.

Mr. JOHNSON. That is correct. But the price on sodium caseinate before was up around 50 cents and higher; as a matter of fact, domestic sodium caseinate right now, I do not think there is any of that under 50 cents a pound, to my knowledge, but it is imported materials which are slowing down our progress in the development of high protein products from soybean for use in foods.

We know that if we can have the time to develop these things and spend the money to do the research, that these prices will be lower, opening up new markets for soybeans. Thus we hope eventually to help the farmer and the general economy.

Senator BENNETT. Admitting that, but I am getting the impression that caseinate is fairly new, too, and I would think it natural in the case of two new competing products that the price would tend to go down, certainly within the first few years of their being put on the market.

Is it fair to say that the price of caseinate is reduced solely so to embarrass the soya producer, while the price of the soya product is reduced because you have improved your technology?

Mr. JOHNSON. I would say that in the case of the imported sodium caseinate, the people who are importing it are interested in dollars, and based on American economics, I do not see how they can produce it at the price they do. We cannot do it in this country.

Senator BENNETT. That is a matter that I cannot discuss because I do not know either.

I would like to take you back to your statement. This is Mr. Buelens' statement. We have a conflict here and I think we should get the record straight.

The Tariff Commission said, as I understand it, over the past 3 years the share of the overall market that both these products serve,

that share served by soya protein had increased from 46 to 48 percent; is that correct, is that figure right?

Mr. JOHNSON. The statement was that there was an increase from 46 percent, the ratio 46 percent, 1951 to 48 percent in 1959, showing that the ratio of casein to soy protein, actually imports we are talking about, actually had increased slightly.

Senator BENNETT. No. The ratio of soya protein to casein increased slightly, not the other way around.

Mr. JOHNSON. That is right.

Senator BENNETT. All right.

Mr. Buelens says, he quotes some figures, and then he says:

The figures show the increase in casein use in the United States has increased at a rate of about twice as fast as soya protein on a pound-for-pound basis.

Mr. BUELENS. That is correct.

Senator BENNETT. That may be correct, but it is not a fair statement of the fact, because when you go to measure a rate of increase, you have to measure the base from which each increase began, and your base was about half of the base of protein, and if it is true, as the Tariff Commission says, that your proportion has increased from 46 to 48 percent, then actually your increase is greater than the increase in the use of protein, and it is not fair to say—increase in casein, and that casein has increased at a rate about twice as fast.

Mr. BUELENS. On a pound-for-pound basis.

Senator BENNETT. Well, that is not right. That is poundage. You are going to talk rate, you have got to talk it in relationship to a base; is that right?

Mr. BUELENS. Yes.

Senator BENNETT. Let us correct the record then to show that from the point of view of rate, use of soya protein has increased slightly more; I haven't got time to figure out the rate of increase represented by an increase from 46 to 48 percent, but it is an increase.

Mr. BUELENS. Percentagewise, yes.

Senator BENNETT. Yes. But in terms of poundage—

Mr. BUELENS. And on a poundage basis.

Senator BENNETT. But the base on which each—the base on which casein began was approximately twice as high as the base on which soya protein stood in 1951, isn't that right?

You do not—

Mr. JOHNSON. That is correct.

Senator BENNETT. You do not give us exact figures, but you give us ranges here.

Mr. BUELENS. Right.

Senator BENNETT. So the exact figures we come back to are the Tariff Commission's figures which are stated as a rate of comparison.

Senator HARTKE. Will the Chairman yield at this point?

Senator BENNETT. Yes.

Senator HARTKE. Just for a matter of clarification, is it not true that the soy protein development is recent, very recent and, frankly, you can start back from where they began, which practically means they had nothing to start out with; is that right.

Senator BENNETT. But he is quoting me specific figures.

Senator HARTKE. I understood they were correct.

Senator BENNETT. But he says this: 10 years ago the range of production of isolated soya proteins was 24 million pounds, and today it is estimated between 45 and 50 million pounds.

Now, that is approximately doubled in the 10 years.

Mr. BUELENS. Yes, that is correct.

Senator BENNETT. That is correct.

Now, 10 years ago the casein figure must have been about, well, he has got it up here, he says 10 years ago the amount of casein shipped into the United States was in the range of 35 million to 55 million pounds. Today it has risen to between 40 million and 50 million pounds a year.

Well, 40 million and 50 million sit right smack in the middle of the range of 35 million and 55 million, so it has doubled, and soya protein has approximately doubled; is that a fair statement?

Mr. BUELENS. I would say it is a fair statement, that they both have increased percentagewise to this extent when you refer to the ratio.

However, I wanted to bring in the poundage increase also.

Senator BENNETT. Yes; but you did not say that. You said the rate, and you cannot talk about rate when you talk about pounds, and I wanted—I think you and I are in agreement. There is no question about the increase in pounds.

But when you are going to talk about rate, you have to go back to the base on which you calculate the rate, and when you go back to that point the Tariff Commission indicates that the rate of increase in soya protein has been slightly greater than the rate of importation of casein.

Mr. BUELENS. I agree.

Senator HARTKE. Will the Senator yield at that point?

Senator BENNETT. Yes.

Senator HARTKE. What I want to know is, is your statement incorrect?

Mr. BUELENS. No.

Senator HARTKE. I gather from the impression that is being left here that you are making an incorrect statement.

Mr. BUELENS. No, sir; I do not admit that.

Senator BENNETT. He is making a double-barreled statement.

Senator HARTKE. Are you making a double-barreled statement?

Mr. BUELENS. I have related pounds to a percentage figure also, because a percentage figure, as quoted, in the Tariff's Commission's letter, can be misleading.

Senator BENNETT. Will you show me in your statement where you have related pounds to a percentage figure?

Mr. BUELENS. No, I don't refer to percentage figures at all.

Senator BENNETT. That is right. But you use the word "rate" on the next to the bottom line of the second paragraph.

Mr. BUELENS. At a rate of about twice as fast; a rate about twice as fast.

Senator BENNETT. Well, it is not a rate; it is a poundage that is twice as large. But the rate is approximately equal.

Mr. BUELENS. Shall we strike out the rate and leave it at twice as fast?

Senator BENNETT. Yes.

Mr. BUELENS. That is acceptable.

Senator BENNETT. You can take it either way; yes. But I cannot let the record show that the use of casein has increased at a rate which is twice as fast, because then you come head on to the Tariff Commission's statement which would indicate that the rate has been a little greater, but not very much.

Senator HARTKE. Will the distinguished Senator then correct the Tariff Commission's report accordingly?

Senator BENNETT. No; this man does not want this report to be corrected.

Senator HARTKE. Then I do not think we should correct this man's report. I think if we correct this report we should correct theirs.

Senator BENNETT. The Tariff Commission's report is correct. This statement will be correct if we take the word "rate" out of it.

Senator HARTKE. My understanding is that there is a serious question as to whether the Tariff Commission's statement is correct in several places. If we are going to correct one place, let us correct them all.

Senator BENNETT. Do you believe the Tariff Commission's statement with respect to the increase in proportion of soya protein from 46 to 48 percent is incorrect?

Mr. JOHNSON. Mr. Chairman, I think that here this is a matter of some interpretation. The point we were trying to bring out was that during the time that this interval of time—that there was an increase of approximately—

Senator BENNETT. Each of them approximately doubled.

Mr. JOHNSON. Yes; 50 million pounds of casein.

Senator BENNETT. That is right.

Mr. JOHNSON. And approximately 25 million pounds of soya protein; that there was—we admit the figures speak for themselves as to what they are, but again it is a matter of where you want to take the base for a statement on a pound-for-pound basis.

Senator BENNETT. Well, I took your figures.

Mr. JOHNSON. That is right.

Senator BENNETT. I took your figures.

Mr. JOHNSON. But if you want to take a hundred as your base or zero as your base—

Senator BENNETT. Wait a minute. Take as your base the figure you gave for the early period of 1951; that is the only basis on which you can make your comparison. Those are the figures that are in your statement.

I think the thing to do is to strike out the words "at a rate of" and just say "has increased twice as fast on a pound-for-pound basis," and that is true.

Senator HARTKE. Mr. Chairman, I am going to insist that the Tariff Commission be called back to correct their statement.

Senator BENNETT. I cannot see how the Tariff Commission's statement is in question.

Senator HARTKE. There have been quite a few things which have been brought up for comment, and I think, in all fairness, if you correct one witness' statement, you should correct all of them.

Senator BENNETT. We are not correcting the figures in the witness' statement; we are simply correcting a word which gives a misunderstanding of his application of his figures.

Senator HARTKE. I do not misunderstand it.

Senator BENNETT. I think he is willing——

Senator HARTKE. Well, have you got his statement before you?

Now, I understood it pretty well; I understood the rate of increase was double, and I understood the figures; that is what it sounded like to me.

Senator BENNETT. No; he does not say that. He says it has increased at a rate twice as fast as the soya protein.

Mr. BUELENS. Excuse me, at a rate about twice as fast as soya protein on a pound-for-pound basis.

Senator BENNETT. Again you come back, you cannot have pound-for-pound, which are absolute comparisons, and rates, which are rate comparisons. You are comparing horses and rabbits here.

Mr. BUELENS. I have no objection to striking out "at a rate of" with the balance of the testimony standing.

Senator BENNETT. Right. I believe that makes the rest of the testimony stand, and it is accurate.

Senator HARTKE. Mr. Chairman, I do not like to leave the impression that this witness has attempted to mislead the committee, and I do not think that, in my opinion, is a fair interpretation of his statement.

Senator BENNETT. Let us say that this member of the committee is confused. I do not think I have been misled, so I am asking him if we cannot change the words in the statement so that they will be perfectly clear.

Senator HARTKE. That is up to the witness to say if he wants to change his statement. He does not have to change it if he does not think it is wrong.

Mr. BUELENS. I have no objection to that change if the balance of the statement stands.

Senator BENNETT. Fine. So we take the words "at a rate of" out and it reads that these figures show that the increase in casein used in the United States has increased—wait a minute, that is wrong, too. It is not the increase that has increased; it is the use that has increased. It is a double-barreled confusion in this sentence.

Mr. BUELENS. I cannot agree that that statement is incorrect now. If it reads:

These figures show that the increase in casein used in the United States has increased about twice as fast as soya protein on a pound-for-pound basis.

Senator BENNETT. Well, I do not think that is what your figures show. I think they show that the use of casein has increased twice as fast.

Mr. JOHNSON. Mr. Chairman——

Mr. BUELENS. Casein used the statement says.

Senator BENNETT. That is right. I agree that the casein used has increased twice as fast.

Mr. JOHNSON. Mr. Chairman——

Senator BENNETT. Yes.

Mr. JOHNSON. (continuing). This is a matter of semantics.

Senator BENNETT. No, it is a matter of mathematics.

Mr. JOHNSON. But as the statement reads I believe it is 100 percent accurate without change, because we are talking about the increase.

Senator BENNETT. All right. What has increased?

Mr. JOHNSON. This is what we said. These figures show that the increase in casein use—now, the actual increase in use is 45 to 50 million pounds, that is the actual increase. We were not talking about rate.

We said the actual increase. We talked about the increase itself. We said the increase was 40 to 50 million pounds, and we say for soya protein it was 20 to 25 million pounds. So we say the increase has increased at a rate of about twice as fast, and the statement is correct.

Senator BENNETT. We are splitting hairs, but if you are talking about increasing an increase then you must refer back to an earlier increase, and this is the first increase you have talked about. I think what you told us—

Senator HARTKE. If the Senator will yield, I do think this, if any interpretation is going to be later placed on this witness' testimony, I think the witness should be permitted to make his own statement without urging from the Senator as to the incorrectness or he will just make a flat assertion that the statement is incorrect, and leave the statement stand for what it is, and that the committee will eventually decide whether the statement is correct or not.

Senator BENNETT. I was trying to give the witness, point out to the witness the confusion that this statement would create in the minds of the committee. If he prefers not to change it, then I would agree with my friend, I would be glad to say that this statement as follows:

These figures show that the increase in casein use has increased about twice as fast as soya protein on a pound-for-pound basis.

is, in my opinion, not accurate.

I would say that what these figures show is that the casein use in the United States has increased twice as fast as that of soya protein on a pound-for-pound basis, or that the increase in casein use in the United States is or has been twice as fast.

I think the double use of the word "increase" is inaccurate.

Senator HARTKE. If the Senator will yield, I would think if the witness is willing to stand on his statement and permit the committee to make its own interpretation of what he says, that this would be, in all fairness, to treat the witness as fairly as we treated the Tariff Commission. We did not ask them to come back and correct their statement.

Senator BENNETT. We are not talking about figures here; we are talking about a method of stating a conclusion drawn from figures, and I am happy to leave it at this point. But I would suggest that the witness might like to sit down with somebody who is skilled in the use of English and see if he has not doubled the use of the word "increase" here in the same sentence and created a wrong impression.

Senator HARTKE. I might say for the benefit of the distinguished Senator, that we people from Indiana are not skilled in the use of English, but we are skilled in the question of whether there is an increase in the amount of competition between American industry and foreign industry. This is a fight between the foreigners and the Americans.

Mr. BUELENS. Mr. Chairman, I would agree to the removal of the words "at the rate of," other than that I would like for my statement to stand.

Senator BENNETT. I think that is fine. But I think I should make it clear that when it comes before the committee, as a member of the committee, I shall try to point out that this statement is misleading and that the double use of the "increase," cannot be sustained by the figures in the statement. Now we understand each other and let us move on.

Senator HARTKE. If the Chairman will yield for just a moment, I think for the sake of the record, in view of the assertion of the distinguished Senator, that in all fairness no interpretation should be placed upon this witness' statement that he attempted to mislead the committee, other than the statement in the record itself, and I am fearful that some attempt at some later date is going to be made in pointing out that this statement which this witness entered in testimony should be disregarded because of a determination of a question of semantics.

Senator BENNETT. It is the opinion of the Chair that it is not the intention of the witness to mislead.

Senator HARTKE. As long as that understanding is clear then I feel it is all right.

Senator BENNETT. There is a statement in Mr. Buelens' testimony that interests me. It says:

We should like to call attention at this time and emphasize the fact that as a result of the development of isolated soya proteins, users of casein have enjoyed substantial savings over a number of years due to lower priced casein.

Can you submit for the record a table which shows the changes in the prices?

Mr. BUELENS. Yes.

Senator BENNETT. And demonstrate that it was the introduction of soya protein that resulted in these price changes and not some other factor?

Mr. BUELENS. Yes. (See p. 65.)

I have a table that shows the stable price of soy protein, and that imported Argentine casein stated right below that almost consistently, with two little exceptions here.

Senator BENNETT. Does the table show that it was higher than that before soya protein came in?

Mr. BUELENS. No, it does not.

Senator BENNETT. So it is pretty hard to say that it was the result of the introduction of soya protein that brought the price down.

Mr. BUELENS. Well, Mr. Chairman, there are a few quotes, I will just pick a few of them to read at this time, and these are taken from Comtelburo Trade News, a leading international news commodity and trade reporting service.

December 9, 1958:

The market for inedible casein was described as steady during the past week, with buying interests modest. One well-informed trade source said that while the market may be called firm as the seller's end demand is anything but aggressive, the primary reason for the lack of good demand was said to reflect the availability of soy protein as a substitute. It was pointed out that a strong market in casein defeats itself in that customers automatically switch when the prices reach a certain level.

Senator BENNETT. Does that process reserve itself if the price of soy protein goes up a little, then the price of casein goes with it?

Mr. BUELENS. Well, all right. Now I will read the December 23, 1958:

A factor that may help strengthen the casein market was the report this week that soy protein prices are going higher. One source reported that a leading manufacturer advanced a cent per pound from 19 to 20 cents per pound f.o.b. producing plant.

Senator BENNETT. This is in the material that you said was confidential and could not be given to the committee?

Mr. BUELENS. No, no. There are portions of this report that are underlined in red.

Senator BENNETT. I wonder if you could not separate those out? I think this table should be in the committee's record.

Senator HARTKE. As I understand it, it is confidential; it is only because of security reasons with the Government that it is confidential, is it not?

Mr. HUGE. No, competitors.

Senator HARTKE. That is all right. I just wanted to know what it was.

Mr. HUGE. They are good friends of ours.

Senator BENNETT. I raise the question if this table, showing the price relationships—

Mr. BUELENS. That is open for publication.

Senator BENNETT. Can you supply the committee with a copy of that, together with the statements you have read so that they can go in the record?

Mr. BUELENS. Yes.

Mr. HUGE. That is schedule F, by the way, which was submitted with my brief.

Senator BENNETT. Yes. But you submitted schedule F on a confidential basis.

Mr. HUGE. We can extract those portions.

Senator BENNETT. That is why I am asking that these be extracted. I understood all of schedule F was to be treated as confidential.

Mr. BUELENS. That portion of schedule F which has been underlined in red is confidential and for the use of the committee.

Senator BENNETT. Under the circumstances I think it would be wisest if you could actually extract these particular pages and submit them to the reporter as a separate—

Mr. BUELENS. We shall submit it both ways for the benefit of the committee. We will take one and remove all the confidential, and then give you one without it.

Senator BENNETT. That is fine.

(The material referred to appears on pp. 47-70.)

Senator BENNETT. The next paragraph puzzles me a little. There is a great deal of evidence to show if imported casein has to depend on competition from domestic casein rather than isolated soya proteins, the price of the purchasers of imported casein would be much higher than they have been in the past.

Is there any substantial domestic casein production?

Mr. BUELENS. No, there is not.

Senator BENNETT. Then I am wondering if this kind of a statement does not draw rather a long bow; in other words, there is no competition from domestic casein, so that the foreign competition cannot, in

practice, be affected by the price on domestic casein; is that a fair statement?

Mr. BUELENS. Would you please repeat that statement?

Senator BENNETT. I think you answered me a minute ago that there is no substantial supply of domestic casein.

Mr. BUELENS. Of domestic casein, that is correct.

Senator BENNETT. So, in practice, the price of foreign casein could not be substantially affected by the price of domestic casein.

Mr. JOHNSON. Well, Mr. Chairman, this is a matter of supply and demand of competitive materials, and we know that domestic casein, when it was being produced, was up in a range around 50 cents per pound. When the support price came in on milk it was cheaper for them to take—

Senator BENNETT. It disappeared.

Mr. JOHNSON. For them to take the milk and put it into surplus and operate in that manner rather than even trying to make the casein in this country to sell it at 50 cents a pound or thereabouts.

Senator BENNETT. That is right.

Mr. JOHNSON. Now, the Comtelburo reports show that the price, and other data show that the price, has been tied to the price on soy proteins, and I believe that we can say that if there were not some competition here, we say domestic casein, if it were made at 50 cents a pound, it is, I think, reasonable to assume that the domestic suppliers would put that price as high as they could.

Senator BENNETT. But there is no domestic supply.

Mr. JOHNSON. Reasonable; but not for practical purposes.

Senator BENNETT. But for practical purposes—

Mr. JOHNSON. None.

Senator BENNETT. This statement has no effect on the current problem?

Mr. JOHNSON. I would say not directly.

Senator BENNETT. No, it has no direct effect on your problem. You are not worried in selling soy protein about the price of domestic casein.

Mr. JOHNSON. No, we are not.

Senator BENNETT. And neither is the foreign casein supplier.

Mr. JOHNSON. Well, the reason, of course, that there is no domestic casein is that the foreign casein has priced it out of the market so far as making domestic casein is concerned, but I think it is reasonable to assume that if the price of casein got up to a dollar a pound you would have domestic producers coming into the picture mighty fast.

Senator BENNETT. But you can assume a lot of other things, too. If the price of casein, foreign casein, got up to \$1 a pound, the price of soya protein would go up awfully fast.

Mr. JOHNSON. That has not been its history: that has not been its history.

Senator HARTKE. Will the Senator yield at this point?

Senator BENNETT. Yes.

Senator HARTKE. Is it not true that we have heard a lot of talk about the American pricing himself out of the market, and that what has happened to domestic casein with the price support program is that it has priced them out of the market?

Mr. JOHNSON. That is correct.

Senator BENNETT. Is it not true that they have found a market for milk in another form which will pay them more? They are not priced out of the domestic market. They just simply have taken the raw material and given it a different application.

Senator HARTKE. At the taxpayer's expense.

Mr. HUGE. Yes. The market is the Government in that case.

Senator BENNETT. I buy dry powdered milk, so I am sure the Government is not the only one.

I have no further questions. Do you?

Mr. HUGE. Mr. Chairman, I would like to offer one comment on a subject you discussed a short while ago, and that concerns this 10 percent of the market which has been gained.

Speaking for the management of our company, and I am sure this would be true of any, we would never make the capital investments we have been making, or conduct the research in an effort to capture a 20-million-pound market, were it not for the fact that we envisioned the opportunity of supplying a market that may well be hundreds of millions of pounds or more.

We would not be embarking upon this edible protein field, the 20-million-pounds total, which is used today, as we estimate it, which is merely a drop in the bucket.

Senator BENNETT. Let me ask you just one more question. I said I was through—do you have any other competitors besides casein?

Mr. HUGE. Yes; wheat gluten—

Mr. JOHNSON. There is another, lactalbumin, which is an excellent one; we can even say egg white is a high source of protein, also competitive, although the price is high; it is a competitor, but it is a high-priced competitor.

Senator BENNETT. You are talking about protein as food now?

Mr. JOHNSON. Right.

Senator BENNETT. In the industrial uses of soy protein, what other competitors do you have besides casein?

Mr. JOHNSON. Nothing in the protein field, but, of course, we are getting into some of the new chemical developments like resins, latex materials, which are coming into competition as has been mentioned earlier this morning.

Senator BENNETT. Are they generally priced higher or lower?

Mr. JOHNSON. They are generally priced higher at the present time, they are being used because of certain characteristics that are desirable.

Senator BENNETT. Aren't their prices coming down?

Mr. JOHNSON. I would say their prices are coming down, yes. As a matter of fact, the people that are in competition with one another in this field find it kind of rough.

Senator BENNETT. This is all.

Senator HARTKE. Mr. Chairman, may I ask one thing?

As I understand it, this is a part of a long-range program of experimentation and development of new uses of agricultural products; is that right?

Mr. HUGE. Yes.

Mr. JOHNSON. That is correct.

Senator HARTKE. What you are saying, in substance, is that this, in effect, is encouraging foreign competition as opposed to your own

experimentation and development of agricultural products in the United States?

Mr. HUGÉ. That is our position.

Senator HARTKE. Thank you.

Senator BENNETT. Thank you very much, gentlemen.

Mr. HUGÉ. Thank you, sir.

Senator BENNETT. Our next witness will be Mr. Thaddeus Snell, Gypsum Association, accompanied by Richard Pickard, U.S. Gypsum Co.

STATEMENT OF THADDEUS SNELL, GYPSUM ASSOCIATION, CHICAGO, ILL.

Mr. SNELL. Mr. Chairman and members of the committee, my name is Thaddeus Snell. I am a lawyer with offices at 134 South LaSalle Street, Chicago, Ill., and I am attorney for the Gypsum Association, on whose behalf I am appearing today in support of a 3-year suspension of the duty on casein.

Members of the Gypsum Association include all manufacturers of gypsum products. One of the principal products of the industry is gypsum wallboard sometimes called plasterboard or "dry wall," which is manufactured in some 60 plants located in 26 States. The phenomenal growth of the homebuilding industry in recent years has been supported by an equally phenomenal growth of dry-wall construction. The National Association of Home Builders estimates 82 percent of new homes used dry-wall in 1959.

Public enthusiasm for gypsum wallboard depends upon a technique of concealing the joints by use of a tape cemented over the joints with an adhesive, known as "joint cement."

One of the principal ingredients in joint cement is casein.

Joint cement is manufactured by nearly all gypsum companies. It is also manufactured by many small companies as a major product in a limited line. Joint cement uses more casein than any other industry except paper.

I might say on the basis of information I have, I estimate at least 20 percent of the imported casein is used in the joint cement industry.

No useful purpose would be served by my reviewing the history of casein production in this country, or the story behind the duty on casein originally imposed in 1922 to protect the domestic dairy industry, and suspended in 1957 when no injury to any domestic industry from imported casein could be found. Members of the committee undoubtedly are more fully informed as to this history than I.

We understand that this hearing and the committee's present interest was stimulated by our three good friends who process soybeans into isolated soy protein. As I understand it, they claim that isolated soy protein is directly competitive with, and a substitute for, casein in industrial uses.

Speaking for the gypsum industry I assure this committee that this contention is inaccurate. Undoubtedly it is based upon their incomplete information as to the formulation problems of industrial consumers of casein.

Casein in joint cement serves two principal functions. It provides a binder to hold some 15 or more ingredients together and acts as an adhesive to cement the material to the external surface.

Our industry has many formulations for joint cement to accommodate conditions and demands in various market areas. Extensive testing and experimentation has been conducted with various combinations of materials. Isolated soy protein has been and is continuously being studied in cooperation with the soy protein producers.

Senator BENNETT. May I ask you at this point, is it being used?

Mr. SNELL. Yes, it is. I will bring it out, and I would like to emphasize, if the chairman please, that we do not oppose the soy interests, but question only their single conclusion that they will benefit by a reimposition of this duty. This is really the issue before the committee today.

It is generally recognized that soy protein is deficient in adhesive qualities. It would be impossible to use soy protein entirely instead of casein in joint cement because it simply would not stay on the wall. However, a combination of casein and soy protein is practical and is used today. The relative percentage of soy protein and casein in the formula varies, depending upon the area in which it is used and other factors. In some, all casein is used. Others use as much as 60 percent soy protein. From the information I have been able to collect, I estimate that a ratio of approximately 40 percent soy protein and 60 percent casein represents an average for the entire gypsum industry.

The proportion of soy protein to casein we use is determined by technological considerations, not price. Therefore, reimposition of the duty will not stimulate greater use of soy protein in our industry. Relative use of soy protein will be increased only if technical limitations can be overcome. Since some of its limitations, such as poor adhesive qualities, are inherent in the product, there is no foreseeable possibility of overcoming the obstacles entirely.

The industry has also experimented and field tested other formulations. For example, a perfectly satisfactory formula has been developed using synthetic resins instead of both casein and soy protein and can be put into production on relatively short notice if circumstances warrant.

Efforts to incorporate soy protein in joint cement date back long before the three present producers acquired their facilities, and long before the duty on casein was suspended, and I might say here that I refer to three producers. There has been some indication there were more than three producers, which is news to us, and if they are, they apparently do not think they have a substitute for casein because they have not approached the gypsum industry and offered us their product.

We used soy protein before the duty was suspended and its use has continued uninterrupted and without significant relative change after suspension of the duty in 1957. During this interim no beneficial improvements have been demonstrated to our members by the three soy protein manufacturers. In fact I have been told one of the three has never been able to produce a soy protein that our industry can use.

Before and after the duty on casein was suspended, soy protein often cost more than casein. Despite this price penalty gypsum companies used soy protein for technological reasons. The duty of 2.75 cents was not decisive. The quality of the product desired determined the materials to be used.

Aquisition of producing facilities by the three principal objectors after the duty was suspended in 1957, expansion of facilities since that time, and lack of awareness of H.R. 7456 from June 1959 when it was introduced until January of this year when objections were first raised are strongly indicative of the fact that the suspension has not seriously injured these three companies.

The gypsum industry already is using soy protein and its use has remained relatively constant before the duty was suspended. We know of no basis for assuming that reimposition of the duty will change this pattern.

If the duty is reimposed, the cost of producing joint cement will increase with eventual reverberations throughout the homebuilding industry. Such a penalty should not be imposed on the basis of technically unsupported speculation and conjecture.

I appreciate the opportunity of being heard and your consideration of the testimony of this industry.

Mr. Chairman, on my right is Mr. R. H. Pickard, who is a chemical engineer and is the purchasing agent of the U.S. Gypsum Co., and I might say that he probably has had more experience in the use of isolated soy protein in building material products than anyone else in the United States.

He has a short statement which he has prepared and, perhaps, then the committee would like to question both of us at the same time.

Senator BENNETT. Is that satisfactory, Senator?

Senator HARTKE. Yes.

Senator BENNETT. Mr. Pickard.

STATEMENT OF RICHARD H. PICKARD, U.S. GYPSUM CO.

Mr. PICKARD. My name is Richard H. Pickard. I live at 2526 Grant Street, Evanston, Ill. I am a chemical engineer and have been employed by U.S. Gypsum Co. for 18 years. One of my duties has always been purchasing casein which we use in a variety of products but principally in joint cement.

When the domestic supply of casein disappeared, I became concerned with having only foreign sources of supply of a vital raw material. Political conditions, foreign currency fluctuations, and uncertain quality standards made it undesirable to purchase abroad if a reasonable alternative was available.

I brought isolated soy protein to the attention of our research department as a possible alternative. At first they were unable to use it at all but, to make a long story short, after a number of changes had been made in the product by the manufacturers, with whom we worked over a period of nearly 4 years, its use in some formulations was made possible. The special product developed could not just be substituted for casein but, by varying other ingredients in the formulas, it could be used to a limited extent in conjunction with casein. I recommended at that time that we use the material regardless of price comparisons with the fluctuating casein market.

Today we use as much isolated soy protein in our formulations as technically possible. In support of this statement I have attached as exhibit A a letter from our director of research.

This is to myself from J. A. Robertson, and it is as follows :

I am familiar with the technical problems in using casein and soy protein about which you inquired in your interoffice memo of March 7. In addition I have reviewed this whole subject with Mr. Jimmy N. Walker, whom we consider our expert on such matters. As you know, these products are involved in the formulas of joint cement, texture paints, and other products using protein binders.

We are not using the maximum quantity of soy protein possible without reducing the quality of our end products.

We have literally dozens of different formulas for these products involving variations designed to meet differing climatic conditions as well as varying application problems throughout the country. In every instance, the usage of soy protein in quantities larger than now authorized to replace or substitute for casein cannot be approved because such alterations of formulas would produce an inferior or even an unusable product.

The adhesive characteristics of soy protein are inferior to those of casein. While soy protein does fill some other functions, these functions can also be filled by other products where necessary to the formula, and soy protein is only used where it will not reduce the adhesive characteristics below the functional requirements. As an example of this problem, a formula change was recently required in one of our products replacing soy protein entirely with casein. This was required after we had the unfortunate experience with the product having such poor adhesion on a large number of walls that it actually peeled off the wall while painters were rolling a coat of paint over it. We have experienced no similar failures with the casein formulated product.

Some years ago we used only casein but introduced soy protein in our various formulas after considerable experimentation in cooperation with the soy protein manufacturers, who have done extensive research in an effort to solve the weakness of their product. So far, however, they have been unable to do so and have offered no improved product which would overcome the stated weaknesses. Consequently they recognize our reasoning for limiting the percentage of soy protein in our products.

In the opinion of our department, soy protein is not a substitute for casein in our usages. It has its place, serves a useful purpose and, to the extent we can, we use it. However, its usage is determined solely by its technical characteristics as judged by the ability of the end product to perform as required. Its use is not determined by the comparative price of soy protein and casein.

To continue with my statement, suspension of the duty on casein in 1957 did not affect our relative use of casein and isolated soy protein. I have prepared a graph attached as exhibit B showing our relative use of casein and soy protein in 1956, 1957, 1958, and 1959. You will note that the proportions of each remained virtually constant although in 1957 the duty was removed from casein.

In referring to that chart, you will notice that the cross-hatched portion at the bottom of each of the 4-year bar graphs represents that portion of our entire protein material usage which was taken by soy protein.

The upper half, the white portion, represent the portion used in casein.

You will further note that it is almost identical. It increased very slightly in 1957 over 1958, and then maintained approximately that identical level through 1958 and 1959, despite the fact that had the price been a consideration, the percentage of soy protein should have dropped after 1957 and shown up in 1958 and 1959.

As a matter of fact, in buying casein there is usually about a 3-month timelag because of the time necessary to bring an imported product in, it should have begun reflecting—since the price, the duty, was dropped in September 1957, it should have begun reflecting—about the first of 1958.

Exhibit C shows casein and soy protein usage against joint cement production for the same 4-year period. You will note that usage of casein and soy protein varied almost identically in direct ratio to joint cement production, and there, referring to that chart, the bar graph on the left of each of the 4-year groups represents soy protein used.

The bar graph in the center represents casein used. Both of those are applicable in comparison to each other against the scale on the left of this diagram.

The blank column represents the output production of joint cement. It is not scaled to the same column on the left for the reason that it would in all cases go far above the top of the page. It is, however, in direct ratio year to year.

Senator HARTKE. I will ask the chairman to yield at this point. Is this on rate of increase in percentage or pounds?

Mr. PICKARD. This entire graph is in pounds of usage and output of final product.

Senator HARTKE. I did not want to leave any impression that I am being misled. I just want you to know that.

Mr. PICKARD. Thank you.

Our use of casein increased approximately 31 percent from 1957 to 1959 because of the increased demand for our products. It is interesting to observe that importation of casein during this same period increased only 27 percent.

Our company is interested in a variety of products in which casein is used. For example, we use casein in emulsion paints, texture paints, wallboard laminants and special emulsions. We cannot increase our relative use of isolated soy protein in any of these products. In some we cannot use any soy protein, as for example, certain emulsion paints.

We buy isolated soy protein from two of the three producers, and here again I refer to Mr. Snell's comment that if there are additional producers we have not met them.

The third has not been able to develop a product we can use although they have tried. We would welcome improvement in their product and have so indicated as recently as this month when they offered us what apparently is the same product we tested and rejected over a year ago.

The soy protein people have indicated that enlargement of their production would be of considerable importance to soybean growers as an outlet for their beans. I have some knowledge of their process and have attached exhibit D which indicates my estimate that only one-half of the 1959 crop was consumed in manufacture of protein. It further shows that if isolated soy protein were to replace all imported casein—a technological impossibility—it would offer a market for only about 1 percent more of last year's soybean crop—and here I make reference to the last graph attached.

The bar on the left indicates that rather thin black line at the bottom, the percentage, as we calculated, and I believe our figures have agreed quite closely to those quoted today, the percentage of the 1959 soybean crop which actually went into the manufacture of isolated soy protein.

The bar on the right indicates the amount of that crop, the same 1959 crop, which would have been utilized if every pound of casein

coming into the United States had been replaced by soy protein, which could not technologically occur.

In brief summary, as one of the largest single purchasers of isolated soy protein and casein in the country, I can unequivocally state that our purchase of these two products never has been, and in the foreseeable future will not be, affected one way or the other by reimposition or continued suspension of this duty. To reimpose the duty will simply increase our costs without benefitting the domestic soybean industry—or the producers of isolated soy protein.

Thank you for the opportunity of appearing on this matter.

I shall be glad to answer any questions which the committee may wish to ask.

Senator BENNETT. Before we begin the questioning, we have the same problem with your charts that we had with the photographs. Could you translate these charts into a schedule?

Mr. PICKARD. I will be glad to do so, sir.

Senator BENNETT. Then that can be printed without question in the record.

(The documents referred to follow:)

U.S. GYPSUM Co.,
Chicago Ill., April 1, 1960.

HON. HARRY F. BYRD,
Chairman, Senate Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BYRD: Senator Bennett, while presiding at the committee meeting on the subject of H.R. 7456 on March 31, 1960, was kind enough to point out that graphs could not be reproduced in the committee records.

He suggested that the information contained in the graphs in my statement, which was titled "Statement of Richard H. Pickard Supporting Suspension of the Duty on Casein", be reduced to a form which could be reproduced.

The attached sheet covers this information. I respectfully submit it for inclusion in the committee records.

Very truly yours,

R. H. PICKARD, *Purchasing Agent.*

STATEMENT OF RICHARD H. PICKARD
SUPPORTING SUSPENSION OF THE DUTY ON CASEIN

EXHIBIT B

This is a bar graph titled "Relative Use of Isolated Soy Protein and Casein—U.S. Gypsum Co." The graph illustrates the following data which indicates percentage of our total protein type material usage which consisted of isolated soy protein.

1956	-----	41.4
1957	-----	42.6
1958	-----	42.3
1959	-----	42.1

EXHIBIT C

"Usage of Casein and Isolated Soy Protein Compared to Joint Cement Production—U.S. Gypsum Co." The exhibit consists of four sets of three bar graphs showing the relative usage of soy protein and casein as compared to production of joint cement. It is predicated on the following figures:

Year	Soy protein usage	Casein usage	Joint cement production
1956.....	31.4	44.4	103.3
1957.....	31.8	42.8	100.2
1958.....	34.0	46.4	114.0
1959.....	39.4	55.9	137.0

EXHIBIT D

This is a chart entitled, "Portion of 1959 Soybean Crop Utilized in Production of Isolated Soy Protein." This consists of two bar graphs in each of which the full length of the bar indicates the 1959 soybean crop as 100 percent. The first bar shows that in 1959 actual consumption of soybeans for producing isolated soy protein was 0.56 percent of the bean crop. The second bar indicates if all the casein imported were replaced by soy protein the total consumption of soybeans for both present production and the replacement would have amounted to 1.6 percent.

Senator BENNETT. Any questions?

Senator HARTKE. Yes, I have a few, Mr. Chairman.

As I understand it, you feel that you would like to use domestic products if available, is that right?

Mr. PICKARD. Are you addressing it to me?

Senator HARTKE. Either one.

Mr. PICKARD. Yes, sir; that is correct.

Senator HARTKE. And your contention is that you have not developed this product sufficiently for your use?

Mr. PICKARD. That is right.

Senator HARTKE. Perhaps we ought to get you and the soybean people and Dr. Smith together and maybe you could come up with something.

Mr. PICKARD. I would hope we could, sir. But we have been in extremely close contact with all producers of soy proteins for a matter of 10 years or so.

Senator HARTKE. You disagree with Dr. Smith's statement this morning.

Mr. PICKARD. I would have to, based on our own research department's comments and results.

Senator HARTKE. Have you been in consultation with Dr. Smith of the Department of Agriculture on this matter?

Mr. PICKARD. No, sir; we have not.

Senator HARTKE. Don't you think this would be advisable under the circumstances, if you have a sincere desire to use the domestic product?

Mr. PICKARD. We have felt, in general, the producers of the product should have a greater knowledge than anyone else and interpret outside information for our benefit.

Senator HARTKE. So your primary interest is not necessarily in developing the domestic market but in utilizing whatever they can properly sell to your purchasing department; isn't that right?

Mr. PICKARD. That would be correct. That would be correct in that the products that are available for sale are the only ones in which we have the capacity to do research and to develop.

Senator HARTKE. You have had 3 years of experimentation now, as I understand it, with this import suspension, duty suspension, isn't that right?

Mr. PICKARD. Yes, approximately; yes, sir.

Senator HARTKE. And this experiment was made for the benefit of the consumers of imported casein like yourselves which you claim you are one of the largest?

Mr. SNELL. If I may answer that, Senator, I do not think it was made for their benefit. It was made because the reason for the duty had disappeared.

Senator HARTKE. Now, that might be open to question in view of the fact that there were no hearings, and I do not think it is any more fair to assume that, than it is fair to assume that these people did not interpose any objection or for what reason they did not interpose any objection, because there never were any hearings on this measure.

Mr. SNELL. It may be open to question, Senator, but you asked for our opinion, and that is our opinion.

Senator HARTKE. Well, the statement in the record was that this was to be an experiment for 3 years.

Mr. SNELL. Yes, sir.

Senator HARTKE. All right.

Don't you think it would be fair to have an experiment maybe in reverse for 1 year and let us see what happens if we reimpose a duty for 1 year?

Mr. SNELL. Since 1922—

Senator HARTKE. Would you be agreeable to such an arrangement?

Mr. SNELL. Since 1922 we experimented with a duty on casein. I think there was adequate experimentation, and I think it is highly significant that prior to 1957 the manufacturers of isolated soy protein were unable to show our industry how they could increase the use of isolated soy protein, despite the fact that our research men and our research facilities cooperated with them for many years, probably back, at least as far back, as 1950, in an effort to improve and increase this use.

We see no reason to anticipate that what they could not do in 1957 and prior thereto can now be done simply because the duty is reimposed.

I think also it is significant that there has been no showing here as to how this product has been changed technologically since 1957 to alter the sincere conclusion of our industry that we could not use any more.

Senator HARTKE. But I ask you whether you would be willing to conduct a 1-year experiment in reverse now. You have had 3 years to your benefit. Why not try 1 year to the benefit of the soybean people, and see what happens?

Mr. SNELL. Senator, to answer your question directly, no.

Senator HARTKE. All right, that is sufficient.

Have you had any decrease in the price of your product since casein import restrictions were lifted?

Mr. SNELL. Like all manufacturers during the last few years, Senator, we have been faced with steadily increasing costs in all facets of our production, raw materials, generally speaking, and labor and overhead.

Despite this fact we have been able to hold the price of casein at the same level at which it was—of joint cement, I should say, at the same level that it was in 1957, and one of the contributing factors to this was the fact that the duty on casein was reduced.

Senator HARTKE. Has that been passed along to the consumers?

Mr. SNELL. It has been passed along to the consumers in no increase in the price of the finished product.

Senator HARTKE. The finished products have not increased in price since 1957?

Mr. SNELL. That is correct.

Senator HARTKE. Of your joint—

Mr. SNELL. Joint cement; the price of joint cement has not increased in price since 1957.

Senator HARTKE. It has not decreased?

Mr. SNELL. It has not decreased either.

Senator HARTKE. Where does gypsum come from that you use?

Mr. SNELL. Indiana.

Senator HARTKE. I am quite familiar with that; you might be surprised.

Mr. SNELL. I know you are, Senator.

Senator HARTKE. I am also familiar with some land you acquired down there. Do you want to discuss that?

Mr. SNELL. I do not know to what you refer.

Senator HARTKE. It might be a very interesting discussion. Would you like to discuss it?

Mr. SNELL. I would be glad to discuss anything the Senator wished to discuss.

Senator HARTKE. Well, I just do not make light of what is going on.

Mr. SNELL. I am not, Senator. I am trying to answer questions.

Senator HARTKE. There has been quite a bit of publicity in Indiana, in case you do not know about it.

Let me ask you this question: Do you import any gypsum?

Mr. SNELL. Senator, as I indicated in my statement, there are 60-some gypsum plants located in 26 States. There is no gypsum on the seaboard in this country. This is a geological phenomenon, because it is a heavy product, and it is important that the plants are located relatively near the markets in order to give the consumers the lowest possible prices.

Therefore, the plants that are located along the seaboard use rock which is imported from abroad.

The plants which are located in the inland part of the country, that is from the Appalachians to the Rocky Mountains, use domestically produced, mined and quarried gypsum, of which there is a great deal.

Senator HARTKE. In regard to the statement, Mr. Pickard, in which you say that it shows that this would only offer a market for about 1 percent more of last year's soybean crop of between 5 and 6 million bushels, I think there might be a difference of interpretation whether it is 5 or 6 million bushels or 8 or 9 million.

Mr. PICKARD. All right, if I might say so, Senator, I believe the figures are identical. My statement is additional crop of 5 to 6 million which makes a total of 9 million for the entire tonnage, 45, 50 million pounds of protein, plus the equivalent.

Senator HARTKE. I am not even questioning that part of it, but the point of it is there are approximately 8 million bushels which did go into the Commodity Credit Corporation which the taxpayers had to pay for, which would have absorbed practically that.

Mr. PICKARD. Well, that portion that would have been used in the manufacture of isolated soy protein, about one-quarter of the total bean—

Senator HARTKE. About what?

Mr. PICKARD. About one-quarter of the total bean.

Senator HARTKE. I understand. But that would absorb a large portion of that which the Commodity Credit Corporation presently has purchased.

Mr. PICKARD. Well, it would absorb that portion which could be made into isolated soy protein.

Senator HARTKE. You say it is about one-quarter of it?

Mr. PICKARD. That is roughly correct, I believe.

Senator HARTKE. Can we agree it would have helped to the extent of one-quarter of it then?

Mr. PICKARD. Yes, it would help to the extent of one-quarter.

Senator HARTKE. I am not trying to push you back into any corner.

Let me come back to some quotations here. On importation you say that you import some gypsum?

Mr. SNELL. Yes, sir; we do.

Senator HARTKE. Tell me what kind of tariff protection does your industry have?

Mr. SNELL. There is no tariff on the importation of gypsum rock.

Senator HARTKE. Of what?

Mr. SNELL. Of gypsum rock.

Senator HARTKE. That is right. That is crude gypsum, is that right?

Mr. SNELL. Yes, sir.

Senator HARTKE. Do you also import calcinated gypsum?

Mr. SNELL. No, sir.

Senator HARTKE. Is there an import duty on that?

Mr. SNELL. Well, I speak from recollection, I think there is a duty on statuary, and there is, I think there may be, a duty on gypsum products not specially provided for in the Tariff Act of 1930, but the details I am not familiar with.

Senator HARTKE. Would it be right to say that it is about \$1.19 for a long time?

Mr. SNELL. Frankly, I do not know, Senator.

Senator HARTKE. How about cement?

Mr. SNELL. I do not think I understand your use of the word "cement." Joint cement?

Senator HARTKE. That is right.

Mr. SNELL. So far as I know there is no joint cement imported into this country.

Senator HARTKE. Is there a duty protection?

Mr. PICKARD. I have no idea.

Mr. SNELL. I do not know either.

Senator HARTKE. But there is, is there not, of \$1.40 per long ton, I think that is right—pardon me, \$3.50 to \$14 per ton. As far as you are concerned, these duties could be removed, is that right?

Mr. SNELL. Senator, we have not so testified, and it is not a matter we have given immediate consideration to. I would be glad to look into it and—

Senator HARTKE. I say if we are going to remove all these tariffs for all these people, I would be glad to cooperate with you and maybe we can arrange to get some more off.

Mr. SNELL. Well, I would say that if there was no domestic production of joint cement, and there is a tariff on joint cement, that it would be appropriate to reduce it.

However, since there is substantial production of joint cement, if that is the question, it seems to me it is somewhat different from the question we are now considering.

Senator HARTKE. The point I am making here is that here is a problem where you have a domestic item really in competition with foreign casein, is that right? You contend that it does not completely substitute for that. But there is a dispute from some people, and they dispute some part of it. I think that is a fair statement.

The point still remains that in spite of everything else they contend that the duty causes a price differential, which is sufficient to keep them out of a major portion of this market.

The removal of the suspension of this duty would not prohibit you from importing casein, would it?

Mr. SNELL. It would not prohibit us from importing casein, but it would penalize us for doing so, Senator.

Senator HARTKE. Well, it is a question of whether you are penalizing your foreign suppliers and whether you are penalizing your domestic people, isn't that right?

Mr. SNELL. No, sir; it is not. We are not penalizing foreign suppliers by imposing a duty on the importation of casein, which would be paid by the American consumer. You are penalizing the American consumer.

Senator HARTKE. Do you have any facts to show that the consumer benefits from that?

Mr. SNELL. Yes, sir; I do. When the duty was removed in 1957, the price of casein that was paid to the foreign supplier remained the same.

The cost of casein to the American consumer dropped almost exactly the amount of the duty that was removed, and that decrease in cost to the American consumer has remained constant since 1957.

Senator HARTKE. Let us assume—has it not also dropped in proportion to the price of soy protein?

Mr. SNELL. I am sorry, I do not understand that question.

Senator HARTKE. In other words, has not the price really of casein been pretty well tied not so much to that item as it has to the price of soy protein?

Mr. SNELL. No, sir. We do not think there is any relation at all between the price of casein and the price of soy protein, and I am quite sure our Argentine suppliers are not at all concerned with the price of soy protein. It has been higher through most of this suspension period.

Senator HARTKE. Do you import from Poland?

Mr. SNELL. So far as I know—Mr. Pickard might answer this better—most of our purchases are supplied by the Argentine.

Senator HARTKE. We have had two of the largest users of protein here today, I mean of casein here today, and nobody gets it from Poland. Where is all this Polish casein going?

Mr. PICKARD. May I attempt to answer part of that question, Senator?

Senator HARTKE. I am not being critical, now, but just trying to find out.

Mr. PICKARD. We buy casein to specification. We do not stipulate that it shall be from Argentina, from Poland, from France, from Germany, from Australia, or from New Zealand.

Our interest is the quality of the casein which we purchase. We buy it from American firms who import it.

They produce a product. Whether it is by blending or whether they simply test to find that a product is satisfactory, they ship that product to us.

We have no means of determining the original source of that product, unless through some mistake a bad product arrives and we have to trace it back, which is an extremely rare occurrence.

Senator HARTKE. In other words, then, let us get it straight. You do not know where you get all of this from? You just assume it comes from Argentina; is that right?

Mr. PICKARD. That is right, sir.

Senator HARTKE. That is a fair statement?

Mr. PICKARD. I believe it is.

Senator HARTKE. That is all I have.

Senator BENNETT. Mr. Pickard, in your statement you quote the increase in the use of your casein as 31 percent between 1957 and 1959, and you say the importation of casein during this period was only 27 percent.

Do you have any comparable figures for your increase in the use of soy proteins?

Mr. PICKARD. I did not happen to work those out, but they are roughly in the same position.

Mr. SNELL, did you have that calculation? I could work that out and let you know. My recollection is it is approximately 27 percent, a 27-percent increase, in soy protein during that same period.

Senator BENNETT. It must be approximately that because in your tables in the back you show that the proportion of the two products remains approximately the same.

Mr. PICKARD. I am sorry, I did not calculate that. My point in that statement was to indicate the reason for the increased imports of casein into the United States, was predicated on a fact we were using more of the materials.

Senator BENNETT. You testified that you buy your casein from a broker or a supplier. Are there some imported caseins that you know you cannot use?

Mr. PICKARD. There are, from experience, caseins which in our industry we cannot use. For example, those materials which originate in Australia and New Zealand, because of the method used in their production, we know we cannot use.

We understand, by the same token, that the paper industry prefers that type of material.

Senator BENNETT. That is interesting. If you buy from suppliers and you have no way of knowing the country of origin, have you got any idea on what basis the suppliers buy?

Do they buy on the basis of dealing only in France or in Australia or in New Zealand?

Mr. PICKARD. I cannot answer that question positively. I know that some suppliers specialize, for example, in materials from New Zealand. Others handle Australian materials, but almost any of them will buy in any country where they can obtain the material which experience has proven will give them the qualities they need for sale to their customers.

Senator BENNETT. Do you have any idea why Polish casein has come in lately?

Mr. PICKARD. Obviously I am not completely familiar with the various aspects of the foreign trade.

However, I do know that normally in years prior to 1959, 1958, there has been a fair tonnage of casein imported, for example, from France.

However, 1959, as we understand it, and this is hearsay, I was not there; they had a bad drought in France and the production was virtually nil. There was almost no part of the normal quantity for export.

That left an area which others possibly could fill, and it is possible, I do not know positively, that that is why the Polish casein came into the country in larger quantities last year, in 1958, than had previously.

Senator BENNETT. Has the quantity of Polish casein turned down, or is it still declining?

Mr. PICKARD. I have no idea because I do not know what part of the casein we bought has been Polish. Our suppliers tell us we are primarily using Argentine casein.

Senator BENNETT. That is all. Thank you very much.

Mr. SNELL. Mr. Chairman, if I could make one other remark before I leave?

Senator BENNETT. Yes.

Mr. SNELL. I was asked by Mr. Ken Loomis, who is executive secretary of the Adhesive Manufacturers Association of America, if I would say about three sentences in his behalf, if I may?

Senator BENNETT. All right.

Mr. SNELL. I understand that this association consists of 24 members whose business is packaging adhesives.

Senator BENNETT. You mean adhesives to form packages?

Mr. SNELL. Adhesives used on packages.

Senator BENNETT. Used on packages.

Mr. SNELL. Now, there are three particular uses: They use casein in making these adhesives, and he tells me there are three particular uses they have for it.

One is in the product that they call casein ice-proof label glue. He says it is used to glue labels on beer bottles, for example, which are in the icebox, which are cold and subject to high moisture conditions.

A second product is called rubber latex laminating glues, which

are used on nonpaper applications, because the casein has a high water-resistant characteristic.

A third use is in certain types of wood construction; as an example, furniture, not plywood, but furniture having construction of that sort, and he tells me that because of the particular physical characteristics of casein, the high water-resistance and cold-resistance of casein as an adhesive product, that they can only use casein, and can use no soy as a substitute in these particular products.

Senator BENNETT. Thank you.

I have a statement, the statement of George L. Prichard, Washington representative of the National Soybean Processors Association. Mr. Prichard had to leave before his turn came, so without objection, his statement will be inserted in the record at this point.

(The document referred to follows:)

STATEMENT BY GEORGE L. PRICHARD, WASHINGTON REPRESENTATIVE, NATIONAL SOYBEAN PROCESSORS ASSOCIATION

The National Soybean Processors Association represents, for practical purposes, all of the soybean processing industry in the United States. There are currently 57 member companies.

As stated in my letter of January 22, 1960, to the chairman of the Senate Finance Committee, the directors of this association adopted a resolution on January 19, 1960, opposing any further suspension of the import duties on casein.

It is obvious that duty-free imports of casein handicap the production and continued expansion of isolated soybean protein usage in the United States. Based upon imports of casein for competitive industrial use, the present market can be tripled potentially from an equivalent of about 3 million bushels of soybeans to about 9 million bushels.

The production and potentially expanding industrial market for isolated proteins from soybeans represents the culmination of many years of research by both Government and industry as well as the investment of substantial sums of money. It is pertinent to note that such research and development of new markets for U.S. agricultural products is in accord with the stated purposes of Government research programs and of the legislation passed by the House and the Senate in different forms which would authorize Government research programs on a broad scale looking to industrial usage to farm commodities.

We have heard informally that some Government agencies concur in the continued suspension of casein duties because of the opinion that reimposition would not reduce casein imports. If this theory could be accepted, then logically the much publicized budget considerations should lead administration agencies to favor reimposition of the duties. And, there could be no objection to the reimposition from a supply viewpoint.

If, as has also been indicated, one of the major reasons for suspending casein duties is to help our friends in South America, consideration should be given as to why the soybean industry should bear the expense of this assistance.

This statement is intentionally brief because the members of the National Soybean Processors Association having a vital interest in this subject are testifying before the committee on H.R. 7456. They are presenting detailed information as to the importance of isolated soybean proteins and can answer any technical questions regarding its use or availability.

In closing, I would like to express the thanks of the National Soybean Processors Association to the committee for holding this hearing to afford an opportunity for the soybean industry to be heard before final action is taken on the suspension of casein duties.

Senator BENNETT. We have seven witnesses. We have been a little verbose this afternoon; I think I have been one of the worst of the group.

Senator HARTKE. I would not say that, sir.

Senator BENNETT. May we ask our friends to help us move along so that we can finish tonight.

The first witness on this list is Jesse R. Smith of Armstrong Cork Co.

STATEMENT OF JESSE R. SMITH, WASHINGTON COUNSEL, ARMSTRONG CORK CO.

Mr. SMITH. Mr. Chairman, we appreciate the opportunity of testifying this afternoon.

Now, this matter of the use of casein versus soybean protein, I think, has been pretty well covered by the experts.

I do not want to belabor the situation. I would simply say that we heartily concur in the testimony that has been given by the other industrial consumers of casein, and we ask leave to have my short typed statement printed in the record.

Senator BENNETT. Is there any material in your statement that takes us into new ground?

Mr. SMITH. No, I think not, except one point; that if this price situation should be drastically changed or considerably changed, of even greater attraction to us that soybean protein is the possibility of using synthetic resin latex, which could easily displace both casein and soybean protein. That comes from our production and research people.

Senator BENNETT. Any questions?

Senator HARTKE. I have no questions.

Senator BENNETT. Thank you, Mr. Smith.

(The prepared statement of Mr. Smith follows:)

STATEMENT OF JESSE R. SMITH, ARMSTRONG CORK CO.

My name is Jesse R. Smith. I am the Washington counsel and representative of the Armstrong Cork Co. of Lancaster, Pa., with offices at 1627 K Street NW. We use substantial quantities of casein in our manufacturing operations—particularly in connection with the manufacture of acoustical materials. We have used casein for many years, and have purchased it on the basis of price, without regard of whether it is imported or domestically produced. However, as you know, since about 1951, because of the support price policy of the Department of Agriculture for nonfat dry milk, it has not been economic to produce casein in the United States. Virtually none is produced today. Consequently, in recent years we have been entirely dependent upon imported casein for our requirements.

A review of consumption figures in the United States over the past 2 decades shows that not infrequently from 70 million to 75 million pounds have been used in 1 year. The approximate 95 million pounds imported last year simply represents the expanding industrial demand and is not startling at all. We have used soybean protein to a limited extent, along with casein, but our future use of soybean protein will be governed by economics and technical developments, always bearing in mind that quality is of prime importance. Of even greater attraction, however, is the use of synthetic resin latex, which can displace both casein and soybean protein. This is a distinct possibility and will depend on technical progress and sheer economics.

Until the soybean protein interests entered a protest against the passage of H.R. 7456, we had not even thought that casein was a threat to the development of their industry. We do not so regard it now, this subject has been discussed by the experts in the industry, who are here today. In the interest of conserving the time of the members of the Senate Finance Committee, I shall not belabor this situation, but merely say that Armstrong Cork Co. heartily concurs in the testimony that has been given by the other industrial users of casein. We feel that the reports of the Tariff Commission and the Department of Agriculture on this problem are entitled to great weight by your committee.

We hope you will conclude to recommend that the suspension of the tariff on casein be extended for another 3 years.

Senator BENNETT. Mr. Parker, Thomas Paint Products?

STATEMENT OF JACK PARKER, TECHNICAL DIRECTOR, THOMAS PAINT PRODUCTS CO., ATLANTA, GA.

Mr. PARKER. I am Jack Parker; I am a chemical engineer, and I am technical director of Thomas Paint Products Co. in Atlanta, Ga. I would like to read a short statement.

The company with which I am associated is a manufacturer of wall-board joint cement and water thin paints.

We use imported caseins, nonedible grade, in our manufacturing process.

We have been in business 7 years. During that period we have tried various domestic proteinaceous materials as a substitute for casein.

Some of the materials we have used are wheat paste, bone glue, chemically isolated soya protein, and mechanically separated soya protein.

In a few instances the use of a small amount of one of these items in conjunction with casein adds to the finished product.

However, we do not believe these domestic materials used alone or in combination in the types of material we manufacture will yield a product that will have properties on a par with one made containing casein.

It is our feeling that there is no domestic proteinaceous material produced that is an adequate replacement for casein in the types of products we make.

The high price of domestic casein precludes its use.

Therefore, the addition of an import tax will not benefit the domestic suppliers to our industry. It will add this year in our case alone, and, bear in mind, we are a real small company, almost \$6,000 to our casein cost if the duty is reestablished at $2\frac{3}{4}$ cents per pound.

We hope that you will act favorably on H.R. 7456.

I would like to add a couple of other comments. Being a small company we depend on raw material suppliers to furnish us with a lot of our information, and the Archer-Daniels-Midland Co. is a producer of soya beans.

Now, they were just mechanically separated, which we use, and still use, but in their bulletins, and I quote from one of them, they say, "If you are using one of the materials, if the material becomes too hot and it starts to jell add casein."

Now, in another place they give you two suggested formulas for powdered casein paint. The first one, using soya alone, soya protein mechanically separated, is more economical. However, formula 20114, that is one containing casein, produces a better brushing paint with superior flow.

Senator BENNETT. Are you reading from their material?

Mr. PARKER. Yes; it is in there.

Senator BENNETT. When you say it produces—is that your comment or is that in their material?

Mr. PARKER. I will read it:

Formula 20114 produces a better brushing paint with superior flow.

I have another bulletin from Archer-Daniels-Midland that I just picked up at a southern paint convention during this month, and they produce resin emulsion, and one of their suggested formulas that I just got during this month, it says for aerolene 210 gloss enamel, white, pounds 33, gallons 3.30, casein solution, that is in 100 gallons of this material that they are recommending, and they have recommended casein and several other products.

I just did not know I was going to be allowed to come up until yesterday afternoon, and I happened to have this at home when I got there last night and picked it up.

The producers themselves feel that casein is hard to replace in some instances.

Senator BENNETT. Any questions?

Senator HARTKE. Have you decreased the price of your product since 1957?

Mr. PARKER. Our price has not increased while the cost of the bags that we put it in and the freight rates in our price—which is a delivered price—and the freight rates have gone up during that period of time.

Also we have come out with, and I think most manufacturers have, with what they call project joint cement, which is cheaper than anything that was on the market in 1956 over 1957; I believe I am correct.

Senator HARTKE. I have no further questions.

Senator BENNETT. Thank you very much, Mr. Parker.

As one paint manufacturer to another, I am very happy to welcome you to the Finance Committee.

Senator HARTKE. I am delighted to find out we have two paint manufacturers there.

Senator BENNETT. As long as he stays out there in the South and I stay out in the West, there will be no problem.

Senator BENNETT. Mr. William G. McFadzean of Archer-Daniels-Midland Co., accompanied by Robert S. Mathews.

STATEMENT OF WILLIAM G. McFADZEAN, DIRECTOR OF CIVIC AFFAIRS, ARCHER-DANIELS-MIDLAND CO., MINNEAPOLIS, MINN., ACCOMPANIED BY ROBERT MATHEWS, MANAGER, PROTEIN AND STARCH OPERATIONS

Mr. McFADZEAN. Senator Bennett, gentlemen, in the interest of time, I have merely jotted down some notes to shorten this up, and Mr. Mathews, who is the manager of our protein division at Archer-Daniels-Midland has a prepared statement, and in the interest of time we are going to submit this statement.

Senator BENNETT. Do you have a prepared statement in addition to your notes?

Mr. McFADZEAN. No. I do not.

Senator BENNETT. You do not.

Mr. McFADZEAN. My name is William G. McFadzean, and I am director of civic affairs for Archer-Daniels-Midland Co. whose home office is in Minneapolis, Minn.

Archer-Daniels-Midland Co. is grateful to this committee for making it possible for us and other interested parties to appear before you at this time to discuss our viewpoints pertaining to the suspension of a tariff on foreign casein and the effect that such a suspension has on the isolated soybean protein industry.

Foreign casein has been subject to an import duty since the Tariff Act of 1922. On September 2, 1957, this duty was suspended through March 31, 1960. H.R. 7456 continues the suspension of this tariff through March 31, 1963. It is our understanding that the original purpose of the Tariff Act of 1922 was to protect the dairy industry, who were major producers of casein, from foreign imports. Although this condition no longer exists due to the milk price support program which constitutes a prime inducement for converting skim milk into products other than casein, a parallel situation does exist within the soybean industry as producers of soybean protein. Domestically produced soybean protein is in direct competition with duty-free foreign casein.

The Department of Agriculture and private industry has expended large amounts of money over the past 20 years in research and development of industrial applications of the soybean crop. As an example, it is our understanding in 1959 the U.S. Regional Laboratory at Peoria spent \$893,000 on research in the soybean industry. It seems inconsistent to us that we would on the one hand carry on extensive research and development for the growth of the soybean industry and at the same time subject products of this research to duty-free competition.

I believe that it is important to note at this point that the Senate bill S. 690, section 4(e), page 7, lines 4 through 8, reads as follows:

To extend suitable incentives to farmers or to industry to hasten the establishment of a new crop or of a new industrial use, or to expand present industrial and commercial use, where such appear likely to lead to durable additional markets.

This quotation, we believe, is apropos of the position we have taken.

Production of soybean protein for industrial use is being increased by ourselves and we believe others in the industry. In order to maintain a favorable climate for continued expansion we urge the reinstatement of a protective tariff on casein. In addition to industrial use, expansion into the edible field is directly related to healthy marketing of industrial soybean protein. It should be pointed out that at this time edible soybean protein is not a factor in the casein-soybean protein controversy, however, if the climate for industrial soybean protein is improved, the development of edible proteins will far surpass the industrial usage.

Whereas the soybean protein market is faced at present with duty-free casein, we find our domestic soybean protein subjected to a duty of 20 percent by Canada and other United Kingdom countries and by even heavier duties by countries who are larger casein producers.

We wanted to get this into the record and, as I say, in the interest of time, we would like to turn over Mr. Mathews' brief for the record.

I would like to ask permission for Mr. Mathews to make a comment on the last testimony.

Senator BENNETT. We would be very happy to have it, Mr. Mathews.

Mr. MATHEWS. I would like to comment on the formulations which the previous witness gave. I believe those formulations were for soy flour paints and not isolated protein.

Senator BENNETT. Maybe you had better get hold of your customer before he puts the wrong thing in the paint. [Laughter.]

Mr. MATHEWS. In regard to the other comments on the addition of casein to a formulation, this happens to be a product of another division, and I was not aware of it.

Senator BENNETT. You are with Archer-Daniels, and this was Midland.

You should not joke with these people. For the record this is one of America's finest oil producers, producers of drying oils, and my company does a lot of business with your company, and has high respect for your product and your ability.

Mr. MATHEWS. Thank you.

Mr. MCFADZEAN. Mr. Chairman, it seems appropriate to point out, however, that the last speaker did refer to soya flour, and we recognize that this is not isolated soybean protein.

Senator BENNETT. As I say, if he does not recognize the difference, somebody from your technical department had better get to him before he spoils a lot of stuff.

Mr. MCFADZEAN. I assure you if he uses Archer-Daniels soya flour he won't spoil his product.

(The prepared statement of Mr. Mathews follows:)

MARKETING AND TECHNICAL ASPECTS OF ISOLATED SOYBEAN PROTEIN

Senator Byrd, Senators and gentlemen, my name is Robert Mathews of the Archer-Daniels-Midland Co., Minneapolis, Minn. I am manager of protein and starch operations for my company.

For the past 60 years, the Archer-Daniels-Midland Co. has been a leader in the merchandising and processing of agricultural products. Areas in which we have made contributions to industry include the development of drying oils, paint vehicles, resins, industrial flours and proteins, plasticizers, core oils and binders, flax fibers, fatty acids, fat derived chemicals and starches. These developments are all products of industrial research and development and represent substantial capital investment and increasing payrolls at 17 plants.

Early in 1957 we opened negotiations with the Drackett Co. for the purchase of a plant to produce isolated soybean protein. Five factors heavily weighed our decision to purchase the Drackett protein operation in July 1957.

1. We were basic in soybean processing affording a continued supply of high quality raw material to manufacture isolated soybean protein.

2. We had technical and production know-how and a marketing organization to develop new products and broaden our industrial base.

3. Markets for isolated protein indicated a satisfactory return on investment.

4. Competitive products; namely, imported casein, were subject to a duty of 2¾ cents per pound offering a degree of protection to domestically produced isolated soybean protein.

5. Isolated soybean protein could be produced to more rigid quality specifications than other proteinaceous materials and with a more suitable price structure.

On September 2, 1957, the duty on imported casein was suspended through March 31, 1960. At no time during negotiations were we aware of legislation pertaining to casein tariffs or changes in the established duty of 2¾ cents per pound. Increasing amounts of casein were brought in duty free from Argentina, Australia, New Zealand and Poland.

Competition in the marketplace between imported casein and isolated soybean protein in our experience centers in four distinct areas of industrial application.

	<i>Percent</i>
1. Paper coatings.....	68
2. Paint and wallboard coatings.....	14
3. Tape joint cements.....	10
4. Miscellaneous.....	8
Total.....	100

Isolated soybean protein and casein may be used alone or in combination in all four of these applications in varying percentages dictated by the demands of the trade, preference of the manufacturer through experience or equipment, or by price relationships. The function of casein or isolated soybean protein varies in each of these applications. In paper coatings, it forms a protective and decorative continuous film on the surface of the paper and presents a uniform substrate for printing. In paint it functions as a protective colloid in water-based latex paints and contributes to viscosity control and stability. In tape joint cements it acts as an adhesive and binder. Miscellaneous applications such as shoe dressings, stabilizers and mastics may call for one or all of the above basic properties.

It has become increasingly obvious to us in servicing the paper-coating industry that protein and casein can be used interchangeably, and the choice is for the most part in favor of the lowest cost material. A salesman's report dated January 28, 1960 quoting a large paper coater who switched from isolated protein to casein is as follows: "With the price of protein higher than casein, the merits of protein vanish. They feel they can make all grades of paper with casein as they did before they ever used protein." Another report dated March 4, 1960, on a Midwest coater is as follows: "Casein still cheaper than protein. Would be interested in higher solids coating with possible higher machine speeds. Will work with technical director but feel price is thing which will make them move."

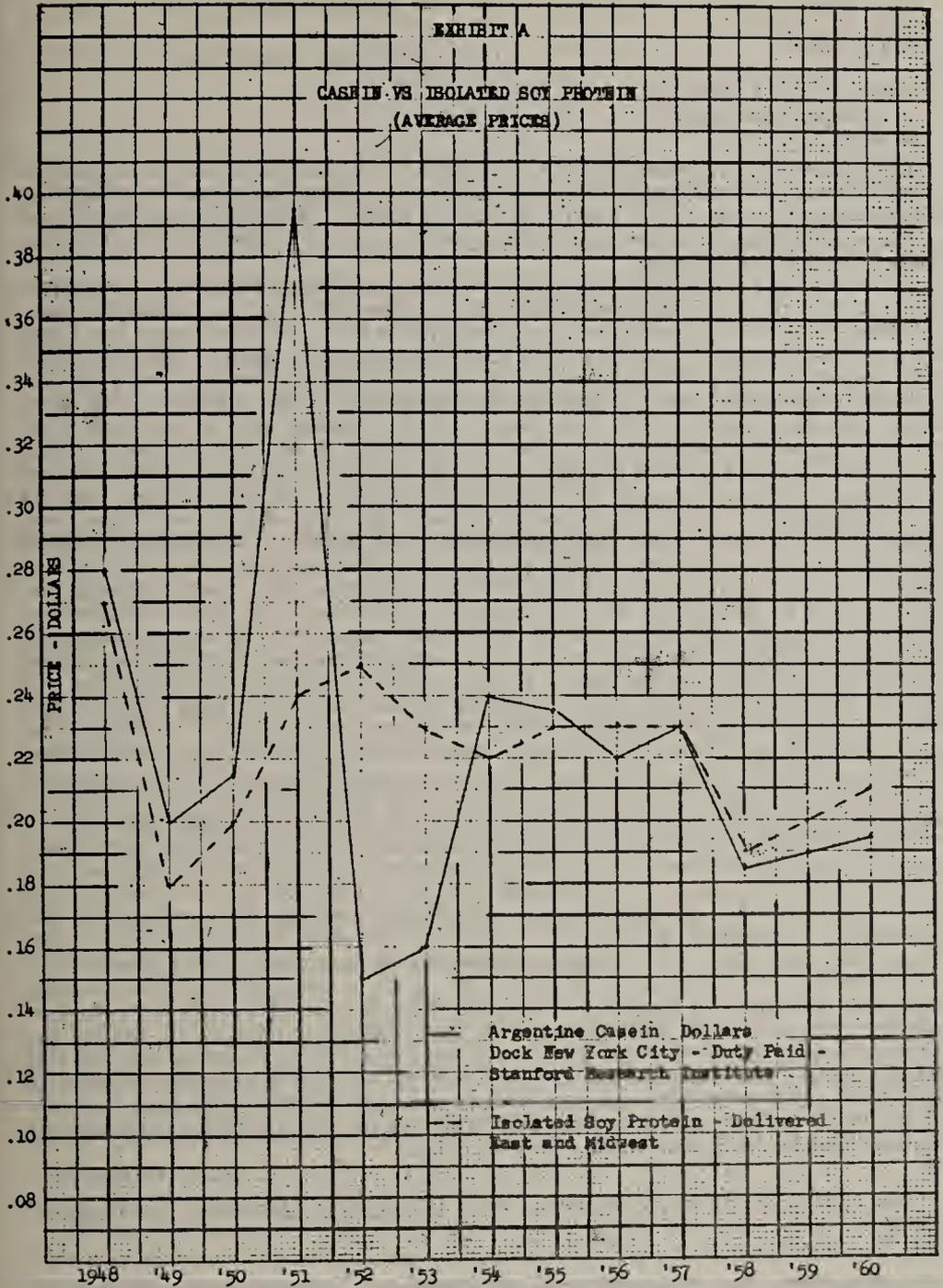
The relationship between the price of casein and domestically produced isolated soybean protein is shown in exhibit "A." Price fluctuations on casein are considerably wider than protein—particularly in the 1951-52 period when they soared to 39½ cents per pound due to the Korean war or the whims of the government of the exporting country. The volume of casein brought into this country is shown in exhibit "B." Imports have almost doubled in the past 9 years and increased 22 percent in 1958 over 1957 when the tariff was suspended.

EXHIBIT B.—U.S. Imports—Casein, Lactarene NSPF

[Pounds]	
1950.....	54, 551, 506
1951.....	43, 386, 192
1952.....	56, 838, 342
1953.....	74, 245, 589
1954.....	59, 832, 796
1955.....	74, 480, 028
1956.....	70, 673, 152
1957.....	74, 604, 090
1958.....	91, 265, 368

Source: Bureau of Census FT-110.

In addition to the industrial applications of isolated soybean protein, the field of edible proteins represents a challenging potential. The technology and development necessary for marketing nutritious functional proteins is costly and time consuming. Basic procedures and equipment are common to both products,



but to encourage this development requires a healthy marketing climate for industrial proteins. We have plans on the boards at the present time for the manufacture of edible soybean protein. Of more immediate concern is an expansion increasing our production of industrial protein. This additional capacity will be available next month. We can't sell it abroad—the tariffs are too high.

Senator BENNETT. The next witness is Mr. Jake Hartz, Jr., of the Jacob Hartz Seed Co.

Mr. Hartz subsequently submitted the following telegram in lieu of appearing.)

STUTT GART, ARK., *March 30, 1960.*

Senator J. W. FULBRIGHT,
Senate Office Building,
Washington, D.C.:

Reference your wire notifying us of hearing before Finance Committee on H.R. 7456 Thursday of this week impossible to attend as farming operation underway and besides hearing called rather fast for a farmer giving me very little time prepare statement let alone stop tractors and travel the distance to Washington. Please enter this statement :

My name is Jake Hartz, Jr., soybean, rice, and cattle farmer at Stuttgart, Ark. Our farm has been producing soybeans since 1936 and my father has been connected one way or another with soybeans since 1927. We have seen our State increase its soybean production from 20,000 bushels to 56 million bushels during this period of time. Over 2 million acres growing soybeans in our State replacing those acres of cotton and rice which are now under allotment. Without this increase production of a crop that has a free market and brings cash to us farmers we would have long ago stopped operations. A soybean farmer is unlike any other farmer although he may be the same man as termed a cattle farmer, rice farmer, or corn farmer, but he thinks differently about soybeans than he does his principal crop. We soybean farmers have asked for very little from the Government as this has been one of our peculiarities. We have considered soybeans a cash crop that we can go to the marketplace and sell any day we take the notion. We feel soybeans are the only free crop that a farmer has left and we do everything we can to protect this crop. We have continued to reduce our supported price so we might be competitive in all markets and because of this realistic position we have been able to keep burdensome surplus out of Government storage bins. In other words, we have produced for the market and not for storage bins. Now our soybean industry along with Government research have spent large sums of money to produce a product from soybeans that will give added acres of production to this crop but being a new product costs naturally are higher than its competitor casein. After we spent time, effort, money, on research should not we give the farmer and industry some protection on these imported products at least until production has reached a profitable basis? Soybean farmers believe in free markets but our casein friends won't permit us to ship our products into their country duty-free. As an example importation of vegetable oils into this country were on a duty basis but after our industry became established and the farmer obtained the know-how to produce a profitable yield we farmers helped to remove this import duty on vegetable oil and at present all oil imported to the United States is duty-free. Is it unfair for us to ask for a little time to meet this competition as a producer? I request you renew a duty of at least 3 cents per pound on imported casein so we might expand in this important market. I realize the farmer has been talked about and every newspaper in the country can tell you what a good thing farming is but you don't see any newspapermen running to the farms. We need every market we can get and it's up to you men to help us get these markets and keep them. Thank you for the courtesies extended our Senator and for letting me make this statement.

JAKE HARTZ, JR.

We will go to the next witness, Mr. Bradshaw Mintener, of General Mills.

STATEMENT OF BRADSHAW MINTENER, ATTORNEY, GENERAL MILLS

Mr. MINTENER. Mr. Chairman and members of the committee, my name is Bradshaw Mintener, and I represent General Mills as their attorney at this hearing today.

My office is at 1741 K Street, in the city of Washington.

I am instructed to state for the record and for the information of this committee that General Mills is strongly opposed to the passage

of H.R. 7456, and I would also like to state for the record, in view of some of the testimony that has already been given, that General Mills is now engaged in a joint venture with the J. R. Short Milling Co. to build a new plant which will produce this isolated soy protein.

It probably is one of the new producers referred to in Secretary Morse's letter, I believe, and some of the other testimony here today.

We feel that the reimposition of this duty will assist us in this new venture. Thank you.

Senator BENNETT. I think you should get acquainted with the gypsumboard people who do not know you exist, yet.

Mr. MINTENER. I will do my best to get acquainted with them and they with us.

Senator BENNETT. Thank you.

The next witness is Mr. Charles Wascher of the Louis DeJone Co. (Mr. Wascher did not appear.)

I will pass the obvious pun on that one, and we will come to Mr. Charles M. Fistere of the Dry Milk Institute.

STATEMENT OF CHARLES M. FISTERE, ATTORNEY, AMERICAN DRY MILK INSTITUTE

Mr. FISTERE. My name is Charles M. Fistere, attorney for the American Dry Milk Institute. My office is at 1012 14th Street NW., Washington, D.C. Because of the shortness of notice for this hearing, a representative of Land-o-Lakes Creameries, Inc., a member of the American Dry Milk Institute who ordinarily would have appeared is not able to be here and I make this statement in lieu of his appearance.

We respectfully request your committee to consider limiting any continuation of the free importation of casein to that product which is used for industrial purposes by adding a proviso to H.R. 7456, as follows:

H.R. 7456 is amended by adding after "1963" the following:

Provided, however, That temporary free importation of casein shall not apply to casein for human food use.

During the past 10 years, the Dairy Institute in conjunction with other food industries which use its products, has been developing uses for milk proteins in the form of concentrates such as the caseinates. These products are from skimmed milk, one of the important changes being the removal of the lactose. There is now a very considerable demand for these proteins. This demand, of course, has been utilizing increasingly large quantities of domestic skimmed milk.

During the past 3 years, however, it has been evident that substantial quantities of technical or industrial grade casein imports to the United States are being reworked and converted in this country to edible grade uses. Although statistics are not readily available, trade information also indicates that substantial quantities of lactalbumen, another skimmed milk fraction, are entering the country and being used for edible purposes. Efforts to secure exact figures have been unavailing, but developing sales resistance to the movement of domestic production of milk proteins indicates a substantial available supply of imported proteins at prices which cannot be met by American producers, considering the support prices in effect by the U.S. Department

of Agriculture. The particular uses into which this imported casein is finding its way are:

- Meats (particularly various sausages)
- Cereals (breakfast cereals particularly)
- Pharmaceuticals
- Dietary food preparations

The imported product is also replacing nonfat dry milk itself in some of these fields.

The dairy industry is not asking for the reimposition of the tariff on proteins for industrial use; but we are disturbed when such imported products are reworked in this country and converted for human consumption applications. Since there is no limitation on the amount of imports of casein and lactalbumin, the Government-established quota on nonfat dry milk simply, in practical effect, means only a limitation on the import of lactose. Members of the committee may know that casein and lactalbumin are the principal proteins of nonfat dry milk; the remaining being milk sugar or lactose. There is a quota of 1,800,000 pounds of imports of nonfat dry milk. By computation, it may be seen that the lack of any restriction on edible grade casein and lactalbumin in effect nullifies the objectives of establishing a quota on nonfat dry milk. Imports of only 500,000 pounds of casein for edible purposes and 100,000 pounds of lactalbumin is approximately the equivalent of 1,700,000 pounds of nonfat dry milk.

I believe that currently we are importing about 100 million pounds of casein.

I have heard it said at the hearing today that that figure is more nearly 94 or 95 million, and certainly I accept that.

Trade reports would indicate about 25 percent of these imports or 25 million pounds are presently entering food-use channels.

The amendment which has been proposed would still permit the free importation of casein for all industrial uses. The United States has long since lost its casein business for industrial use due to lower priced imports.

All the amendment would do is to reinstate the tariff which is used in human foods. While we recognize that the duty of $2\frac{3}{4}$ cents per pound on casein would not solve the problem completely, it would have the effect of enabling the identification of casein which goes into food use and assist the Food and Drug Administration in keeping out of the channels of trade, proteins produced under conditions which do not compare with the food-grade milk proteins produced in the United States. Customs could and should require a certification by the importer that the product is not for food use and, in turn, the importer himself should be required to give appropriate notice to his customers that the product is for industrial use and no duty paid.

I appreciate greatly the opportunity of appearing before your committee and express the hope that the amendment suggested will have your approval.

I would like to say one additional word, Mr. Chairman, in connection with my appearance here today.

The National Milk Producers Federation, which has a great interest in this matter, supports the position—and I have been instructed and authorized to say that they do—the position which I have taken here today.

I would also like to say that the National Creameries Association also supports this position, and its executive secretary has addressed individual communications to some members of the committee supporting this position and suggesting an amendment which I understand Senator Aiken had in mind the day before yesterday offering on the floor but desisted from doing it because of this hearing.

I hope serious consideration is given to that amendment of Senator Aiken's.

Senator BENNETT. Any questions?

Senator HARTKE. Let me ask you—as I understand it, you are not really opposed to the removal of the suspension in its entirety, are you?

Mr. FISTERE. We simply ask, Senator Hartke, that the duty be reimposed on that casein which goes into food use.

Senator HARTKE. I understand your position, but don't you think in all fairness that you would either be consistent and have it for anyone else, that it should be uniform and not just signifying one particular segment of our economy?

Mr. FISTERE. I am certain from what I have heard here today that there are those who are more intimately familiar with the industrial uses of casein, and I would not speak for them because, as a dairy industry, we certainly have no interest in the matter.

Senator HARTKE. Are you expressing the opinion that you think that the suspension should be continued on behalf of inedibles?

Mr. FISTERE. I would say this: We certainly would not be opposed to a reimposition of the tariff on industrial casein as well as that casein which goes into food use. But in view of the fact that interest is in the food use—

Senator HARTKE. Yes; I can understand that and I appreciate that. In other words, as it stands now if no new measure is introduced whatsoever on July 1, this tariff will be reimposed.

Mr. FISTERE. I understand that to be so.

Senator HARTKE. And then no amendment will be necessary.

Mr. FISTERE. I understand that.

Senator HARTKE. And you would be satisfied?

Mr. FISTERE. I certainly would.

Senator HARTKE. Is that right?

Mr. FISTERE. I certainly would be.

Senator HARTKE. Thank you. That is all.

Senator BENNETT. I would just like to ask Mr. Fistere, in your statement you say—you make the basic point—that some of the material imported is reworked in this country and converted for human consumption.

Mr. FISTERE. Yes, sir.

Senator BENNETT. Can you get from one of the associations you represent the approximate cost of reworking inedible casein into edible—into an edible product? Certainly there are some costs. Can you get that information and supply it for the record?

Mr. FISTERE. I certainly will make an earnest effort to do it. At the moment I am not certain where I will go for it, but I will make that effort and do my best to get it and supply it for the record.

Senator BENNETT. I would think that one of these three associations to which you have referred today could supply it to you.

Mr. FISTERE. I think I can very quickly get it.

(The following was subsequently received for the record:)

LAW OFFICES OF FISTERE & HABBERTON,
Washington, D.C., April 4, 1960.

HON. WALLACE F. BENNETT,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BENNETT: While testifying on H.R. 7456 last Thursday you inquired as to the cost of reworking the imported casein into food grade caseinates. I responded by saying that I would endeavor to secure this information. I have been told by competent production men who have knowledge of this subject that the process will vary depending upon capacity of the reprocessing equipment, the condition of the imported casein and the characteristics of the desired end product.

In general the process consists of and treating with a mild alkali bringing it to a pH of 7, heating, redispersing in water and spray drying.

The cost could be as low as 3 or 4 cents per pound or as high as 7 cents. The range would depend on the quantity handled and the condition of the starting product.

I trust this information will be helpful in your deliberations relating to this legislation.

Sincerely yours,

CHARLES M. FISTERE.

Senator BENNETT. Well, gentlemen, we have come to the end of our list of witnesses, and because these hearings have been operating under pressure of time, we will adjourn them now, but we will be glad to accept for the record any material than can be made available to use not later than the opening of business Monday morning, because the committee may meet Monday to discuss this problem. So anything that comes to our hands by 9 o'clock Monday morning can find a place in the record.

With that, the hearing is concluded, and the meeting is adjourned.

(By direction of the chairman, the following is made a part of the record:)

NEW YORK, N.Y., March 29, 1960.

Mrs. ELIZABETH B. SPRINGER,
Chief Clerk, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Retel advising of public hearing on H.R. 7456 concerning suspension of duty on import of casein. Cannot have representative appear due to short notice, but wish to go on record as strongly favoring continuance of suspension of duty on import on casein as being of considerable benefit to domestic manufacturers of paper and of no harm to domestic suppliers of casein. Possibly a representative of American Paper & Pulp Association will appear in favor of suspension of tariff and this representative will speak for us.

LEONARD A. SCHULMAN,
Kupfer Bros. Co.

KUPFER BROS. Co.,
Northbridge, Mass., January 11, 1960.

HON. JOHN F. KENNEDY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: It is our understanding that a bill will be before the Senate during this present session which will call for a continuation of the exemption from customs duties of casein imported from abroad. Casein is a dairy product which is one of the principal ingredients in coated paper manufacturing, which is our business.

It is also our understanding that the U.S. dairy industry is pressing for a reimposition of the tariff on casein, which we feel can only work to the disadvantage of the coated paper industry.

It seems strange that the dairy industry should press for the reimposition of this tariff, since they have very evidently never been particularly interested in the sale of casein which is more or less of a byproduct of the dairy industry. In all our years as coated paper manufacturers, we have practically never been solicited for the purchase of domestic casein in place of our imported casein, and on the very rare occasions that this has appeared, the price for domestic casein has been tremendously higher than that of the imported, even when a U.S. tariff was being assessed upon imported casein.

Accordingly, we would like to urge you to vote for the continuation of the exemption from tariff of imported casein for the reasons, first, that the dairy industry of the United States doesn't seem to be really particularly interested in the sale of casein, and second, that the imposition of the tariff would still not result in any extra business to domestic casein producers.

Yours very truly,

LEONARD A. SCHULMAN.

PLAINWELL, MICH., *March 29, 1960.*

Mrs. ELIZABETH B. SPRINGER,
Chief Clerk, Senate Finance Committee,
New Senate Office Building, Washington, D.C.:

Regret time does not permit personal appearance. For record 500 tons foreign casein purchased each year by Rex Paper Co. does not represent competition to U.S. dairy interests. Competitive protein product is not satisfactory for our purpose. Sincerely request continued suspension import duty on foreign casein.

REX PAPER Co.,
J. E. LEAN,
President and General Manager.

REX PAPER Co.
Kalamazoo, Mich., January 11, 1960.

HON. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Congress of the United States,
Washington, D.C.

DEAR SIR: May I call your attention to H.R. 7456—a bill to extend for 3 years the suspension of duty on imports of casein? At the present time I believe this bill is receiving the attention of your committee.

For some time, the paper industry has been heavily dependent upon the Argentine for imports of casein. I will not bore you with the details of the casein industry except to point out that at the present time there is no considerable competition with Argentine casein. Some small lots are sent in from Australia, New Zealand, Poland, and France. Most of them are more expensive than the Argentine casein, and are of lower quality for the purpose for which the paper industry uses casein.

There is no competitive industry in the United States. There is a casein industry, but it is small, and the cost of its products, except for highly specialized purposes, is entirely out of reach for the paper making industry.

Certainly, the application of any import duties on Argentine casein or any imported casein would be more detrimental than beneficial. Except for a punitive purpose, an import duty would scarcely assist the dairy industry since the papermakers and gluemakers, who buy the greatest bulk of Argentine casein, would simply switch to alternate products.

Since your committee does not have in its membership a Senator from Michigan, I am appealing to you as chairman of the Senate Finance Committee. An appropriate letter will be written to each of the Michigan Senators with the hope that they will see fit to support the papermakers' position.

Best personal regards.

Yours very truly,

J. E. LEAN,
President and General Manager.

ST. PAUL, MINN., *March 29, 1960.*

Senator HARRY F. BYRD,
Senate Office Building, Washington, D.C.:

Understand certain interests opposed to continuance of suspension of tariff on casein claim Dairy Record opposed to continuance of suspension and are using statements out of context of editorials as basis of claims. Dairy Record urges continuance of suspension of tariff for industrial usage. We are opposed to duty-free imports of industrial casein which are converted to edible usage and recommend food and drug administration, in cooperation with industry, set up standards of quality for edible casein imports and urge passage of legislation prohibiting conversion of imported industrial casein for edible usage.

DAIRY RECORD,
 E. J. GORDON, *Editor.*

NATIONAL MILK PRODUCERS FEDERATION,
Washington, D.C., April 1, 1960.

Senator HARRY BYRD,
*Chairman, Senate Finance Committee,
 U.S. Senate, Washington, D.C.*

DEAR SENATOR BYRD: This is to express our appreciation to you and members of the Senate Finance Committee for your willingness to reconsider the proposal to extend for 3 years the suspension of duty on imports of casein.

It appears that under the existing law authorizing this suspension of duty, a quantity of the imported casein is being used for food purposes. This is inconsistent with the intent of Congress and with the policies of our federation.

The National Milk Producers Federation supports the amendment to H.R. 7456 proposed by Senator Aiken to make clear the intent of Congress. This amendment exempts ". . . casein intended for human food use" from the suspension of import duty on casein. If this were to become part of the law, this would clearly establish the intent of Congress that the suspension of duty is applicable only to casein imported for industrial use purposes.

In support of our recommendation, we respectfully point out to the committee that unless the amendment referred to above is adopted, the amount of imported casein that would go to food uses would adversely affect the dairy price support program administered by the U.S. Department of Agriculture, since this casein would displace domestically produced skim milk used in the production of casein. This would increase the amount of domestically produced nonfat dry milk powder purchased by the Commodity Credit Corporation, under the price support program, and increase the cost of that program.

Sincerely,

E. M. NORTON, *Secretary.*

U.S. GYPSUM Co.,
New Orleans, La., March 11, 1960.

Re H.R. 7456.

Hon. ALLEN J. ELLENDER,
Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: As manager of the U.S. Gypsum operation at New Orleans, La., I would like to call the above bill to your attention.

This bill is of serious concern to us and ultimately to all interested in home building. The facts are summarized on the enclosed sheet.

Casein in joint cement is used with gypsum wallboard, our principal product, in nearly all home construction and remodeling. Passage of this bill by the Senate before March 31, will benefit home building.

The duty was first suspended in September of 1957. H.R. 7456 was introduced June 1, 1959. Despite ample time to be heard, certain interests are now reported to be claiming that they have not had a chance to present an argument as to why this bill should not pass. Whether this tardiness is due to lack of interest or the absence of any real injury, it seems to me that the many interests which would be adversely affected by failure to pass this bill, should not be penalized because of their lack of diligence.

Moreover, no domestic industry has been injured by suspension of the duty during the past 3 years on the casein we purchased and there is no basis for anticipating any injury to domestic industry during the next 3 years.

We sincerely hope favorable action will be taken by the Senate on H.R. 7456 before March 31.

Yours very truly,

J. L. HAYWOOD, *Works Manager.*

NATIONAL GYPSUM Co.
Good Hope, La., March 11, 1960.

HON. ALLEN J. ELLENDER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: We are directly interested in H.R. 7456 which provides for an extension of the suspension of the import duty on casein.

Casein is an important raw material used in the manufacture of products produced in this plant. Any increase in the price of casein will adversely affect our production costs and, therefore, affect the prices of products used in home-building and construction.

In regard to the soybean industry, we understand that all of the isolated soy protein produced domestically has been sold by the producers during the past few years and the quantity produced approximates existing capacity. Therefore, it seems fair to conclude that the soybean industry has no real basis for entertaining any hope of benefiting from reimposition of this duty.

We understand the Department of Agriculture and the dairy industry do not oppose this bill because the domestic production of casein is practically nil due to the non-fat dry milk price support program which guarantees milk producers approximately twice the return for non-fat dry milk as the world price of imported casein.

We are hopeful that you will find it possible to support H.R. 7456, as the imposition of this duty is strictly inflationary in character.

Sincerely,

H. B. HALL,
Manager, Good Hope Plant.

NATIONAL GYPSUM Co.
Westwego, La., March 11, 1960.

HON. ALLEN J. ELLENDER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: Mr. Hugo Hall, plant manager of our company's Good Hope, La., plant, has addressed a letter to you requesting your support of H.R. 7456, a bill to extend from March 31, 1960, to March 31, 1963, the suspension of import duties on casein.

As plant manager of the Westwego, La., plant of the National Gypsum Co., I also urge your support of this bill for the reasons set forth in Mr. Hall's letter.

Very truly yours,

ALFRED C. OLSEN,
Plant Manager.

NATIONAL GYPSUM Co.,
New Orleans, La., March 10, 1960.

HON. ALLEN J. ELLENDER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: Mr. H. B. Hall, plant manager of our company's Good Hope, La., plant, has addressed a letter to you requesting your support of H.R. 7456, a bill to extend from March 31, 1960, to March 31, 1963, the suspension of import duties on casein.

As plant manager of the New Orleans, La., plant of the National Gypsum Co., I also urge your support of this bill for the reasons set forth in Mr. Hall's letter.

This is another way in which you can help combat inflation.

Sincerely,

B. L. KIERNAN,
Manager, New Orleans Plant.

PHILADELPHIA, PA., *March 30, 1960.*

HON HARRY F. BYRD,
U.S. Senate, Washington, D.C.:

Referring to H.R. 7456, the farm economy has profited immensely from the steadily increased utilization of soybeans. Vigorous research has opened substantial new markets such as isolated soybean protein now provides. May I express the personal hope that Congress will reject the proposed renewal for duty-free imports of competitive casein. The industries which have invested so effectively in research to expand soybean uses deserve fullest encouragement to increase their efforts.

WHEELER McMILLEN, *Farm Journal.*

APRIL 1, 1960.

SENATE FINANCE COMMITTEE,
U.S. Senate, Washington, D.C.

DEAR SIRS: Sheffield Chemical Sealtest Foods Division, National Dairy Products Corp., hereby submits a statement in support of H.R. 7456, a bill to suspend import duty on casein.

For the past 10 years, Sheffield Chemical has been the leading manufacturer of casein products in the United States.

The removal of import quotas on casein caused Sheffield severe hardships. Efforts were made by the casein manufacturers to reestablish quotas, and a petition was submitted on April 14, 1953, to the U.S. Department of Agriculture requesting such restrictions. A similar petition was submitted on May 26, 1953, to the Banking and Currency Committee of the U.S. House of Representatives. These petitions and several appearances before various House and Senate Committees failed to produce any action by Congress.

Due to the competition of unrestricted imports of casein, Sheffield discontinued the manufacture of casein at the Canton and Boonville plants located in New York and Vergennes, Vt.

During the above period Sheffield conducted extensive research to find additional uses for casein. The manufacture of caseinates was successfully developed. During 1956 a foreign manufacturer began to produce these products for sale in the United States in direct competition with such products. Shortly thereafter (1957) the import duty on casein was suspended creating a further disadvantage and removing the last remaining protection for domestic production. The foregoing illustrates the difficulties which this company has experienced during the last 8 years with respect to changes in regulations effecting the importation of casein.

After the suspension of duty, Sheffield went to considerable expense to convert its operation to the manufacture of caseinates from imported casein. To impose a duty will raise the cost of casein and thereby cause Sheffield to discontinue this phase of operations.

We understand the milk industry feels that the caseinates are supplanting the use of nonfat dry milk solids in many areas. We do not now have a single customer using caseinates in a product where skim milk powder could be used. One need only to look at the economics to see why this is so. Skim milk powder is selling on a delivered basis at approximately 14 cents per pound while sodium caseinate is selling at 37 cents to 40 cents per pound. Obviously no one will use caseinate if skim milk powder will do the job. What we do find, however, is that sodium caseinate is used in addition to skim milk powder in order to obtain the characteristics desired by the processor whether it be functional or dietary. This is due to the fact that the amount of skim milk powder usable is often limited because of the high lactose content.

The manufacturers of edible soya protein also point to caseinates as their top competition. We have customers who have diligently tried to substitute the soya products for our caseinates because the soya product is less expensive. However, most of these have not succeeded because the soya product is not comparable to caseinate in most respects.

The reimposition of a duty on any grade of imported casein will work to the detriment of domestic manufacturers of caseinates.

Such a duty will give added protection to the importers of caseinates because the import duty will be paid on the finished product. Our duty will be paid on the manufacturing material—casein. This is brought about due to the fact that in any conversion of casein to caseinates there is a loss due to processing of 10

to 15 percent. Thus the proposed 2¾ cents per pound will, in the final analysis, cost the domestic manufacturer over 3 cents per pound while the cost to the importer is the cost of the duty.

In view of the foregoing Sheffield Chemical supports the enactment of H.R. 7456 suspending import duty on casein for 3 years.

Respectfully submitted.

SHEFFIELD CHEMICAL DIVISION,
NATIONAL DAIRY PRODUCTS CORPORATION,
By PIERCE REED, *General Manager.*

STUTTGART, ARK., *March 31, 1960.*

Senator J. W. FULBRIGHT,
Senate Office Building, Washington, D.C.:

Reference your March 29 wire regarding hearing before Senate Finance Committee today and tomorrow. Please present the following statement:

"My name is L. C. Carter. I am general manager of the Arkansas Grain Corp., a farmer-owned cooperative, organized in 1958 to market soybeans. We have over 2,100 producer-members in Arkansas, are operating elevators in 13 locations, and are constructing a soybean processing plant in Stuttgart, Ark.

"I understand that the soybean industry and Government have spent large sums of money to develop a soybean product which can be used to replace imported casein in adhesive and food-formulation uses. The present demand for this product utilizes 3 million bushels of soybeans annually, with an immediate potential market of over three times that amount were isolated soybean protein to replace imported casein entirely.

"As with any new product, initial unit production and distribution costs are high. I feel that this product is entitled to some protection until production has had ample opportunity to reach a profitable basis. This can be done, if you impose a minimum duty of 2¾ cents per pound on imported casein.

"In the interest of our members, I ask that your committee vote against the proposed continuation of suspension of import duty on casein.

"ARKANSAS GRAIN CORP.,
"L. C. CARTER."

CHICAGO, ILL.

Senator VANCE HARTKE,
Senate Office Building, Washington, D.C.

Bill H.R. 7456 if allowed to pass by the Senate, would continue to allow the free importation of casein. Duty-free importation casein is highly competitive with isolated soy proteins. Our membership has been affected and many layoffs have taken place at Central Soya Co.'s Chicago plant due to excessive inventories resulting in curtailed production. We object to the price advantage enjoyed by casein due to low labor costs in foreign countries and feel this bill should be defeated. Will be watching the Senate vote with interest.

JAMES LINDOW,
*President, International Chemical Workers Union, Local No. 198,
AFL-CIO.*

STATEMENT BY AMERICAN SOYBEAN ASSOCIATION REGARDING H.R. 7456

Soybean producers and U.S. farmers in general have a large stake in the Nation's soybean crop, which has grown from a crop of less than 50 million bushels to almost 600 million bushels in less than a quarter century. Soybeans are now the second largest cash crop in the Midwest, and the fourth largest cash crop in the Nation.

Soybeans are now occupying almost 25 million acres that were once devoted to other crops such as corn, wheat, cotton, and hay. Most of the above-named crops are in surplus with tremendous bushelages piling up in Government warehouses and depressing the markets for those crops.

Due to intelligent pricing policies, vigorous research programs on the part of both Government and industry, and aggressive marketing efforts, the soybean crop from the beginning until the present has been blessed with growing markets that have kept pace with the extremely rapid expansion of the crop in the United States. As a result, soybeans have never been in surplus. The 62-

million-bushel carryover from the 1958 crop last October was by far the largest in history. Usually only a few million bushels have been carried over from one crop to the next.

Thus, the soybean crop has offered one profitable outlet for farmers plagued with surpluses of other crops and faced with the necessity of cutting acreage devoted to other crops due to allotments and other acreage restrictions. It is highly important to U.S. soybean growers and farmers in general to do everything possible to continue to stimulate all available market outlets for soybeans so the crop can continue to get a good safety valve for agriculture.

The two main end products of soybeans are soybean oil and soybean meal. The major markets for oil are in the food field, in vegetable shortening, margarin, and salad oil, where soybean oil is by far the leading vegetable oil. And the major market for soybean meal is as a protein concentrate for livestock feeding. Soybean meal now supplies over half of all the protein concentrates consumed by the livestock industry in the United States.

Soybeans are also used in a large and growing number of specialty products. One such modest but growing market for soybeans is that for isolated soybean protein, which is the product of 20 years of research and development. Isolated soy protein has a number of industrial outlets, one of the most important being as an adhesive for the paper industry. Isolated soy protein is also used in the production of glues in the manufacture of plywood and in the manufacture of waterproof paints, and it has replaced casein to a considerable extent in all these fields.

At the present time the demand for isolated soybean protein is absorbing 3 million bushels of soybeans annually, which is equal at average yields to the output of 125,000 acres of soybeans. The market in 1959 would have absorbed 9½ million bushels of soybeans if that part of the market now being supplied by imported casein had been supplied by isolated protein. Isolated soybean protein is directly competitive with casein and it is now supplying a large part of the market formerly supplied by industrial casein.

A major deterrent to expansion of the market for isolated soybean protein is H.R. 7456 now pending in the U.S. Senate. H.R. 7456 would renew the temporary suspension of duty on foreign casein from March 31, 1960, until March 31, 1963.

Foreign casein has been subject to import duty since 1922. Since November 15, 1941, it has been subject to a duty of 2¾ cents per pound. This duty was temporarily suspended on September 2, 1957. If this suspension is allowed to lapse through defeat of H.R. 7456, the duty of 2¾ cents per pound will again be imposed on April 1, 1960.

The growers of soybeans ask that H.R. 7456 be defeated and that the suspension of the duty be allowed to lapse. Imported casein is almost exclusively of low quality and is used almost entirely for industrial purposes where it competes directly with isolated soybean protein.

The depressing effect of the suspension of the duty on imported casein is shown by the fact that substantially larger quantities of casein have been imported from a number of countries, including the United Kingdom, Poland, Austria, and Argentina, since the duty was suspended in 1957.

It might also be noted that the very countries that are exporting casein into the United States maintain high duties on our soybean products including isolated soybean protein. U.S. farmers are thus denied by this tariff suspension the protection that is given competing foreign products by their governments.

If H.R. 7456 is defeated and the suspension of the tariff on imported casein is allowed to lapse so that a modest tariff is reimposed on this product there is a substantial and growing market for isolated soybean protein which will absorb an increasing quantity of soybeans from U.S. farms through a period of years. While the present usage of isolated soy protein may seem small compared to the over 500 million bushels produced each year, it has tremendous potential and some day usage may absorb the protein from 100 million bushels of soybeans, or almost one-fifth of the present crop.

On the other hand, passage of H.R. 7456 would discourage further plant expansion in this field, would discourage sales and promotional activities on isolated soy protein, and would discourage the continuance of research by Government agencies and private industry. Our industry has already invested large sums of money in facilities to produce isolated soy protein and if this suspension of duties is continued the market already existing for soy protein will tend to dry up.

In this trying period of American agriculture, when farmers find costs of the things they must buy increasing in price and the prices received for the things which they sell still declining in price, the producer of agricultural commodities is in a serious situation. One of his few rays of hope lies in the direction of new markets. Our industry has gone far in the development of new markets for soybean products in other countries. We must also develop new markets and uses here at home.

In the interests of the soybean producers of America we sincerely request that you vote down this proposed continuation of suspension of import duty by voting "No" on H.R. 7456 and allow us to expand this market for several million bushels of soybeans through use of isolated soy protein.

The following table shows the acreage and bushelage of soybeans produced in the United States in the past 20 years. We call your attention to the fact that soybeans have never yet been in surplus, that they have never cost the U.S. Government for storage or price supports, that they have never been exported for anything but dollar payments. While this tremendous increase in acreage has taken place we have found markets for our crop. We want to continue to do so.

We need your help in defeating H.R. 7456.

GEO. M. STRAYER,

Executive Vice President and Secretary-Treasurer, American Soybean Association.

U.S. soybean acreage and production, 1935-59

Year	Acres	Bushels	Year	Acres	Bushels
1935.....	6,966,000	48,901,000	1949.....	11,872,000	234,194,000
1937.....	6,332,000	46,164,000	1951.....	15,176,000	283,777,000
1939.....	9,565,000	90,141,000	1953.....	16,394,000	269,169,000
1941.....	10,068,000	107,197,000	1955.....	19,658,000	373,522,000
1943.....	14,191,000	190,133,000	1957.....	21,912,000	483,715,000
1945.....	13,056,000	193,167,000	1959.....	22,917,000	537,895,000
1947.....	13,052,000	186,451,000			

NEW YORK, N.Y., April 5, 1960.

Hon. HARRY F. BYRD,
*Chairman, Care Committee on Finance,
U.S. Senate, Washington, D.C.:*

In reference to pending H.R. 7456, kindly be advised that the Borden Co. wholeheartedly supports and urges adoption of the proposed legislation to continue suspension of import duty on all casein for an additional 3 years.

BORDEN Co.,

A. R. MARUSI, *Vice President.*

(Whereupon, at 4:55 p.m., the subcommittee adjourned.)

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INDEX AND SUMMARY OF H. R. 7456

- June 1, 1959 Rep. Baldwin introduced H. R. 7456 which was referred to the House Ways and Means Committee. Print of bill as introduced.
- July 30, 1959 House committee voted to report H. R. 7456.
- Aug. 10, 1959 House committee reported H. R. 7456 with amendment. H. Report No. 823. Print of bill and report.
- Aug. 18, 1959 House passed H. R. 7456 as reported.
- Aug. 19, 1959 H. R. 7456 was referred to the Senate Finance Committee. Print of bill as referred.
- Jan. 13, 1960 Senate committee reported H. R. 7456 without amendment. S. Report No. 1022. Print of bill and report.
- Mar. 28, 1960 Senate passed H. R. 7456 with amendment.
- Mar. 29, 1960 Senate reconsidered H. R. 7456 and passed with technical amendment.
- Mar. 31, 1960 House agreed to Senate amendment to H. R. 7456.
- Apr. 4, 1960 Approved: Public Law 86-405.

Hearings: Senate Finance Committee - Misc.
"Extension of Suspension of Duty on Imports of Casein."

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CHAPTER I. THE DISCOVERY OF AMERICA	1492
CHAPTER II. THE EARLY SETTLEMENTS	1607
CHAPTER III. THE STRUGGLE FOR INDEPENDENCE	1776
CHAPTER IV. THE CONSTITUTION AND THE UNION	1787
CHAPTER V. THE WESTERN EXPLORATIONS	1791
CHAPTER VI. THE WAR OF 1812	1812
CHAPTER VII. THE GROWTH OF THE UNION	1820
CHAPTER VIII. THE SLAVE QUESTION	1850
CHAPTER IX. THE CIVIL WAR	1861
CHAPTER X. THE RECONSTRUCTION	1865
CHAPTER XI. THE PRESENT POSITION	1870

THE HISTORY OF THE UNITED STATES
 BY CHARLES C. SMITH
 NEW YORK: G. P. PUTNAM'S SONS, 1870.

DIGEST OF PUBLIC LAW 86-405

SUSPENSION OF DUTY ON IMPORTS OF CASEIN. Provides for extension to July 1, 1960, of free importations of casein.

H. R. 7456

IN THE HOUSE OF REPRESENTATIVES

JUNE 1, 1959

MR. BALDWIN introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To extend for three years the suspension of duty on imports of casein.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Act entitled "An Act to amend the Tariff Act of
4 1930 to provide for the temporary free importation of
5 casein", approved September 2, 1957 (71 Stat. 579; 19
6 U.S.C. 1001, par. 19 note), is amended by striking out
7 "1960" and inserting in lieu thereof "1963".

A BILL

To extend for three years the suspension of
duty on imports of casein.

By Mr. BALDWIN

JUNE 1, 1959

Referred to the Committee on Ways and Means

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued July 31, 1959
For actions of July 30, 1959
86th-1st, No. 129

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		Wheat.....	27,39

HIGHLIGHTS: See page 7.

HOUSE

1. LABOR-HEW APPROPRIATION BILL FOR 1960. Both Houses agreed to the conference report on this bill, H. R. 6769, and acted on amendments which had been reported in disagreement. This bill will now be sent to the President. pp. 13442-4, 13450-2, 13466-75
2. INTERGOVERNMENTAL RELATIONS. The "Daily Digest" states that the Government Operations Committee voted to report, amended, (but did not actually report) H. R. 6904, to establish an Advisory Commission on Intergovernmental Relations (p. D692). The Committee was authorized to file its report until midnight tonight, July 31 (p. 13486).
3. RESEARCH. The Science and Astronautics Committee reported with amendment H. R. 8284, to make various amendments to the National Science Foundation Act (H. Rept. 740). p. 13563

4. BUILDINGS. Received from GSA a report on lease agreements which do not bind the Government for periods in excess of 10 years which were entered into Jan. 2, 1959, through June 30, 1959 (p. 13563).
5. LANDS. The Interior and Insular Affairs Committee reported with amendment H. R. 5412, to amend the Recreation Act of 1926 to provide that lands conveyed under such Act for State park purposes shall not be subject to the 640-acre limitation (H. Rept. 738). p. 13563
6. FOREIGN CURRENCIES. ^{Both Houses} agreed to the conference report on H. R. 5674, the military construction bill which includes authority for the use of Public Law 480 foreign currencies. This bill will now be sent to the President. pp. 13441-2, 13449-50, 13475-9
7. LOANS; BANKING. Passed without amendment H. R. 8160, to liberalize in several respects the limitations on borrowing and lending by national banks (see Digest 124 for summary of bill). pp. 13479-80, 13490-4
Passed without amendment H. R. 8159, to amend the national banking laws to clarify or eliminate ambiguities, repeal obsolete provisions (including provisions for national agricultural credit corporations), etc. pp. 13480-90
8. CREDIT UNIONS. Passed without amendment H. R. 8305, to make various amendments to the Federal Credit Union Act, including provisions to increase the maximum maturities of loans from 3 to 5 years, increase signature loan limits from \$400 to \$1,000, etc. pp. 13479, 13494-511
9. FOREIGN TRADE. Rep. Bailey charged that most of the big newspapers have a "strong bias toward the free-trade policy of the executive branch" and that this attitude is reflected in their news items. Several Representatives discussed this matter. pp. 13522-34
Rep. Curtis, Mo., inserted and discussed tables which, he said, indicate that the foreign aid program is resulting in increased foreign trade. pp. 13547-52
10. PERSONNEL. The Ways and Means Committee voted to report (but did not actually report) H. R. 135, to provide an income tax credit in the case of civil-service annuities received by nonresident alien individuals not engaged in trade or business with the U. S. p. D693
11. PAYROLLING. The Ways and Means Committee voted to report (but did not actually report) H. R. 3151, providing for withholding, for taxes by cities of 75,000 or more population, of Federal salaries. p. D693
12. CASEIN IMPORTS. The Ways and Means Committee voted to report (but did not actually report) H. R. 7456, to extend for 3 years the suspension of duty on imports of casein. p. D693
13. PUBLIC DEBT. Rep. Reuss defended the Ways and Means Committee's policy regarding management of the Federal debt, etc., against criticisms from the Federal Reserve Board, etc. pp. 13544-7
14. HOUSING. Rep. Rains criticized the President's veto of the housing bill. pp. 13514-22
15. LEGISLATIVE PROGRAM. Majority Leader McCormack announced next week's program as follows: Mon., Consent Calendar and suspensions including S. 1512, regarding Federal land banks; H. R. 7740, on acreage history and allotments; H. R. 6861, providing for State contributions to disaster relief; and S. 1289, extending the special milk program. Tues. and until terminated (if a rule is reported), the labor-management bill. p. 13466

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OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued August 11, 1959
For actions of August 10, 1959
86th-1st, No. 135

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HIGHLIGHTS: House received USDA proposed bill to provide additional Public Law 313 positions. Rep. Smith, Iowa, criticized proposed USDA purchase of lard.

HOUSE

1. PERSONNEL. Received from this Department a proposed bill to amend the Federal Employees Salary Increase Act of 1958 so as to provide to this Department 41 additional scientific or professional positions subject to the provisions of Public Law 313, 80th Congress, at salaries not to exceed \$19,000; to Post Office and Civil Service Committee. p. 14072
2. FARM LOANS. House conferees were appointed on H. R. 7629, to extend the authority of the Farmers' Home Administration to make real estate loans for refinancing farm debts. Senate conferees have already been appointed. p. 14047
3. MILITARY CONSTRUCTION APPROPRIATION BILL, 1960. Passed without amendment this bill, H. R. 8575, which includes provisions for the use of foreign currencies under Public Law 480 for foreign military housing construction (pp. 14031-47). This bill had been reported without amendment by the Appropriations Committee, on Aug. 7, during adjournment (H. Rept. 811) (p. 14072)
4. LEGISLATIVE BRANCH APPROPRIATION BILL, 1960. House conferees were appointed on this bill, H. R. 7453. Senate conferees have already been appointed. p. 14031
5. CASEIN IMPORTS. The Ways and Means Committee reported with amendment H. R. 7456, to extend for three years the suspension of duty on imports of casein (H. Rept. 823). p. 14072

6. LANDS. The "Daily Digest" states that on Thurs., Aug. 6, the Agriculture Committee voted to report (but did not actually report) S. 1453, to authorize this Department to sell a tract of Forest Service land to Keosauqua, Iowa, and S. 669, to authorize this Department to convey a tract of Forest Service land to a church in Henderson, Tenn. p. D737
7. HOGS; LARD. Rep. Smith, Iowa, stated that it had "been called to my attention that the Secretary of Agriculture now proposes to spend money to buy lard to boost sagging hog prices instead of buying meat products," and criticized the proposed purchase of lard instead of meat products, stating that "This is another example of spending money in such a way that we receive the least possible benefit for money spent." p. 14016
8. RESEARCH. Received from the Committee on Science and Astronautics a "Report on CBR (Chemical, Biological and Radiological Warfare)." p. 14072
9. ELECTRIFICATION. Rep. Baldwin objected to a unanimous consent request of Rep. Davis, Tenn., for consideration of S. 2471, to amend H. R. 3460 so as to delete a provision which would bar commitment for any TVA power construction until a proposal for such construction had been before Congress for 90 days without modifying action by concurrent resolution. pp. 14014-5
10. WATER RESOURCES; ELECTRIFICATION. Rep. Utt inserted a statement by Under Secretary of the Interior Bennett favoring the joint development of the water power resources of the Trinity River Division, Central Valley Project, Calif., by the U. S. and the Pacific Gas and Electric Co. pp. 14069-70
11. SCIENTIFIC AWARDS. The Science and Astronautics Committee reported with amendment H. R. 6288, to establish a National Order of Science to provide recognition for individuals who make outstanding contributions in science and engineering (H. Rept. 824). p. 14072
12. INTEREST RATES. Rep. Dingell criticized the trend toward higher interest rates. p. 14049
13. FOREIGN TRADE. Rep. Bailey and others criticized our foreign trade policies an increasing imports as harmful to U. S. industries, and Rep. Bailey inserted articles discussing the effects of imports on U. S. products, including food and farm equipment. pp. 14050-6

ITEMS IN APPENDIX

14. FARM PROGRAM; COOPERATIVES. Rep. Cannon inserted an article, "U. S. Chamber Recommends Farm Disaster," criticizing the U. S. Chamber of Commerce recommendation of elimination of price supports, and inserted two letters, one of which supported tax exemption for farm cooperatives. pp. A6838-9
Extension of remarks of Rep. Cooley criticizing the Russian farm system, praising family farms stating "bigness did not produce efficiency ... under the feudal system, where freedom and identity of the individual and the family were lost in the very size of the estates," and noting the "failure of collectivism ... in Russia." He inserted an article, "Farmer Khrushchev: He Had Better Luck in Space Race than with Milk and Meat --- Russia's Harvests Grow but Still Trail U. S. Output -- Distribution is a Problem -- Tips on His Trip to United States." pp. A6851-2
Extension of remarks of Rep. Carter stating that "the disillusionment and frustration of the farmer ... caused by a Department of Agriculture which, while insisting it is helping him, has merely confused him by failure to act in his

EXTENSION OF TEMPORARY FREE IMPORTATION OF
CASEIN

AUGUST 10, 1959.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the
following

R E P O R T

[To accompany H.R. 7456]

The Committee on Ways and Means, to whom was referred the bill
(H.R. 7456) to extend for 3 years the suspension of duty on imports of
casein, having considered the same, report favorably thereon with an
amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, line 7, strike out " '1963' ." and insert: "1963".

PURPOSE

The purpose of H.R. 7456, as amended, is to extend for 3 years—
that is, until the close of March 31, 1963—the suspension of import
duties imposed on casein under paragraph 19 of the Tariff Act of 1939,
as amended. The present suspension, provided for by Public Law 85-
257, will expire at the close of March 31, 1960.

GENERAL STATEMENT

Casein or lactarene is provided for in paragraph 19, of title I, of the
Tariff Act of 1930, as amended. Under the provision of Public Law
85-257 the duty on casein was suspended from September 3, 1957,
through the close of March 31, 1960. Your committee's bill, H.R.
7456, would continue this suspension of duty for a period of 3 years
until the close of March 31, 1963.

Available official statistics on domestic production and imports of
casein do not distinguish between the edible and inedible product.
However, your committee is informed by the U.S. Tariff Commission
that it is believed that the domestic production consists almost entirely

of edible casein and casein derivatives while imports consist almost entirely of inedible or industrial casein. Industrial casein is used principally in the manufacture of coated paper, glues, coldwater paints, mucilage-type adhesives, and other less extensive uses.

Information further presented to your committee shows that domestic production of casein has shown a trend of decline whereas the general trend of imports of casein has been upward for a number of years. Domestic production of casein has not reflected changes in demand in recent years because the raw material from which casein is made (skim milk) frequently is more profitably converted into other products. Since 1952, the milk price-support program has constituted a material inducement for converting skim milk into products other than casein.

Favorable reports were received on this legislation from the Departments of Agriculture, Labor, and Commerce, and informative reports from the Treasury Department and the U.S. Tariff Commission. The report of the Labor Department stated that the "Department is not aware of any unfavorable developments resulting from the free importation of casein * * *", and the Department of Agriculture, after pointing out that Public Law 85-257 had afforded a testing period of approximately 3 years, likewise found no unfavorable developments and interposed no objection to the bill.

Your committee is unanimous in recommending the enactment of H.R. 7456.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

ACT OF SEPTEMBER 2, 1957

AN ACT To amend the Tariff Act of 1930 to provide for the temporary free importation of casein

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the import duty imposed under paragraph 19 of title I of the Tariff Act of 1930, as amended, shall be suspended with respect to imports entered for consumption or withdrawn from warehouse for consumption during the period beginning with the day following the date of enactment of this Act and ending with the close of March 31, [1960] 1963.



H. R. 7456

[Report No. 823]

IN THE HOUSE OF REPRESENTATIVES

JUNE 1, 1959

Mr. BALDWIN introduced the following bill; which was referred to the Committee on Ways and Means

AUGUST 10, 1959

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To extend for three years the suspension of duty on imports of casein.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Act entitled "An Act to amend the Tariff Act of
4 1930 to provide for the temporary free importation of
5 casein", approved September 2, 1957 (71 Stat. 579; 19
6 U.S.C. 1001, par. 19 note), is amended by striking out
7 "1960" and inserting in lieu thereof ~~"1963"~~. "1963".

80TH CONGRESS
1ST SESSION

H. R. 7456

[Report No. 823]

A BILL

To extend for three years the suspension of
duty on imports of casein.

By Mr. BALDWIN

JUNE 1, 1959

Referred to the Committee on Ways and Means

AUGUST 10, 1959

Reported with an amendment, committed to the Com-
mittee of the Whole House on the State of the
Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

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HIGHLIGHTS: House received conference report on supplemental appropriation bill. House Rules Committee cleared bill to extend Public Law 480. To be considered today, Aug. 19. House subcommittee voted to report bill to provide incentive payments for light-weight hogs. House committee voted to report employee health insurance bill. Senate passed housing bill.

HOUSE

1. **SUPPLEMENTAL APPROPRIATION BILL, 1960.** Received the conference report on this bill, H. R. 7978 (H. Rept. 943) (pp. 14829-31). The following actions were taken on items relating to this Department: Provides \$4,000,000 for "Forest land management" and \$500,000 for "Forest research," which may be used for small research facilities, instead of \$15,000,000 and \$4,500,000, respectively, for these activities as proposed by the Senate; provides \$2,000,000 for "Forest roads and trails" as proposed by the Senate, but deletes Senate language providing that the funds shall remain available until expended; deletes the Senate proposal to provide \$500,000 for the acquisition of lands for the Superior National Forest; a Senate proposal to provide \$5,000,000 for forest access roads was reported in disagreement. A Senate item to provide \$3,650,000 to the Office of Civil and Defense Mobilization for allocation to Federal agencies for

civil defense and defense mobilization functions was reported in disagreement; the statement of House conferees states that a motion will be offered to appropriate \$3,000,000 for this activity, of which \$1,900,000 shall be for the Commerce Department and \$50,000 shall be for the Defense Air Transportation Administration. The bill also includes funds for the Outdoor Recreation Resources Review Commission; river basin study commissions for South Carolina-Georgia-Alabama-Florida and for Texas; Office of Saline Water, Bureau of Land Management, and Bureau of Reclamation, Department of the Interior; and missions to international organizations. A Senate proposal to provide \$1,235,000 for construction of a salt water distillation facility in the Virgin Islands was deleted.

2. FOREIGN TRADE; SURPLUS COMMODITIES. The Rules Committee reported a resolution for consideration of H. R. 3609, to extend Public Law 480 (p. 14905). Rep. McCormack announced that this bill will be debated today, Aug. 19 (p. 14850)
3. HOG PAYMENTS. A subcommittee of the Agriculture Committee voted to report (but did not actually report) with amendment H. R. 8394 to authorize the Secretary to make market incentive payments on lightweight hogs (p. D785). A committee release describes the bill as follows:

"Provides that the Secretary of Agriculture make payments to producers who market hogs at live-weights of not less than 175 pounds or more than 190 pounds.

"The Secretary, not later than 10 days before the first day of each month, would fix the rate of payment to be made for the month at such level as he determines necessary to assure that the live-weight price to be received by producers shall be NO less than \$14 per hundredweight, but no such payment could be in excess of \$3 per hundredweight.

"Payments would be made directly to producers who present evidence of bona fide sales of hogs at live-weights within the limits of 175 and 190 pounds.

"A limit of \$1,250 would be placed upon the amount of such payments received by one producer.

"No producer would be eligible to receive a payment if he entered into a contract with a prospective purchaser of hogs, or a supplier of feed for hogs, under which the purchaser or supplier contributed in any manner to the financing of all or any part of the cost of producing the hogs with respect to which payments are requested.

"The Secretary would be authorized to use not to exceed \$150,000,000 in any calendar year of funds already available under Sec. 32 of Public Law 320 of the 74th Congress. The authority under the bill would terminate on March 15, 1961."

4. CASEIN IMPORTS. Passed as reported H. R. 7456, to extend for 3 years, until March 31, 1963, the suspension of the duty on imports of casein. p. 14847
5. SILK IMPORTS. Passed as reported H. R. 2886, to suspend for 3 years, beginning 60 days from date of enactment, the import duties on certain classifications of spun silk yarn. p. 14849
6. PUBLIC LANDS. A subcommittee of the Interior and Insular Affairs Committee voted to report with amendment H. R. 7042, to authorize the Secretary of the Interior to classify, segregate, and dispose of certain public lands chiefly valuable for urban and business purposes (as introduced the bill excluded national forest lands). p. D786

has found it necessary to exempt from the personal holding company tax, legitimate types of operating income. H.R. 7688, which was introduced by our Colleague on the Committee on Ways and Means, the Honorable EUGENE J. KEOGH, is directed to a new instance wherein operating income is being subjected to the threat of the personal income holding company tax through changes in business circumstances. The music publishing industry once found its principal market in the sale of sheet music, even through they received some royalty income from music. Recent developments, however, have tended to shift the major source of music publishing income from the sale of sheet music to royalty income, largely as a result of the fact that radio, television, motion pictures, and the expansion of the use of phonograph records have increased royalty income at the same time when sales of sheet music are correspondingly declining.

The pending bill meets this situation by excluding copyright royalties from the definition of personal holding company if the conditions set forth above are met. The amendment is to be effective with respect to taxable years beginning on or after January 1, 1959. A similar bill was passed by the House in the last Congress—H.R. 8960, 85th Congress.

A favorable report was received from the Treasury Department on this legislation, and the Committee on Ways and Means was unanimous in recommending its enactment.

Mr. SIMPSON of Pennsylvania. Mr. Speaker, this legislation would provide that personal holding company income is not to include income from copyright royalties. The legislation would specify certain conditions to preclude the abuse of this amendment.

The personal holding company tax has been developed to prevent the establishment of a corporation to be used as a corporate pocketbook in handling investment income. It has been brought to the attention of the Committee on Ways and Means that existing law does in fact characterize as a personal holding company an organization that is actually an operating company. It was not intended that such an organization be included within the definition of a personal holding company and this legislation would clarify existing law on that subject.

[Mr. KEOGH'S remarks will appear hereafter in the Appendix.]

EXTENSION OF TEMPORARY FREE IMPORTATION OF CASEIN

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 7456) to extend for 3 years the suspension of duty on imports of casein, which was unanimously reported favorably by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to amend the Tariff Act of 1930 to provide for the temporary free importation of casein", approved September 2, 1957 (71 Stat. 579; 19 U.S.C. 1001, par. 19 note), is amended by striking out "1960" and inserting in lieu thereof "1963".

With the following committee amendment:

Page 1, line 7, strike out "1963." and insert: "1963".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 7456, as amended by the Committee on Ways and Means, is to extend for 3 years, to the close of March 31, 1963, the suspension of import duties imposed on casein under paragraph 19 of the Tariff Act of 1930, as amended. The present suspension, provided for by Public Law 85-257, will expire at the close of March 31, 1960.

Mr. Speaker, I should point out here that a printing error was made in the House report on this bill—House Report No. 823—in the purpose section. The last word in line 3 of that section should be "1930" instead of "1939," so as to read "the Tariff Act of 1930, as amended."

Although available official statistics on domestic production and imports of casein do not distinguish between the edible and inedible product, your committee was informed by the U.S. Tariff Commission that it is believed that the domestic production consists almost entirely of edible casein and casein derivatives while imports consist almost entirely of inedible or industrial casein. Industrial casein is used principally in the manufacture of coated paper, glues, coldwater paints, mucilage-type adhesives, and other less extensive uses.

The committee was further advised that domestic production of casein has shown a trend of decline whereas the general trend of imports of casein has been upward for a number of years. Since 1952, the milk price-support program has constituted a material inducement for converting skim milk—the raw material from which casein is made—into products other than casein.

Favorable reports were received on this legislation from the Departments of Agriculture, Labor, and Commerce, and informative reports from the Treasury Department and the U.S. Tariff Commission.

This bill was introduced by our colleague, the Honorable JOHN F. BALDWIN, JR.

The Committee on Ways and Means was unanimous in recommending the enactment of this legislation.

Mr. SIMPSON of Pennsylvania. Mr. Speaker, under existing law the suspension of import duties on casein is scheduled to be terminated effective April 1, 1960. This legislation would continue

the suspension for an additional 3 years to April 1, 1963. The import duty suspension is intended to improve the competitive position of domestic industry in the manufacture of certain paper adhesive and paints among other less extensive uses. No instances of abuse of the duty free privilege were presented to your committee during our consideration of this legislation. Favorable reports on the bill were received from the interested executive departments. The Committee on Ways and Means was unanimous in reporting this legislation.

IMPORTATION OF CERTAIN ARTICLES FOR RELIGIOUS PURPOSES

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 4384) to amend paragraph 1774 of the Tariff Act of 1930 with respect to the importation of certain articles for religious purposes, which was unanimously reported favorably by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BAILEY. Mr. Speaker, reserving the right to object, would the gentleman explain this bill?

Mr. MILLS. Mr. Speaker, the purpose of H.R. 4384, as amended by your committee, is to add inconstancies to the list of articles for which free entry is presently provided in paragraph 1774 of the Tariff Act of 1930, as amended; to provide for the free entry of adjuncts and appurtenances of the named articles whether to be physically joined thereto or not; and to extend the application of paragraph 1774 to cemeteries, schools, hospitals, orphanages, and similar non-profit activities staffed and controlled by corporations or associations organized and operated for religious purposes.

The bill was introduced by our colleague, the gentleman from Michigan [Mr. MACHROWICZ] and, perhaps, the gentleman from Michigan would like to add something at this point to what I have said.

Mr. MACHROWICZ. Mr. Speaker, will the gentleman yield?

Mr. BAILEY. I yield.

Mr. MACHROWICZ. Mr. Speaker, this bill in practically the same form was passed unanimously by the House last year and because of certain interpretations by the courts insofar as the adjuncts to altars and other religious articles are concerned, this bill has been submitted and it has the complete approval of the Treasury Department, the Department of State, and the Department of Commerce.

Mr. BAILEY. I might say to the gentleman from Michigan I have no intention of objecting, but I have been looking for one proposal coming out of this committee having to do with stained glass, and I thought that this bill might have something to do with that.

Mr. MACHROWICZ. This bill has nothing to do with that.

Mr. BAILEY. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas [Mr. MILLS]?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 1774 of the Tariff Act of 1930, as amended (19 U.S.C. 1201, par. 1774) is amended to read as follows:

"PAR. 1774. Altars, pulpits, communion tables, baptismal fonts, shrines, mosaics, iconostases, or parts, appurtenances, or adjuncts of any of the foregoing, whether to be physically joined thereto or not, and statuary (except casts of plaster of paris, or of compositions of paper or papier mache, imported in good faith for the use of, either by order of, or for presentation (without charge) to, any corporation or association organized and operated for religious purposes, including cemeteries, schools, hospitals, orphanages, and similar nonprofit activities staffed and controlled by such corporation or association."

SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the thirtieth day after the date of the enactment of this Act.

With the following committee amendments:

Page 1, line 4, strike out "par. 1774)" and insert "par. 1774),".

Page 1, line 6, strike out "shrines mosaics, iconostases," and insert "shrines, mosaics, iconostases,".

Page 1, line 9, strike out "paris" and insert "Paris".

Page 1, lines 9 and 10, strike out "papier mache" and insert "papier-mâché".

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 4384, as amended by the Committee on Ways and Means, is threefold: First, to add iconostases to the list of articles for which free entry is presently provided in paragraph 1774 of the Tariff Act of 1930, as amended; second, to provide for the free entry of adjuncts and appurtenances of the named articles whether to be physically joined thereto or not; and, third, to extend the application of paragraph 1774 to cemeteries, schools, hospitals, orphanages, and similar nonprofit activities staffed and controlled by corporations or associations organized and operated for religious purposes.

This bill was introduced by our Colleague on the Committee on Ways and Means, the Honorable THADDEUS M. MACHROWICZ. A similar bill was passed by the House in the Second Session of the 85th Congress.

Your Committee was advised by the interested departments of the Government that this bill would assist in solving certain difficult interpretative questions which have arisen under present provisions of paragraph 1774 of the Tariff Act of 1930, as amended. Favorable reports on the legislation were received

from the Departments of State, Labor, and Commerce and informative reports from the Department of the Treasury and the U.S. Tariff Commission.

Your Committee was unanimous in recommending enactment of this bill.

Mr. SIMPSON of Pennsylvania. Mr. Speaker, H.R. 4384 permits the importation of certain religious articles for religious purposes. Existing law allows such free entry for many articles of a religious nature such as pulpits, shrines, baptismal fonts, and mosaics. The bill would add to the list iconostases, which is altar screen or partition. The bill would also provide that articles which are appurtenances or adjuncts of the enumerated articles shall be accorded the free entry privilege. The bill also provides that the free entry status shall apply to such appurtenances or adjuncts when imported in good faith for presentation to an organization operated for religious purposes. The Committee on Ways and Means received favorable reports on this legislation from the interested executive departments and the committee was unanimous in ordering H.R. 4384 favorably reported.

[Mr. MACHROWICZ'S remarks will appear hereafter in the Appendix.]

EXEMPTIONS FROM ADMISSION TAX FOR ATHLETIC GAMES BENEFITING CRIPPLED OR RETARDED CHILDREN

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 4857) to amend the Internal Revenue Code of 1954 to provide that the exemption from the admissions tax for athletic games benefiting crippled or retarded children shall apply where the participants are recent graduates of designated schools or colleges as well as where they are currently students therein, which was unanimously reported favorably by the Committee on Ways and Means.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4233(a) of the Internal Revenue Code of 1954 (relating to exemptions from the tax on admissions) is amended by adding at the end thereof the following new sentence:

"In determining whether a team participating in an athletic game is composed of students from elementary or secondary schools or colleges for purposes of paragraphs (1)(C)(i) and (11), an individual who is a member of such team shall be considered a student from an elementary or secondary school or a college, even though he graduated from such school or college prior to the time of the game, if the game occurs before the first day of the next regular school year commencing after the date of such graduation and he participates in the game as a representative of the school or college from which he graduated."

SEC. 2. The amendment made by the first section of this Act shall apply with respect to amounts paid for admission to athletic games occurring on or after July 1, 1958.

With the following committee amendment:

Strike out all after the enacting clause and insert "That paragraph (11) of section 4233(a) of the Internal Revenue Code of 1954 (relating to exemptions from the tax on admissions) is amended by adding at the end thereof the following new sentence: 'In determining whether a team participating in an athletic game is composed of students from elementary or secondary schools or colleges for purposes of this paragraph or paragraph (1)(C)(i), an individual who is a member of such team shall be considered a student from an elementary or secondary school or a college if he was a student of such school or college at any time during the 8-month period ending on the date of the athletic game.'

"SEC. 2. The amendment made by the first section of this Act shall apply only with respect to amounts paid on or after the date of the enactment of this Act."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed.

The title was amended so as to read: "A bill to amend section 4233 of the Internal Revenue Code of 1954 to provide that the exemptions from the admissions tax for athletic games benefiting crippled or retarded children shall apply where the participants have recently attended designated schools or colleges as well as where they are currently students."

A motion to reconsider was laid on the table.

Mr. MILLS. Mr. Speaker, as amended by the Committee on Ways and Means, H.R. 4857 would amend the Internal Revenue Code of 1954 to provide that the exemption from the admissions tax for athletic games benefiting crippled or retarded children shall apply where the participants are recent graduates of designated schools or colleges, as well as where they are currently students therein.

Present law exempts from the admissions tax athletic games between teams composed of students from elementary or secondary schools, or colleges, where the proceeds inure to the benefit of hospitals for crippled children or of tax-exempt educational, charitable, or religious organizations operated exclusively for the purpose of aiding and advancing retarded children. Thus, these exemptions are not available if any of the players have graduated and therefore are no longer students in the schools they formerly attended. As a result, an exemption from the admissions tax presently may not be available where an otherwise qualifying benefit game is played after the close of the school year.

The pending bill, which was introduced by our colleague, the Honorable HARLAN HAGEN, would provide that for purposes of these tax-exemption categories, the term "student" is to include an individual who was a student of the school or college at any time in the 8 months immediately prior to the athletic game in question. This will make the exemption available for all-star and other similar benefit games even though the game

H. R. 7456

IN THE SENATE OF THE UNITED STATES

AUGUST 19 (legislative day, AUGUST 18), 1959

Read twice and referred to the Committee on Finance

AN ACT

To extend for three years the suspension of duty on imports
of casein.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Act entitled "An Act to amend the Tariff Act of
4 1930 to provide for the temporary free importation of
5 casein", approved September 2, 1957 (71 Stat. 579; 19
6 U.S.C. 1001, par. 19 note), is amended by striking out
7 "1960" and inserting in lieu thereof "1963".

Passed the House of Representatives August 18, 1959.

Attest:

RALPH R. ROBERTS,

Clerk.

86TH CONGRESS
1ST SESSION

H. R. 7456

AN ACT

To extend for three years the suspension of
duty on imports of casein.

August 19 (legislative day, August 18), 1959

Read twice and referred to the Committee on Finance

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

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For actions of January 13, 1960
86th-2d, No. 5

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HIGHLIGHTS: Sen. Williams, Del., criticized price support payments to large cotton producers. Sen. Humphrey urged increased funds for special milk program. Sen. Wiley introduced and discussed bill to extend and increase special milk program.

SENATE

1. FARM PROGRAM. Sen. Williams, Del., criticized price support loans to large cotton producers, stated that three of the largest cotton producers "received more in price-support loans on cotton than did all of the farmers of the four States of Delaware, Maryland, New Jersey, and Pennsylvania on all of the crops they produced" in 1958, stated that "our whole farm program needs a complete overhauling," and inserted tables showing producers who received cotton price support loans of \$100,000 or more in 1958 and loans made to producers of various crops through Oct. 31, 1959. pp. 302-4
2. MILK. Sen. Humphrey urged enactment of legislation to increase the authorization for the special milk program to \$85 million for 1960 and \$90 million for 1961, and stated that this Department was attempting to "hold the program back ... by holding expenditures at the level of \$75 million annually." p. 308

3. CASEIN IMPORTS. The Finance Committee reported without amendment H. R. 7456, to extend for 3 years the suspension of duty on imports on casein (S. Rept. 1022). The committee ordered the bill reported earlier in the day. pp. 276, D12
4. CROP INSURANCE. Received from this Department the annual report of the Federal Crop Insurance Corporation. p. 274
5. FARM LOANS. Received from this Department the annual report relating to Puerto Rican hurricane relief loans. p. 274
6. STOCKPILING. Received from OCDM a secret statistical supplement to the stockpile report for the period ending June 30, 1959. p. 274
7. CCC; AUDITS. Received from the Comptroller General an audit report on CCC activities, Evanston Commodity Office. p. 275
8. RESEARCH. Sen. Javits inserted a resolution of the Town Board of Southold, N. Y., urging that the program for the control and eradication of the golden nematode be expanded and expedited. p. 274
9. ADMINISTRATIVE PRACTICE. The Judiciary Committee reported an original resolution authorizing that committee to investigate administrative practice and procedure in the various departments and agencies. p. 277
10. FOREIGN TRADE. Sen. Javits inserted several resolutions adopted by the NATO Parliamentarians' Conference urging a solution of foreign trade problems and aid for underdeveloped countries. pp. 290-1
11. PERSONNEL. Sen. Neuberger urged a pay raise for Federal employees, and inserted his letter to the chairman of the Civil Service Commission on the subject and the chairman's reply stating that he understands the President "will discuss this issue in his budget message" to Congress. pp. 293-4
12. FOREIGN AID. Sen. Wiley urged that Western European countries assume greater responsibility for assistance to less developed nations, and inserted an address by the Deputy Director for Operations, ICA, "Our Stake in Foreign Aid." pp. 294-7
Sen. Neuberger inserted an address by Adlai Stevenson discussing "our great responsibility in maintaining freedom in the world and in expanding economic opportunity for underdeveloped nations." pp. 297-302
13. INTEREST RATES. Received from the President his message requesting that the interest rate ceiling on new Treasury medium-term and long-term issues be removed in order to permit better management of the public debt, and stating the Secretary of the Treasury would submit proposed legislation to attain this objective (H. Doc. 294). p. 319!
Sen. Wiley urged adoption of the President's recommendation, and inserted an article favoring it. (pp. 305-6) Sens. Gore, Monroney, and others opposed adoption of the recommendation. (pp. 320, 339-47)
14. RESEARCH. Sen. Humphrey inserted a series of articles, "A Scoreboard of American Science," discussing the comparative progress of U. S. and Russian scientific achievements. pp. 313-8

Calendar No. 1060

86TH CONGRESS }
2d Session

SENATE }

REPORT
No. 1022

EXTENSION OF TEMPORARY FREE IMPORTATION OF CASEIN

JANUARY 13, 1960.—Ordered to be printed

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

REPORT

[To accompany H.R. 7456]

The Committee on Finance, to whom was referred the bill (H.R. 7456) to extend for 3 years the suspension of duty on imports of casein, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 7456, as amended, is to extend for 3 years—that is, until the close of March 31, 1963—the suspension of import duties imposed on casein under paragraph 19 of the Tariff Act of 1939, as amended. The present suspension, provided for by Public Law 85-257, will expire at the close of March 31, 1960.

GENERAL STATEMENT

Casein or lactarene is provided for in paragraph 19, of title I, of the Tariff Act of 1930, as amended. Under the provision of Public Law 85-257 the duty on casein was suspended from September 3, 1957, through the close of March 31, 1960. H.R. 7456, would continue this suspension of duty for a period of 3 years until the close of March 31, 1963.

Available official statistics on domestic production and imports of casein do not distinguish between the edible and inedible product. However the U.S. Tariff Commission states that it is believed that the domestic production consists almost entirely of edible casein and casein derivatives while imports consist almost entirely of inedible or industrial casein. Industrial casein is used principally in the manu-

facture of coated paper, glues, coldwater paints, mucilage-type adhesives, and other less extensive uses.

Information shows that domestic production of casein has shown a trend of decline whereas the general trend of imports of casein has been upward for a number of years. Domestic production of casein has not reflected changes in demand in recent years because the raw material from which casein is made (skim milk) frequently is more profitably converted into other products. Since 1952, the milk price-support program has constituted a material inducement for converting skim milk into products other than casein.

Favorable reports were received on this legislation from the Departments of Agriculture, Labor, and Commerce, and informative reports from the Treasury Department and the U.S. Tariff Commission. The report of the Labor Department stated that the "Department is not aware of any unfavorable developments resulting from the free importation of casein * * *", and the Department of Agriculture, after pointing out that Public Law 85-257 had afforded a testing period of approximately 3 years, likewise found no unfavorable developments and interposed no objection to the bill.

CHANGES IN EXISTING LAW

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

ACT OF SEPTEMBER 2, 1957

AN ACT To amend the Tariff Act of 1930 to provide for the temporary free importation of casein

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the import duty imposed under paragraph 19 of title I of the Tariff Act of 1930, as amended, shall be suspended with respect to imports entered for consumption or withdrawn from warehouse for consumption during the period beginning with the day following the date of enactment of this Act and ending with the close of March 31, **[1960]** 1963.



Calendar No. 1060

86TH CONGRESS
2D SESSION

H. R. 7456

[Report No. 1022]

IN THE SENATE OF THE UNITED STATES

AUGUST 19 (legislative day, AUGUST 18), 1959

Read twice and referred to the Committee on Finance

JANUARY 13, 1960

Reported by Mr. BYRD of Virginia, without amendment

AN ACT

To extend for three years the suspension of duty on imports
of casein.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Act entitled "An Act to amend the Tariff Act of
4 1930 to provide for the temporary free importation of
5 casein", approved September 2, 1957 (71 Stat. 579; 19
6 U.S.C. 1001, par. 19 note), is amended by striking out
7 "1960" and inserting in lieu thereof "1963".

Passed the House of Representatives August 18, 1959.

Attest:

RALPH R. ROBERTS,

Clerk.

Calendar No. 1060

86TH CONGRESS
2D SESSION

H. R. 7456

[Report No. 1022]

AN ACT

To extend for three years the suspension of duty
on imports of casein.

August 19 (legislative day, August 18), 1959

Read twice and referred to the Committee on Finance

JANUARY 13, 1960

Reported without amendment

March 28, 1960

13. TARIFF RATES. Passed without amendment S. 3005, to extend the periods of time by which the Federal Maritime Board may suspend tariff schedules. p. 6185
14. COMMERCE AND RELATED AGENCIES APPROPRIATION BILL, 1961. Continued consideration of this bill, H. R. 10234. pp. 6186-7
15. WEATHER. Agreed to S. Res. 262, authorizing the printing of a report on cold weather agriculture as a Senate document. p. 6166
16. CASEIN IMPORTS. Passed with amendment H. R. 7456, to extend the suspension of import duties on casein until July 1, 1960. (pp. 6190-5) Sen. Johnson explained that the amendment limiting the suspension of duties to July 1, 1960 was for the purpose of enabling the Finance Committee to hold further hearings on the bill and to make "whatever recommendations it desires to make to the Senate prior to July 1, 1960."
17. MARKETING. Passed as reported S. 1283, to regulate the interstate distribution and sale of packages of hazardous substances intended or suitable for household use. pp. 6180-5
18. ETHICS. Sen. Proxmire inserted an article in which the author stated his belief that "the ethical standard of conduct of Government officials cannot be raised by passing laws," his reply to the article and stated that he believes "that just as we regulate the conduct of private individuals by the criminal code, we can and should impose a code of conduct on Government officials explicitly prescribing conduct inimical to the public interest." pp. 6217-8
19. INTEREST RATES. Sen. Proxmire criticized an address by Woodlief Thomas, economic adviser to the Board of Governors of the Federal Reserve System, on the subject, "Why the Government cannot control the interest-rate structure." pp. 6222-4
20. COMMITTEE ASSIGNMENTS. Sen. Lusk was assigned to service on the Interior and Insular Affairs Committee and Sen. Randolph to service on the Post Office and Civil Service Committee. p. 6224
21. TRANSPORTATION. Sen. Williams, N. J., discussed provisions of a bill introduced by himself and other Senators to assist State and local governments and their public instrumentalities in improving mass transportation service in metropolitan areas. pp. 6226-30
22. EXPORT-IMPORT BANK. Received a GAO audit report on the Export-Import Bank for 1959. p. 6118
23. PERSONNEL. Received from HEW proposed legislation to include certain officers and employees of that Department within the provision of sections 111 and 1114 of title 18 of the U. S. Code relating to assaults and homicides; to Judiciary Committee. p. 6118
Passed as reported H. R. 3472, to repeal section 1505 of the Social Security Act so that in determining eligibility of Federal employees for unemployment compensation their accrued annual leave shall be treated in accordance with State laws. pp. 6178-9
24. ELECTRIFICATION. Sen. Aiken complimented the National Rural Electric Cooperative Association on their recent advertisements in Life magazine and for their "vision, their fortitude, and their faith in the future of our country." p. 6132

25. WHEAT. Sen. Morse inserted an article "which in concise form sets forth the major provisions of" S. 3159, to establish a marketing program for wheat, of which he is a cosponsor. p. 6146
- Sen. Murray inserted an article written by Wayne Darrow, Washington Farm-letter writer, in which the author states that "any wheat legislation reported out of" the "House Agriculture Committee stands a 50-50 chance of passage," and "... would likely be vetoed because Congress won't be passing anything acceptable to Secretary Benson." pp. 6154-5
26. PASSED OVER the following bills:
- H. R. 9331, to increase the authorized maximum expenditure for, and to make permanent, the special milk program. p. 6168
- S. 91, to limit to cases involving the national security the prohibition on payment of annuities to Federal employees. p. 6157
- S. 1617, to adjust the legislative jurisdiction exercised by the U. S. over certain lands. p. 6157
- S. 1851, to establish a Commission on a Department of Science and Technology p. 6157
- S. 1789, to amend the ICC Act to insure the adequacy of the national rail-road freight car supply. p. 6157
- S. 2308, to provide for the validation of certain oil and gas leases. p. 6157
- S. 1711, the Humphrey food-for-peace bill. p. 6157
- S. 2522, to provide for enrichment and sanitary packaging of certain donated surplus commodities, and establish an experimental food stamp plan. p. 6157
- S. 2086, to provide for the establishment of a National Wildlife Disease Laboratory. p. 6157
- S. 910, to authorize payments-in-lieu-of-taxes to local governments on certain Federal real property. p. 6158
- S. 2168, to provide for the serving of oleomargarine in the Navy. p. 6158
- S. 1447, to eliminate the exclusion of tuber propagated plants from being patented. p. 6159

27. LEGISLATIVE PROGRAM. Sen. Johnson stated that after the Senate completes action on the Commerce Department appropriation bill today, Mar. 29, it is hoped that the Senate will then consider and pass the Interior Department appropriation bill. pp. 6224, 6157

ITEMS IN APPENDIX

28. WATER RESOURCES. Extension of remarks of Rep. Lane inserting a Mass. State legislature statement in support of the proposed bill granting consent and approval of Congress to the northeastern water and related land resources compact. p. A2721
29. WILDLIFE. Sen. Wiley inserted an article, "National Wildlife Week" which is reflective of the constructive work being accomplished to preserve our wilderness. p. A2725
30. RURAL DEVELOPMENT. Extension of remarks of Rep. Fenton stating that "the administration has taken important steps in recent weeks to strengthen and expand the rural development program nationally," commending assistance given by Extension Service and inserting a report by Guy Temple on the development of this program in Schuylkill County, Pa. pp. A2728-30

I want to point out that in regard to the particular situation confronting us now, involving the port of Boston, I have no criticism to make of what Boston is seeking to do. It is perfectly understandable that they would attempt to do it if they could. Naturally, I shall do everything I can to prevent their doing it. They wish to get credit for rent-free property that they made available to the Navy for many years, and have it apply under this transfer. As I said before—and I am not going to go through the whole argument again, but will insert it in the RECORD—we should not establish that precedent, because we know how great Government installations are sometimes granted to one community instead of another community. We know that a community will come in, anxious to get a Government installation, because it brings into the community a considerable payroll and brings into a municipality a great addition to the tax base, and say to Uncle Sam, "Come on in. We will give you the property rent free."

I do not have any objection to that. It is a pretty good arrangement sometimes. However, I do not think that we ought to underwrite the policy of Indian giver on the floor of the Senate in connection with the pending bill. I believe that the Boston authorities should live up to their gift and should not come back now and say, "We want credit for the gift we gave to Uncle Sam." When we reduce this matter to its simplest terms, that is what it amounts to.

Boston now comes in and says, "We want to get credit on this transfer for this naval property, for a gift that we made to Uncle Sam over the years."

That is a bad precedent to establish. If we start carrying that out in the country it will run into many million of dollars.

I wish to point out the position which the Navy takes on the matter. In a speech I made on this subject, when it was before the Senate previously, on August 19, 1959, I read into the RECORD a letter which I wish to read into the RECORD again. The letter is dated June 18, 1959, which is addressed to the Honorable CARL VINSON, chairman of the Committee on Armed Services of the House of Representatives. In that letter the Navy Department said:

Staff appraisals have indicated a difference in valuation of the properties to be exchanged in favor of the Navy. It is therefore recommended that the bill be amended to provide for payment of an amount equal to the difference in value of the properties as determined by the Secretary of the Navy after fair market value appraisals.

In other words, the Navy says, in effect, in that letter that the Morse formula should apply. I may say, in defense of the Department of Defense, that time and time again they have underwritten the merits of the Morse formula. They have recognized that, by and large, it takes a great burden off their back, as some of the officials of that Department have pointed out to me when we have discussed the application of the transfers of Federal property to various State subdivisions. The Department of

Defense recognizes the merits of the fight I have been putting up since 1946. Since that time, the record shows that by my stubborn insistence that the Morse formula be applied to the transfers of surplus Federal property the taxpayers of the United States have been saved many hundreds of millions of dollars.

We are dealing here with a property transfer which, in my judgment, is of such an economic nature that it ought not to be given any exemption from the Morse formula. This is exceedingly valuable naval property. The Boston authorities should pay the difference in value between the Port Authority property and the U.S. Navy property. The Boston authorities should not ask for a setoff of the rent-free property values they have given the Navy over the years in order to get naval installations in Boston.

I shall take judicial notice, as I believe every other Senator has the right to take judicial notice, that the naval installations in Boston—and we are indebted to Massachusetts for the great assistance it has been to Uncle Sam in respect to our naval installations—I shall take judicial notice that Boston and Massachusetts never lost a cent by way of the so-called rent-free property which they have made available to the U.S. Navy. I say that because the use of that property and the payrolls which have resulted from the use of that property have returned great economic benefits to Boston and Massachusetts. I am happy about it, too. I simply say now that we should not pass the bill without the Morse amendment in it.

I appreciate the willingness of the distinguished Senator from Massachusetts [Mr. SALTONSTALL] to accept my amendment on the floor of the Senate.

But I want to make this statement: I will be watching to see if the amendment is in the bill when it comes back from conference. If it is not, then this very short speech of mine today will be but a short speech of introduction to the next one I shall make on the bill.

Mr. President, I offer my amendment. The PRESIDING OFFICER. The committee amendment was agreed to on August 19, 1959.

Mr. SALTONSTALL. Mr. President, before action is taken on the bill, I call attention to page 2 of the committee report, submitted by the distinguished Senator from Washington [Mr. JACKSON]. I read one line:

The value of these parcels of land is subject to question.

As provided in the committee amendment, the final conclusion of the value will be made by the Secretary of the Navy. I am confident that he will be fair in working out a basis to determine any difference of opinion.

Mr. MORSE. I am not speaking to impose any particular value on the property. Of course, the value is in question. That is what the Morse formula seeks to settle. My amendment provides for an appraisal policy. It requires that the property be appraised. That is the legal process which ought to be followed. Then the Federal Government will get

its 50 percent of the fair appraised market value of the property in respect to whatever amount of value is over and above the value of the Boston Harbor property. That is all I have ever asked for. After that appraisalment has been made by legal proceedings, to determine the fair market value of the property, the taxpayers of the country will then see to it that they get 50 percent of the appraised fair market value of the excess value of the Navy property over the value of the Boston Harbor Authority property. I want to make sure that they are not cut out of it by any conference report which may be submitted which does not have my amendment in it.

The PRESIDING OFFICER. The amendment of the Senator from Oregon will be stated.

The CHIEF CLERK. On page 4, line 19, it is proposed to strike out "(a)."

On page 5, beginning with line 1, strike out all through line 7.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oregon.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. MORSE. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement I made on August 19, 1959, which will make it unnecessary for me to repeat my position in detail.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

[From the CONGRESSIONAL RECORD, Aug. 19, 1959]

TRANSFER OF CERTAIN LANDS TO THE MASSACHUSETTS PORT AUTHORITY IN EXCHANGE FOR OTHER LANDS—BILL PASSED OVER

The Senate proceeded to consider the bill (H.R. 5888) to authorize the Secretary of the Navy to transfer to the Massachusetts Port Authority certain lands in South Boston, Mass., in exchange for other lands, which had been reported from the Committee on Armed Services, with an amendment, on page 4, after line 18, to insert a new section, as follows:

"SEC. 3. (a) As a condition of the exchange of land authorized by this Act the Secretary of the Navy shall require the Massachusetts Port Authority to pay an amount of money equal to the amount, if any, by which the fair market value of the property conveyed by the United States exceeds the fair market value of the property conveyed to the United States, as determined by the Secretary of the Navy.

"(b) The Secretary of the Navy is authorized, with respect to any amount determined by him to be payable to the United States pursuant to the provisions of subsection (a), to waive such portion thereof as he deems equitable in consideration of the rent free use by the Department of the Navy in past years of the land conveyed hereunder by the Massachusetts Port Authority."

The amendment was agreed to.

Mr. MORSE. Mr. President, reserving the right to object to the further consideration of the bill, let me say that House bill 5888

would authorize the Secretary of the Navy to transfer certain Boston Naval Shipyard real estate and improvements to the Massachusetts Port Authority in exchange for certain lands owned by the Massachusetts Port Authority.

The property belonging to the United States has been declared excess to the needs of the Navy. The Massachusetts Port Authority desires to obtain the Federal property for future port development.

The Navy would like to acquire the land belonging to the Massachusetts Port Authority for parking, recreational, and other uses.

According to Senate Report No. 714, the Federal property has been appraised by the Navy at \$210,000. The port authority property has been appraised at \$127,000. The Federal property consists of 15.9 acres; the port authority property, 3.88 acres.

A letter dated June 18, 1959, addressed to Chairman VINSON, of the House Committee on Armed Services, states in part:

"Staff appraisals have indicated a difference in valuation of the properties to be exchanged in favor of the Navy. It is therefore recommended that the bill be amended to provide for payment of an amount equal to the difference in value of the properties as determined by the Secretary of the Navy after fair market value appraisals" (Rept. 714, p. 3).

Let me say, Mr. President, incidentally, that I thought that would have been a very sound and very fair way to dispose of the matter, and I am sorry that recommendation was not followed.

Nevertheless, H.R. 5888, as it passed the House, contained no provision requiring the Massachusetts Port Authority to pay "an amount equal to the difference in value of the properties as determined by the Secretary of the Navy after fair market value appraisals."

Mr. President, if the Federal property in question were to be exchanged for port authority property of equal value or if the House bill had provided for payment of the differential in value, as suggested by the Navy Department, no violation of the Morse formula would have been involved. Section 3(a) of the bill, as reported by the Senate committee, would correct this defect.

Section 3(b) of H.R. 5888, as reported by the Senate Armed Services Committee, involves a violation of the Morse formula, because it would allow a deduction of some unknown amount—to be determined in the future by the Secretary of the Navy—in determining the amount payable by the port authority. According to section 3(b), the Secretary, in determining the amount payable to the United States, would deduct the amount "he deems equitable in consideration of the rent-free use by the Department of the Navy in past years of the land conveyed hereunder by the Massachusetts Port Authority."

Mr. President, let me say that if that precedent were to be established by us, it would be very unfair as regards some transactions which already have taken place, as a result of the passage of certain bills during the call of the calendar. For instance, it was not so long ago that the city of Philadelphia was perfectly willing to pay for port facilities, in accordance with the Morse formula, in the case of property there which had been used for a long time by the Government. If we ever start to make any such arrangement when a city or a State had been giving the Federal Government rent-free use of such property, in order to induce the Government to establish there a Federal project which would bring many employees to that area, then we might just as well forget about trying to get the fair market value for the property; and I believe we should then face the fact that if the Federal Government had established in such a community a Federal

project which brought great benefits to the community, and if, years later, the community wished to obtain that piece of property, we would have established a precedent which would permit the community to say, "We have been giving the Federal Government the use of the property, rent-free, for many years; and now we should be allowed to deduct that amount, in the nature of free rent, from the purchase price of the property which we now want." Of course, it is perfectly obvious that if the community had wanted to charge such rent in the first place, the Federal Government would not have established the project there.

So that was an independent and separate transaction.

I do not think we should permit the people of Massachusetts, in this case to proceed, after the fact—as they are attempting to do in this instance—to collect for such rent, which they never had any intention of collecting, in the first instance, inasmuch as if they had had declared such an intention, we have no way of knowing that the Federal Government would not have determined to develop the project in some other community.

The PRESIDING OFFICER (Mr. BARTLETT in the chair). The 5 minutes available to the Senator from Oregon, under the rule applicable during the call of the calendar, have expired.

Mr. MORSE. Mr. President, unless I am allowed to proceed further, I shall have to object to consideration of the bill at this time.

Mr. HOLLAND. Mr. President, I ask unanimous consent that at this time the Senator from Oregon may be recognized for an additional 5 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered; and the Senator from Oregon may proceed.

Mr. MORSE. I thank the Senator from Florida.

Mr. President, Senate Report No. 714 includes these comments concerning the deduction just mentioned:

"For the past 17 years the Navy has enjoyed free use of the port authority property. While this does not constitute consideration from a legal standpoint, it should be pointed out that had the Navy been required to pay rent it is estimated that the fair rental during this period of time would have amounted to between \$75,000 to \$90,000."

Senate Report No. 714 fails to indicate that there was any arrangement between the Navy Department and the port authority that the Navy at some future time would reimburse the port authority for the free use of the land in question. Therefore, it is only fair to assume that the free use arrangement was perfectly satisfactory to both parties, and that mutual benefits were involved.

In fact, Mr. President, knowing how these things usually take place, I am willing—in the absence of evidence to the contrary—to take judicial notice that Massachusetts was very desirous, in the first instance, of having this Navy project established in Massachusetts, and was perfectly willing to provide the use of the property, rent free, in order that Massachusetts might have the benefit of the employment of personnel and the payroll and the business which would flow from the establishment of that Federal activity.

Mr. President, in these land transfer cases if we were to permit deductions based upon considerations comparable to those involved in the proposed free land use arrangement, we might just as well forget the Morse formula requirement that the taxpayers of the United States are entitled to fair appraised market values of Federal lands to be sold or exchanged.

I am very desirous of going into the merits of this case with its sponsors and trying to see if there is any justification for passing this bill in violation of the Morse formula on the unanimous-consent calendar call; but there has been no showing, so far as the senior Senator from Oregon is concerned, up to this hour, that would justify the passage of this bill on the unanimous-consent call of the calendar, if I am going to follow—and I assure my colleagues I am going to follow—a consistent course in the application of the Morse formula on a unanimous-consent call of the calendar.

I remember in the last session of Congress the Senators from Pennsylvania had a somewhat similar problem, and after they went into the merits of the question, although they, too, would have liked to have port facilities which ran into the thousands of dollars turned over to the city of Philadelphia without cost, they recognized the merits of the position they had taken.

So, Mr. President, in view of the points I have made, I object to the consideration of the bill on this call of the calendar.

The PRESIDING OFFICER. The bill will be passed over.

Mr. MORSE. Mr. President, I submit amendments, intended to be proposed by me to this bill. I ask unanimous consent that the amendments be received, printed, and printed in the RECORD as a part of my remarks, so that they may be available for discussion the next time the bill is under discussion. I think the amendments ought to be accepted by the sponsor.

The PRESIDING OFFICER. The amendments will be received, printed, and lie on the table; and without objection, the amendments will be printed in the RECORD.

The amendments submitted by Mr. MORSE are as follows:

"On page 4, line 19, strike out '(a).'"

"On page 5, beginning with line 1, strike out all through line 7."

SUSPENSION OF DUTY ON IMPORTS OF CASEIN

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1060, H.R. 7456.

The PRESIDING OFFICER. The bill will be stated by title.

The CHIEF CLERK. A bill (H.R. 7456) to extend for 3 years the suspension of duty on imports of casein.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. JOHNSON of Texas. Mr. President, I offer an amendment to strike out "1963," as it appears in the bill, and insert in lieu thereof "July 1, 1960."

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 1, line 7, it is proposed to strike out "1963" and insert in lieu thereof "July 1, 1960."

Mr. JOHNSON of Texas. Mr. President, the bill extends an act which was originally passed, I am informed, in 1955, and which was extended in 1958. The bill was reported by the House Committee on Ways and Means, then passed the House unanimously, and was referred to the Senate Committee on Finance.

Early in January, I believe—I am speaking from memory—the Committee on Finance reported the bill to the Senate. It affects those who produce casein

and who sell commodities in competition with casein. Those who sell or plan to sell commodities in competition with casein inform me that they have not had what they consider to be adequate hearings in the matter. I have spoken with the able Senator from Indiana [Mr. HARTKE] many times about the measure. There are a number of other Senators, including the distinguished Senator from Minnesota [Mr. McCARTHY], who are interested in having all viewpoints presented and considered.

The distinguished Chairman of the Committee on Finance, the Senator from Virginia [Mr. BYRD], is not on the floor, but I am informed that he has stated he would be willing to review with his committee the possibility of scheduling hearings, so that all persons interested may be heard.

In view of the fact that the present extension will expire at the end of this month, it is thought that by providing for a 90-day extension to enable hearings to be held, and by being further assured by the proponents of the measure that they will attempt to make certain that the agreement we are now seeking will be carried out in good faith by having the House concur in the amendment to postpone the extension of the act for 90 days, an opportunity will be afforded interested persons to be heard and to enable the committee to make whatever recommendations it desires to make to the Senate prior to July 1, 1960.

I favor the measure as originally reported. The Bureau of the Budget has no objection to the enactment of the bill. The Secretary of the Treasury has advised the Bureau that the Treasury Department has no objection to its enactment. The Secretary of State has informed the Bureau of the Budget that the State Department has no objection to the proposed legislation from the standpoint of foreign economic policy objectives. I am informed that the Department of Agriculture feels the same way. There is considerable sentiment in favor of the extension.

The bill involves a product which is produced by our good neighbors to the South; but because those who oppose the 3-year extension have not had a chance to be heard, I think it is the better part of wisdom to strike out "1963" and insert in lieu thereof "July 1, 1960," with the understanding that hearings will be held promptly, that the committee will make its recommendations, and that we will try to act in the light of its recommendations prior to the adjournment of this session of Congress. All Senators have been very cooperative. I am hopeful that the amendment will be agreed to.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. DIRKSEN. Mr. President, there is a distinct cleavage in this matter between industry, on the one side, and agriculture, on the other. When the representations were first made to me, I expressed the hope to the chairman of the House Committee on Ways and Means that perhaps the bill could be called back from the calendar, or, at

least, that action might be deferred until those who have an interest from the farm side might be heard.

I believe the majority leader has put his finger on the real controversy, because the complaint was that they had had no opportunity to present their case.

There has been considerable discussion about the expenditure of millions of dollars for research and for new facilities in this field, which involves inedible casein, as distinguished from the edible variety which is produced mainly in this country.

Therefore, I believe this compromise solution—to extend the matter for 90 days—will leave the matter where it now stands. The suspension of the duty will not cease. Yet all parties in interest will have full opportunity to present their cases to the Senate Finance Committee.

Mr. HARTKE. Mr. President—

The PRESIDING OFFICER (Mr. BRUNSDALE in the chair). Does the Senator from Texas yield?

Mr. JOHNSON of Texas. Mr. President, I yield to the Senator from Indiana, who has been very cooperative in connection with this matter.

Mr. HARTKE. I thank the Senator from Texas.

Mr. President, regarding the extension to July 1, 1960, I should like to point out to the Senate that the present situation is such that the extension was scheduled for 3 years. I suggested the possibility of making the extension for 30 days or 60 days; and the distinguished majority leader suggested 90 days, with the understanding that hearings would be held promptly.

There is some dispute as to certain facts. There is a question with respect to the attitude of the Department of Agriculture, particularly in the case of those directly concerned with other competitive items in the agricultural field.

Therefore, I believe it just that all persons and groups concerned have an opportunity to present their cases fully; and I hope that will be possible.

Mr. JOHNSON of Texas. We plan to bring up the bill by motion, and I believe a majority of the Senate will vote in favor of passage of the bill.

The Senator from Indiana has appealed to the leadership on both sides of the aisle, and I think his appeal has merit. He is always just with us, and I believe in the doctrine of reciprocity.

Mr. HARTKE. I thank the Senator from Texas.

Mr. AIKEN. Mr. President—

Mr. JOHNSON of Texas. I yield to the distinguished Senator from Vermont.

Mr. AIKEN. I thank the Senator from Texas.

I wish to say that I have not the slightest objection to having the suspension of the duty on imports of casein continued, so long as the casein that is imported is used for industrial purposes only.

However, we receive many complaints to the effect that casein imported for industrial purposes had been used for food purposes, in competition with the American dairy industry. In view of that situation, I had intended to offer to the bill an amendment to correct that situation.

Inasmuch as the majority leader has proposed an amendment to the bill, so as simply to continue the present status of these imports for 90 days, during which time a hearing can be held and all interested parties can be given an opportunity to appear before the Senate Finance Committee, I have no objection at all to enactment of the bill on those terms, and I do not intend to offer an amendment, provided the amendment offered by the Senator from Texas is agreed to.

However, I wish to state that the junior Senator from New York [Mr. KEATING] could not be present at this time. He has asked to have printed in the RECORD a statement on this bill. On his behalf, I request that the statement be printed at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR KEATING

Many people in my State are very much interested in H.R. 7456, to suspend for 3 more years the duty on imported casein.

I sincerely hope that we will be able to act on this bill in the near future and that at that time the Senate will fully consider all of the points which have been raised relevant to this legislation.

For the edification of the Senate, I submit a brief statement by the American Paper and Pulp Association supporting H.R. 7456, as follows:

"STATEMENT OF THE PAPER INDUSTRY IN SUPPORT OF H.R. 7456, BY ROBERT E. CANFIELD, PRESIDENT, PRINTING PAPER MANUFACTURERS ASSOCIATION, INC.

"Prior to April 1957, casein was dutiable at 2¼ cents a pound. Public Law 85-257 suspended the duty for 3 years until March 31, 1960. H.R. 7456 would extend the suspension of duty on Casein for an additional three year period. The bill was passed in the House and has been reported upon favorably by the Finance Committee (Rept. No. 1022, Jan. 13, 1960). Reports favoring passage have been given by Departments of Agriculture, Labor, and Commerce and it is understood also by the Tariff Commission.

"Casein is a product of skimmed milk. It is an adhesive. It is not made in any appreciable amounts in the United States largely because the milk price support program makes production of other skimmed milk products more profitable. It is used by the coated paper industry as an adhesive which holds coating to the paper base stock. Other adhesives made from soya bean are similarly used by the paper industry. Casein is the best adhesive and for certain types of coated paper is the only suitable adhesive. The soya bean adhesives are more easily handled in certain types of coated paper manufacture and, therefore, are used where possible. Determination of which adhesive to use is a manufacturing and technical decision not a financial decision. Reimposition of the duty on casein would not increase the consumption of soya bean adhesives, but would merely impose very substantial extra expense on industry without benefit to American producers of other adhesives.

"There is no substantial objection to the bill, although we understand some soya bean processors have raised some question about it. It is vitally important to the coated paper industry that H.R. 7456 be passed as soon as possible. We urgently request that there be a calendar call so that this bill can be voted upon at the earliest possible time."

Mr. JOHNSON of Texas. Mr. President, I wish to observe that the Senator from Vermont [Mr. AIKEN], in his characteristic fashion of always being fair with his colleagues, has made the kind of statement which I would expect from him. I urge him to submit his well-reasoned views to the Finance Committee, because I know they will be treated with the great respect with which the views of the Senator from Vermont are always treated.

Mr. AIKEN. I thank the Senator from Texas.

Let me say that the amendment I proposed to offer was as follows: In line 17, after the figure "1963", add "Provided, however, That temporary free importation of casein shall not apply to casein intended for human food use."

Mr. JOHNSON of Texas. Mr. President, I may say that I have before me a letter, dated July 22, 1959, from the Department of Agriculture, addressed to the chairman of the House Ways and Means Committee. I shall not take time to read all the letter to the Senate; but part of the letter reads as follows:

In the early part of 1957, the Department carefully studied developments in the production and trade in casein and concluded that the tariff duty on casein imports at the time was not a substantive factor in the import situation and would not be in the foreseeable future. On that basis, on August 27, 1957, the Department recommended that the President approve passage of H.R. 38 which provided that imports of casein be free of duty from the date of enactment through March 31, 1960. It was felt then that the proposed legislation would afford a 3-year testing period in which to observe the effects of duty-free entry of casein.

In recent years, imports of casein have shown a substantial increase. Little casein has been produced domestically because of the low market prices of casein as compared with prices of other dairy products. It appears that, under present conditions, the restoration of the import duty would not raise the market price of casein enough to encourage the use of more domestically produced milk in the production of casein.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Mr. President, I ask unanimous consent that a letter from the Assistant Secretary of State be printed at this point in the RECORD. In the letter it is stated that there is no objection from the foreign policy objective viewpoint to this proposed legislation.

I also ask unanimous consent to have printed in the RECORD a letter from the Office of the Secretary of the Treasury, in which it is stated that the Treasury Department has no objection; and I also ask unanimous consent to have printed in the RECORD a letter from the Acting Assistant Director for Legislative Reference, in which it is stated that the Bureau of the Budget has no objection to enactment of the proposed legislation. I also ask unanimous consent to have printed at this point in the RECORD the letter from the Department of Agriculture to the chairman of the House Ways and Means Committee, dated July 22, 1959.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

OFFICE OF THE SECRETARY
OF THE TREASURY,
Washington, D.C., August 27, 1959.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 7456, "To extend for 3 years the suspension of duty on imports of casein."

The proposed legislation would extend for 3 years, that is, until March 31, 1963, the suspension of import duties imposed on casein under paragraph 19 of the Tariff Act of 1930, as amended. The present suspension will expire on March 31, 1960.

Since the commercial aspects of the proposed legislation would be of concern primarily to the Departments of Agriculture and Commerce, the Treasury Department has no substantive comments on them. Should the bill be enacted, the estimated loss of customs revenue will be about \$2 million per year.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

A. GILMORE FLUES,
Acting Secretary of the Treasury.

SEPTEMBER 4, 1959.

The Honorable HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate.

DEAR MR. CHAIRMAN: I refer to your communication of August 22, 1959 acknowledged on August 26, requesting the views of the Department of State on H.R. 7456, "To extend for 3 years the suspension of duty on imports of casein."

The Department has examined H.R. 7456 from the standpoint of foreign economic policy objectives and has no objection to its enactment.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary
(For the Acting Secretary of State).

SEPTEMBER 28, 1959.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of August 22, 1959, requesting a report on H.R. 7456, a bill to extend for 3 years the suspension of duty on imports of casein.

We understand the purpose of the bill is to extend through March 31, 1963, the temporary free importation of casein provided by Public Law 85-257.

The Bureau of the Budget has no objection to the enactment of legislation to accomplish the purpose of this bill.

Sincerely yours,

WILFRED H. ROMMEL,
Acting Assistant Director for Legislative Reference.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., July 22, 1959.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives.

DEAR CONGRESSMAN MILLS: This is in reply to your request of June 8, 1959, for a report on H.R. 7456, a bill to extend for 3 years the suspension of duty on imports of casein.

The Department does not oppose enactment of the bill.

In the early part of 1957, the Department carefully studied developments in the production and trade in casein and concluded

that the tariff duty on casein imports at the time was not a substantive factor in the import situation and would not be in the foreseeable future. On that basis, on August 27, 1957, the Department recommended that the President approve passage of H.R. 38 which provided that imports of casein be free of duty from the date of enactment through March 31, 1960. It was felt then that the proposed legislation would afford a 3-year testing period in which to observe the effects of duty-free entry of casein.

In recent years, imports of casein have shown a substantial increase. Little casein has been produced domestically because of the low market prices of casein as compared with prices of other dairy products. It appears that, under present conditions, the restoration of the import duty would not raise the market price of casein enough to encourage the use of more domestically produced milk in the production of casein.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

Mr. JAVITS. Mr. President—

Mr. JOHNSON of Texas. I yield to the Senator from New York.

Mr. JAVITS. Mr. President, a great deal of interest has been expressed in this bill by a number of industries, particularly the paper industry. I have before me a statement by the American Pulp & Paper Association. Years ago, I had the privilege of being counsel for the National Paper Trade Association, the wholesalers in this field; and I know a little about this business. I no longer represent them, but I did so for many years.

The American Paper & Pulp Association states:

It is vitally important to the paper industry that House bill 7456 be passed as soon as possible. It ties the interest of the industry in this matter to the interest of the consumer.

It—

In other words, casein—

is not produced in any appreciable amounts in the United States largely because the milk price support program makes the production of other skim milk products more profitable.

Mr. President, I have not had an opportunity to ascertain the views, on a 90-day extension, of the industries which are interested in this matter; but it seems to me, just as a matter of commonsense, that if the 90-day extension will keep the situation as it now is, and will provide an opportunity—and let me say that in New York State, as well as in the State of Vermont, very large dairy interests are in operation—for inquiry to be made, in order to ascertain the proper balancing of the interests involved, as between the manufacturing industries, the consumers, and the milk producers, that is desirable.

I believe the majority leader has suggested a course which—especially in view of the fact that it meets the views of the Senator from Vermont [Mr. AIKEN], who has dug into the matter—would seem to be the prudent and the wise one; and I am grateful to the majority leader for yielding to me.

Mr. BYRD of Virginia. Mr. President, will the Senator from Texas yield to me?

Mr. JOHNSON of Texas. I yield.

Mr. BYRD of Virginia. I wish to say that we have called a meeting of the Senate Finance Committee for next Monday, in order to have a hearing for both sides.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that it may be in order for the Finance Committee to meet next Monday, in connection with its hearing on Calendar No. 1060, House bill 7456.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, I wish to make it abundantly clear that I do not yield any of my views in favor of the enactment of this proposed legislation. I think the bill should be passed by the Senate today, and I think the bill is meritorious.

I believe the chairman of the Finance Committee acted wisely when he reported the bill. But in view of the fact that certain Senators have requested the holding of hearings, and have demonstrated good faith, and are ready to proceed promptly with the hearings, I think the Finance Committee should give to the bill whatever attention it needs, on Monday, and then report the bill, so the Senate can pass the bill before the 90-day period expires.

Furthermore, the opponents of the bill assured us that they were acting in good faith, and that they would not interpose objection to having the House concur in the Senate amendment. I believe that very important, because if the bill is not finally passed by the Congress by March 31, the existing law will then expire. So I want the record to show that if the House does not agree to the March 31 deadline, I would be disposed to bring up the bill by motion, and to have it passed for the 3-year period.

Mr. AIKEN. Let me say that I would be disposed to go along with that course, under the circumstances.

Mr. JOHNSON of Texas. Certainly.

Mr. AIKEN. So far as I know, there is no objection by the dairy industry to the taking of such action if the casein that is imported is used only for industrial purposes. However, there is objection when the casein is imported for industrial purposes, but then, instead of being used in the paint and paper industries, is used for the manufacture of food, in competition with the manufacturers of foods of which we already have adequate supplies or surpluses in this country.

Mr. JOHNSON of Texas. Mr. President, it may very well be that the Senator's suggestion will be the vehicle by means of which all parties concerned can be brought together in regard to the proposed legislation.

Mr. AIKEN. There is no objection whatever to the avowed purpose, insofar as such importations of casein for industrial purposes only do not infringe on other fields.

Mr. HICKENLOOPER. Mr. President—

Mr. JOHNSON of Texas. I yield to the Senator from Iowa.

Mr. HICKENLOOPER. As I understand, the Senator is asking that this

matter be put over for a period of time. I just came to the Chamber. Is that correct?

Mr. JOHNSON of Texas. Yes. I struck out the 3-year provision and inserted a provision of 90 days, in order that hearings could be held. The people involved said they had not been notified. They wanted to propose something along the line suggested by the Senator from Vermont [Mr. AIKEN]. In view of the fact that no hearings have been held, I thought that was a reasonable request.

Mr. HICKENLOOPER. I understand the Finance Committee has agreed to hold hearings. Is that correct?

Mr. JOHNSON of Texas. Beginning next Monday.

Mr. HICKENLOOPER. From what the Senator from Texas, the majority leader, said a moment ago, I got the impression that he thought these hearings would be concluded Monday.

Mr. JOHNSON of Texas. I had the impression there were two or three groups that had amendments to present along the line of the suggestion of the Senator from Vermont. It was suggested first they would be considered Wednesday. They said it would take a little time. I think they said two groups desired to be heard.

Mr. HICKENLOOPER. I hope hearings will be held as expeditiously as possible, but I would hope they would not necessarily be limited to Monday if it were desirable to have the hearings go over a day or two. From what our soybean people have said, there is much more to this bill than what it appeared to be a few months ago.

I know of three little soybean processing plants in my immediate area, two in my State and one in southern Minnesota, that are beginning to process this so-called competitive product. So manufactured casein is a growing industry in this country. I am sure the soybean people will greatly appreciate the attention of the Senate Finance Committee to this subject, in order to ascertain really what the facts are. These people have told me repeatedly they do not want to be arbitrary, but, by the same token, they do not want preferential tariff treatment to choke off development of this new industry, which is growing at the present time, and which in years past has not been very great.

I may go further, with respect to the comments made by the Senator from Vermont, and say that this product of soybeans will be a competitor in industrial uses as well as in food. I get that information from the soybean people. Basically, that opens the product to wide usage. I think we should be very careful in approaching this matter. There has been little objection to it up to the present time.

Mr. JOHNSON of Texas. Mr. President, in light of what the Senator from Iowa has said, I want to amend my request and get permission for the Finance Committee to meet on Tuesday, and even Wednesday, if necessary, in order to conclude this matter.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. HICKENLOOPER. The Senator does not mean tomorrow, does he?

Mr. JOHNSON of Texas. Next week.

Mr. AIKEN. Mr. President, I was referring to the dairy industry. I did not have reference to the soybean people. I know they are interested in it. The dairy industry is particularly interested in seeing that casein is not imported and used as a substitute for powdered milk, which has been the practice. I think the procedure we are agreeing to is fair to all persons and industries involved. This measure was reported from the committee without a request from any of those groups for hearings on the bill.

Mr. JOHNSON of Texas. It was reported unanimously by the House committee. Requests have been coming in. The only way to be fair to all parties is to work out a procedure so that hearings can be held. I understand there is no opposition on the part of the opponents to the 90-day period.

They are anxious to have a hearing on it and have their views considered by the Senate. I think they are entitled to that. For that reason I have agreed with the minority leader, the very able Senator from Indiana, and other Senators, that a 90-day period would be reasonable. I hope the House can act on this matter within 90 days, because, if not, the extension period will run out, and then we shall be forced to take up the bill as originally reported.

Mr. HICKENLOOPER. If the Senator will yield, I do not want to prolong this discussion. I think the Senator is being very fair about this. I think what he has proposed will amply solve the problem which immediately confronts us. But this bill was reported by the committee, without any particular consideration one way or the other, sometime in the fore part of January.

Mr. JOHNSON of Texas. January 13th; but it had consideration. Nobody had asked for hearings on it.

Mr. HICKENLOOPER. I was told, very shortly after that, as one person expressed it to me, "It caught us on the blind side." It came so rapidly from committee that they had no notice. They are not criticizing anybody for that situation, but, the first thing they knew, it was put on the Senate Calendar almost immediately after Congress convened.

Mr. JOHNSON of Texas. I would object to that conclusion, because it had been in the committee several months. It had passed the House in July. There was notice of it when it was taken up in the House Ways and Means Committee. No request was made to any member of the committee or any Senator for hearings on it. Such a request would have received the attention of the Senator from Virginia. Now they have made a request. We want to give them an opportunity to have a hearing.

Mr. HICKENLOOPER. I understand, but that was done only 10 days from the time Congress convened in January. I presume everyone is human. I think it is perfectly understandable that they did not know what was happening. In fact, they did not anticipate what happened.

As some of the leaders told me, they were "caught on the blind side." They do not say unfair tactics were being used. They merely said they did not know this matter would be reported out of committee as precipitously as it was. They will get their people here and a proper hearing will be had, I am sure, and that is all I am interested in.

Mr. JOHNSON of Texas. That is what the Senator will get. I saw the Senator's request on the calendar. I conferred with his distinguished leader earlier in the day. We thought this procedure would meet the wishes of all Senators.

Mr. HICKENLOOPER. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Texas.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 7456) was read the third time and passed.

The title was amended, so as to read: "An act to extend until July 1, 1960, the suspension of duty on imports of casein."

Mr. KUCHEL. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The motion to reconsider was laid on the table.

Mr. JOHNSON of Texas. Mr. President, I want to point out that, in the event we are unable to get action on this measure before the expiration date, we may return to action on the original bill. We are hoping this will be agreeable to our colleagues in the House.

Mr. President, I am speaking of Calendar No. 1060, H.R. 7456, to extend for 3 years the suspension of duty on imports of casein.

Mr. HICKENLOOPER subsequently said: Mr. President, reserving the right to object, I do not want to discuss the particular bill before the Senate. I was chatting with the Senator from Indiana about the casein bill. Did I correctly understand the majority leader to say that if the House would not accept at this time the 3-month extension, he would seek to take up by motion the bill for the 3-year extension?

Mr. JOHNSON of Texas. Or for some other length of time. I have stated that 2 or 3 times during the debate. We are going to try to get the 90-day extension through the House of Representatives. We do not want the whole thing to expire. We must have some kind of legislation.

Mr. HICKENLOOPER. I think the important thing about the entire matter is that we have a hearing. The Finance Committee should give us a hearing on the facts involved. I may object to an extension of the act for 3 years after the hearing, but I would think it would be in perfectly good order for the Senator to ask for anything he wants to ask after the hearing.

Mr. JOHNSON of Texas. I assure the Senator I understand his position. I hope the hearings will be held next Wednesday. I understand that the distinguished Senator from Indiana agreed with the chairman of the Committee on Finance to hold hearings after the extension.

When does the legislation expire? I am willing that a hearing be provided, but I am not willing to bury the bill.

Mr. HARTKE. Mr. President, my understanding with the chairman of the Committee on Finance is that the hearing will be scheduled for Monday.

Mr. JOHNSON of Texas. When does the legislation expire?

Mr. KUCHEL. The legislation expires on the 31st of this month, I will say to my friend.

Mr. JOHNSON of Texas. What day is that?

Mr. KUCHEL. This Thursday.

Mr. HICKENLOOPER. I presume that some resolution extending the legislation for 30 days would be sufficient.

Mr. JOHNSON of Texas. I was trying to give notice.

Mr. HICKENLOOPER. The important thing is that we have a reasonable opportunity to be heard. Regardless of what has gone on in the past, we should have a reasonable hearing before the Committee on Finance.

Mr. JOHNSON of Texas. I have spent all morning trying to work that out.

Mr. HICKENLOOPER. That is the important thing.

Mr. JOHNSON of Texas. I understand.

Mr. HICKENLOOPER. Simply because the House might not agree to a third 90-day extension, I would not want to have the matter brought back here, so that the Senate could pass a 3-year extension.

Mr. JOHNSON of Texas. I do not know whether we will have a 3-year extension. We might have a 3-day extension. I do not know what we can get the House to agree to.

Mr. HICKENLOOPER. I am sympathetic with the Senator's position.

Mr. JOHNSON of Texas. The Senator realizes that we have a problem in the House. I do not want the authority to expire.

Mr. HICKENLOOPER. Yes.

Mr. JOHNSON of Texas. The Senator has one viewpoint, and I have another. I am trying to be fair to the Senator's viewpoint.

Mr. HICKENLOOPER. The Senator is fair.

Mr. JOHNSON of Texas. I thought it would be better if the committee would have a hearing on Wednesday or Thursday, before the authority expires. I thought I had an agreement with the Senator that Wednesday would be satisfactory. What would the Senator say about Thursday?

Mr. BYRD of Virginia. Any day will be all right with me. I thought Wednesday was a little soon, because the witnesses have to come from a distance.

Mr. JOHNSON of Texas. March 31 will arrive a little soon, also. March 31 is next Thursday.

Mr. BYRD of Virginia. The Senate Committee on Finance can have the

hearing at any time this week, or on any day next week.

Mr. HICKENLOOPER. Mr. President, I was perfectly satisfied about a hearing beginning next Monday. I certainly have no objection to a device, if the majority leader wants to get some device worked out, so that the legislation will not necessarily lapse on the 31st of the month. That is not the important point. I am perfectly satisfied that the Committee on Finance will have a hearing on Monday.

Mr. BYRD of Virginia. It is the understandig, is it not, that we are to pass the 90-day extension? That would make the legislation expire on July 31.

Mr. JOHNSON of Texas. The House has to agree to that. If there is not a rule and if the House does not agree the whole thing will expire.

Mr. BYRD of Virginia. What is the earliest date the witnesses can get to Washington, D.C.?

Mr. JOHNSON of Texas. Can the witnesses come by Thursday?

Mr. HARTKE. I do not know. This is Monday afternoon. Some people do not like to fly as much as they used to. I do not like to fly these days. Some of these witnesses would like to come on the train.

Mr. JOHNSON of Texas. How long would it take them, by train?

Mr. HARTKE. If the witnesses got started tonight they could not possibly arrive in Washington, D.C., before tomorrow morning. If they started tomorrow night they could not arrive until the next morning.

Mr. JOHNSON of Texas. Would it be reasonable to say the hearing could be held on Thursday and Friday?

Mr. BYRD of Virginia. That could be done.

Mr. JOHNSON of Texas. Mr. President, I modify my request, that the committee be permitted to hold hearings on Thursday and Friday.

Mr. HICKENLOOPER. Mr. President, if the Senator will yield, that is a very short time. These people have to come from the Soybean Belt to Washington, D.C., and they will be asked to testify on Thursday. I think Monday will be satisfactory.

Certainly I would have no objection, if the Senator wants to have a concurrent resolution of some kind passed to extend the legislation for 30 days, to having the hearing after that, to see whether it ought to be put upon a 3-year basis or some other basis. I have no objection to that. It is not a question of trying to see that this is all stopped on the 31st. It is simply a question of a reasonable time for a hearing, before the Senate finally acts on any longtime continuation of the program.

Mr. JOHNSON of Texas. Does the Senator feel there are some witnesses who could not be present Thursday or Friday?

Mr. HICKENLOOPER. I think some of them could be here on Thursday. Some of them could be here tomorrow morning at 9 o'clock.

Mr. JOHNSON of Texas. I think they are here now. [Laughter.]

Mr. HICKENLOOPER. No, they are not.

Mr. JOHNSON of Texas. I have talked to some.

Mr. HICKENLOOPER. There may be a number of people in Washington, D.C., but the people who represent the great segment of the soybean industry have talked to me on the telephone today, from out in the Middle West. I know they are not in Washington, D.C.

I have no objection. I do not want to delay the matter. It is simply a question of an adequate hearing. These people do not know when we are going to have a hearing. They have to get their statements ready. They have to get their facts in order, and so on, for the hearing. That is not quite as simple as to have a Member of the Senate go before a committee to testify. The Senator is always somewhat familiar with the subject. Many of these people are familiar with the facts, but they still have to get their statements in order, because they are speaking for the record, for their industry and for their businesses.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the committee be given authority to meet on Thursday and Friday. If the chairman of the committee, after conferring with the respective Senators, after they confer with their constituents, feels the hearing cannot be held at that time, the committee already has authority to meet on Monday.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

TRANSITIONAL PROVISIONS FOR INCOME-TAX TREATMENT

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1073, H.R. 8684.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 8684) to provide transitional provisions for the income-tax treatment of dealer reserve income.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 8684) to provide transitional provisions for the income-tax treatment of dealer reserve income, which had been reported from the Committee on Finance, with amendments, on page 1, line 5, after the word "of", to strike out "1959" and insert "1960"; in line 9, after "(1)" to strike out "computed" and insert "computed, or was required to compute"; on page 3 line 7, to change the subparagraph number from "(1)" to "(i)"; in line 16, after the word "applicable," to strike out "is not" and insert "was not, on June 21, 1959"; on page 4, line 11, after the word "applicable," to strike out "is not" and insert "was not, on June 21, 1959"; in line 20, after the word "exceed", to strike out "10" and insert "5"; on page 8, line 9, after the word "in", where it occurs the first time, to strike out "the trade or business in

respect of which the election under subsection (b) applies" and insert "a trade or business"; in line 14, after the word "partnership", to strike out "ceases to engage in the trade or business in respect of which the election under subsection (b) applies" and insert "terminates"; in line 18, after the word "in", where it occurs the first time, to strike out "the trade or business in respect of which the election under subsection (b) applies" and insert "a trade or business"; on page 9, after line 12, to strike out:

(a) DEALER RESERVE INCOME.—For purposes of this Act, the term "dealer reserve income" means that part of the consideration derived by any person from the sale or other disposition of customers' sales contracts, notes, and other evidences of indebtedness (or derived from customers' finance charges connected with such sales or other dispositions) which is—

(1) attributable to the sale by such person to such customers, in the ordinary course of his trade or business, of real property or tangible personal property, and

(2) held in a reserve account, by the financial institution to which such person disposed of such evidences of indebtedness, for the purpose of securing obligations of such person, obligations under such evidences of indebtedness, or both.

And in lieu thereof to insert:

(a) DEALER RESERVE INCOME.—For purposes of this Act, the term "dealer reserve income" means—

(1) that part of the consideration derived by any person from the sale or other disposition of customers' sales contracts, notes, and other evidences of indebtedness (or derived from customers' finance charges connected with such sales or other dispositions) which is—

(A) attributable to the sale by such person to such customers, in the ordinary course of his trade or business, of real property or tangible personal property, and

(B) held in a reserve account, by the financial institution to which such person disposed of such evidences of indebtedness, for the purpose of securing obligations of such person or of such customers, or both; and

(2) that part of the consideration—

(A) derived by any person from a sale described in paragraph (1)(A) in respect of which part or all of the purchase price of the property sold is provided by a financial institution to or for the customer to whom such property is sold, or

(B) derived by such person from finance charges connected with the financing of such sale, which is held in a reserve account by such financial institution for the purpose of securing obligations of such person or of such customer, or both.

On page 11, line 8, after the word "in", to strike out "subsection (a)" and insert "subsection (a) (1), or of financing sales of the kind described in subsection (a) (2), or both"; after line 22, to insert:

(e) STATUTES OF LIMITATIONS.—For purposes of applying sections 3 and 4 of this Act, if the assessment of any deficiency, or the refund or credit of any overpayment, for any taxable year was not prevented on June 21, 1959, by the operation of any law or rule of law (other than the provisions of chapter 74 of the Internal Revenue Code of 1954, relating to compromises or closing agreements, or the corresponding provisions of prior revenue laws), the period within which such assessment, or such refund or credit, may be made shall not expire prior to July 1, 1961.

And on page 12, at the beginning of line 8, to change the subsection letter from "(e)" to "(f)".

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none; and, without objection, the committee amendments are agreed to en bloc.

Mr. BYRD of Virginia. Mr. President, I offer some amendments which are technical amendments.

The PRESIDING OFFICER. The amendments will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 2, line 5, after the word "before", it is proposed to strike out "July", and insert "September".

On page 12, line 7, after the word "to", it is proposed to strike out "July", and insert "September".

On page 11, beginning with line 23, it is proposed to strike out all through line 7 on page 12 and in lieu thereof insert the following:

(e) Statutes of Limitations.—

(1) Extension of period for assessment and refund or credit: For purposes of applying sections 3 and 4 of this Act, if the assessment of any deficiency, or the refund or credit of any overpayment, for any taxable year was not prevented on June 21, 1959, by the operation of any law or rule of law, but would be so prevented prior to September 1, 1961, the period within which such assessment, or such refund or credit, may be made shall not expire prior to September 1, 1961. An election by a taxpayer under section 3 or 4 of this Act shall be considered as a consent to the application of the provisions of this subsection.

(2) Years closed by closing agreement or compromise: For purposes of this Act, if the assessment of any deficiency, or the refund or credit of any overpayment, for any taxable year is prevented on the date of an election under section 3 or 4 of this Act by the operation of the provisions of chapter 74 of the Internal Revenue Code of 1954 (relating to closing agreements and compromises) or by the corresponding provisions of the Internal Revenue Code of 1939, such assessment, or such refund or credit, shall be considered as having been prevented on June 21, 1959.

The PRESIDING OFFICER. The question is on agreeing to the amendments.

The amendments were agreed to.

Mr. BYRD of Virginia. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an explanation of the bill.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

H.R. 8684 relates to tax treatment of certain dealer reserves.

The usual dealers' reserve arises from the sale of customers' installment paper to finance companies. The way in which these reserves arise can be illustrated by an example of an automobile dealer, a business where dealer reserves have been used quite widely. Initially the dealer sells a car to a customer, accepting his note together with a cash downpayment and trade-in as the selling price of the car. The customer then executes a note, usually on forms supplied by a finance company, and the dealer then

sells the installment paper to the finance company in return for a partial payment to him by the finance company of the face amount of the paper. The finance company, however, reserves, or holds back, a portion of the balance due the dealer and in addition may set aside a portion of the finance charge on the paper otherwise due the dealer. Losses incurred by the finance company may be charged against these dealers' reserves.

In transactions of this general type the question is whether this reserve is income to the dealer in the year of the sale of the article and the sale of the installment paper to the finance company or, on the other hand, is income to the dealer only when he actually receives the reserved amount in cash from the finance company.

The Supreme Court on June 22, 1959, in *Commissioner v. Hansen, Commissioner v. Glover, and Baird v. Commissioner*, held in these cases that the specific reserves involved were properly reportable as income when "the dealers acquired a fixed right to receive the amounts so retained by the finance companies." These cases held that dealer reserve income is to be reported at the time it is properly accruable, or in general at the time of the sale of the installment paper where this immediately follows the sale of the property. However, many dealers following any of the numerous circuit court decisions to the contrary, have not reported this income until the reserves were withdrawn by the dealers from the finance companies.

In view of this, H.R. 8684 provides two alternative methods for paying the tax due on the income which has not previously been reported. First, it provides that such amounts can be treated as required changes in methods of accounting. In general, this means that the reserves built up prior to 1954 need not be reported for tax purposes, and that only the excess of the current balance over the 1954 balance in the reserve is to be reported. A second alternative provided permits the computation of the deficiencies—or overassessments—which would arise if the income had been reported in the proper years, and then the sum of these amounts—plus interest up to the time of selecting this alternative—may be paid in 10 annual installments, generally beginning in 1961.

Your committee has made the following amendments to the House bill:

(1) Under a committee amendment the taxpayer will be entitled to the benefits of the bill if he is forced by the Commissioner to change to an accrual method of accounting. There was some doubt whether he would be entitled to the benefits of the House bill in such a case.

(2) At the suggestion of the Treasury your committee has reduced the period for electing to pay the deficiencies for the years involved in installments from 10 years to 5 years. The Treasury was of the opinion that a 5-year extension would amply cover the situation.

(3) Your committee has provided that the privilege of paying the deficiencies in installments shall not terminate unless the individual or corporation involved ceases to engage in any business or unless a partnership, of which the taxpayer is a member, terminates. Under the House bill, the privilege was terminated where the individual, the partnership of which he is a member, or the corporation, as the case may be, ceases to engage in the business out of which the dealer reserve arose.

(4) Your committee has applied the benefits of the bill to taxable years which were open for assessment or refund on June 21, 1959, the date of the Supreme Court decisions relating to dealers' reserves. This amendment would permit a taxpayer to make an election under the bill for a year

which was closed before he had an opportunity to make such election. The House bill did not provide relief in such cases.

(5) Your committee has also amended the House bill to apply to situations where the customer gave the note or mortgage directly to the finance company under an arrangement whereby the selling price, a part of the finance charge, or both, was retained by the finance company in a reserve account to be ultimately paid to the dealer. The House bill limited the relief to situations where the dealer sells the installment paper to the finance company.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. BARTLETT. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas to lay on the table the motion of the Senator from Alaska to reconsider.

The motion was agreed to.

EXEMPTION FROM INSPECTION OF SMALL VESSELS CARRYING FREIGHT IN INLAND WATERS, ALASKA

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1199, Senate bill 2669.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 2669) to extend the period of exemption from inspection under the provisions of section 4426 of the Revised Statutes granted small vessels carrying freight to and from places in the inland waters of southeastern Alaska.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. BARTLETT. Mr. President, I know of no objection to this bill on the part of any Senator. It was reported unanimously from the Committee on Interstate and Foreign Commerce. It simply seeks to extend for a 4-year period a desirable and even essential maritime arrangement in southeastern Alaska.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That section 2 of the Act entitled "An Act to amend section 4426 of the Revised Statutes, as amended, with respect to certain small vessels operated by cooperatives or associations in transporting merchandise of members on a nonprofit basis to or from places within the inland waters of southeastern Alaska and Prince Rupert, British Columbia, or to or from places within said inland waters and places within the inland waters of the State of Washington", approved August 23, 1958 (72 Stat. 833) is amended by striking out "1960" and inserting in lieu thereof "1964".

DEPARTMENT OF COMMERCE AND RELATED AGENCIES APPROPRIATIONS, 1961

Mr. JOHNSON of Texas. Mr. President, I move that the Senate resume the consideration of House bill 10234, Calendar No. 1139.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 10234) making appropriations for the Department of Commerce and Related Agencies for the fiscal year ending June 30, 1961, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Texas.

The motion was agreed to; and the Senate resumed the consideration of the bill.

Mr. JOHNSON of Texas. Mr. President, the pending bill is the Commerce Department appropriation bill. The distinguished Senator from Florida [Mr. HOLLAND], as chairman of the subcommittee, reported the bill. I understand that certain amendments are to be offered.

Mr. President, I give notice that it is expected that the Senate will remain in session late this evening. If possible, we would like to have the proposed amendments acted on today. If not, we shall endeavor to have the Senate meet at an earlier hour tomorrow, so that action can be concluded on the bill, because there will be before the Senate the very important Interior Department appropriations bill, and we hope it can be passed before the Judiciary Committee makes its report on the civil rights bill on Tuesday.

Mr. CASE of South Dakota. Mr. President, will the Senator yield for a question?

Mr. JOHNSON of Texas. I yield.

Mr. CASE of South Dakota. Was the Senator indicating that the Interior Department appropriation bill would be reached and passed today?

Mr. JOHNSON of Texas. No. It is not eligible for consideration until tomorrow. We have this problem:

We have the Commerce Department appropriation bill, which was carried over at the suggestion of the Senator from Delaware [Mr. WILLIAMS], in order that all Members who desired to be heard may be heard and offer amendments.

When consideration of the Commerce Department appropriation bill is concluded, we expect to proceed to the con-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued March 30, 1960
For actions of March 29, 1960
86th-2d, No. 57

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HIGHLIGHTS: Senate passed: Interior appropriation bill; special milk bill; Commerce appropriation bill. House passed Labor-HEW appropriation bill.

SENATE

1. INTERIOR AND RELATED AGENCIES APPROPRIATION BILL, 1961. By a vote of 78 to 0, passed with amendments this bill, H. R. 10401 (pp. 6260-3, 6246, 6269-74, 6303-12). Agreed to the committee amendments en bloc (p. 6261). Conferees were appointed. (See Digest 56 for a summary of items of interest to this Department.)
2. SPECIAL MILK PROGRAM. Passed as reported H. R. 9331, the special milk bill. As passed by the Senate, the bill increases by \$4 million (to \$85 million) for the fiscal year 1960, and by \$11 million (to \$95 million) for the fiscal year 1961, and authorizes \$95 million for each fiscal year thereafter, the maximum amount of CCC funds which may be used for the special milk program. pp. 6313, 6318
3. COMMERCE AND RELATED AGENCIES APPROPRIATION BILL, 1961. By a vote of 79 to 2, passed with amendments this bill, H. R. 10234 (pp. 6249-60, 6275-7, 6288-96, 6299-6307). Agreed to the committee amendments en bloc (p. 6260). Agreed to an amendment by Sen. Williams, Del., to prohibit the Merchant Marine from

offering free or subsidized rates of transportation to any Federal official (pp. 6249-56). Conferees were appointed.

4. CASEIN IMPORTS. At the request of Sen. Johnson, reconsidered and passed with amendment H. R. 7456, to extend the suspension of import duties on casein until July 1, 1960. Sen. Johnson explained that the amendment was a "purely technical correction" in the bill. p. 6249
5. RECLAMATION. A subcommittee of the Interior and Insular Affairs Committee voted to report to the full committee S. 1092, to provide for the construction of the Cheney division, Wichita Federal reclamation project, Kan. p. D247
6. SUGAR. Sen. Dworshak inserted a newspaper editorial, "Castro-Soured Sugar," urging enactment of the Administration proposal to amend the Sugar Act so as to give the President authority to adjust sugar quotas. p. 6318
7. SURPLUS COMMODITIES; STOCKPILING. Sen. Byrd submitted the monthly report of the Joint Committee on Reduction of Nonessential Federal Expenditures on Federal stockpile inventories under this Department, GSA, and OCDM as of Jan. 1960. pp. 6235-41
8. NATURAL RESOURCES; FORESTRY. Sen. Jackson was appointed a member of the National Outdoor Recreation Resources Review Commission. p. 6243
9. PROPERTY; TAXES. Sen. Dirksen objected to a request of Sen. Johnson to take up S. 910, to authorize the payment to local governments of sums in lieu of taxes and special assessments for certain Federal real property. p. 6320

HOUSE

10. APPROPRIATIONS. Passed, 362 to 10, without amendment H. R. 11390, the Departments of Labor and Health, Education, and Welfare appropriation bill for 1961. (pp. 6328-71)

This bill includes items for the Bureau of Labor Standards, Mexican farm labor program, Bureau of Employees' Compensation, revision of the consumer price index of the Bureau of Labor Statistics, Food and Drug Administration, Office of Education, Public Health Service, Social Security Administration, and funds for construction of a laboratory barn at the Beltsville Agricultural Research Center for the Food and Drug Administration.

The committee report again urges HEW "to develop a better program to overcome the obstacles in the way of qualified older persons securing employment."

The committee report also includes the following comments on cost-type budgeting and within-grade salary advancements:

"This year, the budget for the Department of Health, Education and Welfare was prepared on an accrual or cost-type basis. The Committee diligently tried to ascertain in what way this additional information would be of value in determining the proper level of appropriations. The Committee also spent some time discussing this matter with the Departmental budget officer to see if he could point out some place where this might be of at least a little value in passing on the appropriation requests (see pages 769-772 of hearings on the 1961 budget for the Department of Health, Education and Welfare (exclusive of Public Health Service)). All of the Committee's efforts in this regard were to no avail. While this may be an interesting exercise for some governmental accountants, the Committee is hopeful that the Bureau of the Budget will discontinue wasting time and money in preparing this type of additional information which is of no value

These governments the Constitution did not change. They were accepted precisely as they were, and it is, therefore, to be presumed that they were such as it was the duty of the States to provide. Thus, we have unmistakable evidence of what was republican in form, with the meaning of that as employed in the Constitution. * * *

"Being unanimously of the opinion that the Constitution of the United States does not confer the right of suffrage upon anyone, and that the constitutions and laws of the several States which commit that important trust * * * are not necessarily void, we affirm the judgment."

In 1915, in *Guinn and Beal v. United States*, Mr. Chief Justice White reaffirmed these principles:

"Beyond doubt the amendment does not take away from the State governments in a general sense the power over suffrage which has belonged to those governments from the beginning and without the possession of which power the whole fabric upon which the division of State and National authority under the Constitution and the organization of both governments rest would be without support and both the authority of the Nation and of the State would fall to the ground. In fact, the very command of the amendment recognizes the possession of the general power by the State, since the amendment seeks to regulate its exercise as to the particular subject with which it deals."

After the first world war, in *Newberry v. United States*, the Court continued to uphold the doctrine it had previously propounded. Mr. Justice McReynolds spoke for the Court:

"We find no support in reason or authority for the argument that because the offices were created by the Constitution, Congress has some indefinite, undefined power over elections for Senators and Representatives not derived from section 4. The Government, then, of the United States, can claim no powers which are not granted to it by the Constitution, and the powers actually granted must be such as are expressly given, or given by necessary implication."

With greater emphasis he added:

"We cannot conclude that authority to control party primaries or conventions for designating candidates as bestowed on Congress by the grant of power to regulate the manner of holding elections. The fair intendment of the words does not extend so far; the framers of the Constitution did not ascribe to them any such meaning. Nor is this control necessary in order to effectuate the power expressly granted. On the other hand, its exercise would interfere with purely domestic affairs of the State, and infringe upon liberties reserved to the people."

Modern courts have been no exception. During the war, Mr. Justice Stone reiterated his predecessors in *United States v. Classic*:

"Such right as is secured by the Constitution to qualified voters to choose Members of the House of Representatives is thus to be exercised in conformity to the requirements of State law subject to the restrictions prescribed by section 2 and to the authority conferred on Congress by section 4, to regulate the times, places, and manner of holding elections for Representatives."

He went on to say:

"Pursuant to the authority given by section 2 of article I of the Constitution, and subject to the legislative power of Congress under section 4 of article I, and other pertinent provisions of the Constitution, the States are given, and in fact exercise, a wide discretion in the formation of a system."

Very recently—2 years ago—this doctrine was again challenged by the NAACP. Even the present Court, with its reliance on psychological and sociological evidence was

won over by the compelling arguments based on precedent and the Constitution. This same Court which handed down *Brown v. Board of Education* also declared, through Mr. Justice Douglas, in *Lassiter v. Northampton County Board of Elections*:

"We do not suggest that any standards which a State desires to adopt may be required of voters. But there is wide scope for exercise of its jurisdiction. Residence requirements, age, previous criminal record (*Davis v. Beason* (133 U.S. 333, 345-347)) are obvious examples indicating factors which a State may take into consideration in determining the qualifications of voters. The ability to read and write likewise has some relation to standards designed to promote intelligent use of the ballot. Literacy and illiteracy are neutral on race, creed, color, and sex, as reports around the world show. Literacy and intelligence are obviously not synonymous. Illiterate people may be intelligent voters. Yet in our society where newspapers, periodicals, books, and other printed matter canvass and debate campaign issues, a State might conclude that only those who are literate should exercise the franchise. Cf. *Franklin v. Harpers* (205 Ga. 779, 55 S. E. 2d 221), appeals dismissed 339 U.S. 946. It was said last century in Massachusetts that a literacy test was designed to insure an "independent and intelligent" exercise of the right of suffrage. *Stone v. Smith* (159 Mass. 413-414, 34 N. E. 521). North Carolina agrees. We do not sit in judgment on the wisdom of that policy. We cannot say, however, that it is not an allowable one measured by constitutional standards."

In the light of nearly unanimous legal evidence, we submit that this proposal is repugnant to the letter and spirit of the Constitution, which, after all, the hotheads have had their say, is still the supreme law of the land.

SUSPENSION OF DUTY ON IMPORTS OF CASEIN

Mr. JOHNSON of Texas. Mr. President, we had an amendment to House bill 7456, to extend for 3 years the suspension of duty on imports of casein, that was drafted on the floor yesterday, in consultation with the Senator from Illinois [Mr. DIRKSEN], the Senator from Vermont [Mr. AIKEN], and other Senators. The bill has not been messaged to the House. It is a House bill.

I ask unanimous consent that the vote on the passage of the bill be reconsidered, that the amendment also be reconsidered and amended to read as follows: On line 7, strike out "1960" and insert in lieu thereof "March 31, 1960," and on the same line, strike out "1963" and insert in lieu thereof "July 1, 1960."

That is a purely technical correction, but in order for the House to concur, this needs to be done before the Senate messages it to the House at noon.

The PRESIDING OFFICER. Without objection, the bill will be reconsidered and amended in accordance with the unanimous-consent request, and that the bill as amended be passed.

Mr. AIKEN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

DEPARTMENT OF COMMERCE AND RELATED AGENCIES APPROPRIATIONS, 1961

The PRESIDENT pro tempore. Is there further morning business? If not, without objection, the Chair will lay before the Senate the unfinished business.

Mr. HOLLAND. Mr. President, I ask that the unfinished business be laid before the Senate, and that then an amendment be offered, with the suggestion of the absence of a quorum to come thereafter.

The PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 10234) making appropriations for the Department of Commerce and related agencies for the fiscal year ending June 30, 1961, and for other purposes.

Mr. JOHNSON of Texas. I am not suggesting the absence of a quorum. The Senator from Delaware [Mr. WILLIAMS] said he believes the amendment referred to will be acceptable. The procedure suggested by the Senator from Florida is very agreeable to us.

Mr. HOLLAND. Mr. President, to what amendment does the Senator refer?

Mr. WILLIAMS of Delaware. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. WILLIAMS of Delaware. Have the committee amendments been agreed to?

The PRESIDENT pro tempore. The committee amendments have not been agreed to.

Mr. WILLIAMS of Delaware. Are other amendments now in order?

Mr. HOLLAND. Mr. President, I cannot hear the distinguished Senator. What is the amendment?

Mr. WILLIAMS of Delaware. My question is, Would any amendment offered from the floor be in order? I have an amendment, but do I not have to wait to offer it until after the committee amendments have been considered?

Mr. HOLLAND. Mr. President, may I explain the situation?

The PRESIDENT pro tempore. Yes.

Mr. HOLLAND. The committee discussed the bill last Thursday. The distinguished ranking minority member has concluded her discussion. I have concluded my discussion.

The Senator from Illinois suggested that he had some amendments, but that he had to appear before the Committee on Foreign Relations on a matter of great importance to his State.

My understanding was that the Senator from Delaware was ready to offer an amendment. I am perfectly willing for that amendment to be first considered. It relates to the number of voyages.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield to me?

Mr. HOLLAND. I yield.

Mr. JOHNSON of Texas. I ask unanimous consent that it may be in

order to consider the amendment of the Senator from Delaware, notwithstanding the fact that the committee amendments have not been agreed to.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

Mr. HOLLAND. Mr. President, the Senator from Delaware has two amendments. I told the Senator I would not be ready to give him an answer with respect to one of them until the Senator from Maine [Mrs. SMITH] and the Senator from Washington [Mr. MAGNUSON] were present and I could submit it to them. The other amendment relates to the voyages, and we are ready to proceed on that amendment. I ask that the Senator offer that amendment.

Mr. WILLIAMS of Delaware. Mr. President, the first amendment I want to offer is the one which I think can be agreed upon. The Senate has adopted it a time or two before. I think we can quickly dispose of it. I should like to send that amendment to the desk.

The amendment would merely provide that those companies which benefit under this bill from Government subsidies would not be able to, in turn, offer any public official reduced or free transportation on our American ships.

Mr. President, I offer the amendment, send it to the desk, and ask that it be stated.

Mr. HOLLAND. Mr. President, I regret that the Senator has offered that amendment first, because I told the Senator very specifically I would not be able to answer a question which he had propounded to me about it until the ranking minority member of the committee was present and had a chance to be consulted and until the Senator from Washington [Mr. MAGNUSON] had also been consulted. My understanding was that the Senator had another amendment as to which he was ready to proceed. I think it would be better to follow that course of action. Otherwise, we shall have to have a quorum call now and get the two Senators I have mentioned to the Chamber.

Mr. WILLIAMS of Delaware. Mr. President, I have no objection. I have a second amendment which I could offer.

Mr. HOLLAND. I ask the Senator to offer that amendment.

Mr. WILLIAMS of Delaware. I am simply wondering if the Senator from Florida is willing to accept this second amendment?

Mr. HOLLAND. The Senator from Florida is not willing to accept any amendment under the conditions which now exist.

The Senator from Florida is willing, so far as he is concerned, to accept the amendment with reference to free trips, but he made it very clear to the Senator from Delaware that other Senators had to be consulted.

Mr. WILLIAMS of Delaware. Mr. President, I offer the other amendment, which I send to the desk and ask to have stated.

Mr. HOLLAND. Therefore, the Senator from Florida has insisted that the other amendment be considered.

Mr. WILLIAMS of Delaware. I will submit the other amendment first.

Mr. JOHNSON of Texas. Mr. President, has my request been approved?

The PRESIDENT pro tempore. Yes. Mr. BUTLER. Mr. President, before the amendment is stated, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. BUTLER. Did the Senator say that the amendment had heretofore been approved by the Senate?

Mr. WILLIAMS of Delaware. The Senate approved it last year.

Mr. BUTLER. There was not a record vote. Has not that amendment been refused by the Senate by two record votes?

Mr. WILLIAMS of Delaware. It was refused by the conferees, but it was approved by the Senate. The amendment was approved by the Senate each time it was voted on, but it was knocked out in conference. I am hoping that this time the House will accept the amendment.

I cannot see how they can do otherwise.

Mr. BUTLER. Do I correctly understand that the amendment has been approved by a majority vote of the Senate on two occasions?

Mr. WILLIAMS of Delaware. Yes. It was approved last year and approved with very little objection.

Mr. HOLLAND. Mr. President, I do not know what the Senate has done heretofore. I made it very clear to the Senator from Delaware that with respect to this particular amendment we should wait until there can be more general discussion. With respect to the other amendment, it will certainly not be contested by the committee. I believe the Senator is ready to proceed, and I suggest that that amendment be offered.

Mr. CARLSON. Mr. President, will the Senator from Delaware yield if he has the floor?

Mr. WILLIAMS of Delaware. I yield.

Mr. CARLSON. Before the amendment is offered, I should like to discuss briefly an item dealing with the Weather Bureau. Does the Senator from Florida have any objection?

Mr. HOLLAND. I do not have the floor; but if the Senator from Delaware will yield to me for that purpose, I shall be very glad to yield to the Senator from Kansas.

Mr. CARLSON. Mr. President, I am greatly interested in the need for additional weather reporting facilities. It happens that we have one of the oldest weather reporting stations in north central Kansas, at Concordia, Kans. I am thoroughly familiar with that area. I do quite a little flying in private airplanes.

There is an area in which there is an inadequate reporting service. There are fine radar facilities at Kansas City, Wichita, Denver, and Lincoln, Neb. However, there is a great void in a certain area.

I followed with interest some of the reports, observations, and letters in the

record of the hearings. I wish to read one sentence, found on page 617, relating to forecasts.

In the interest of maximum safety and efficiency in the management and use of the navigable air space, it is of the utmost urgency that the weather forecasting service be brought up to a level which will meet the existing requirements of the air traffic control system and its users.

It is that particular sentence that I wish to call to the attention of the Senator from Florida, chairman of the subcommittee, as indicating the need for this additional service. I have had several contacts with Dr. Reichelderfer and the FAA with regard to this need. I think they understand the situation.

I fully appreciate the problem from the standpoint of appropriations, when it comes to establishing new or expanded facilities. However, I cannot let this opportunity pass without stressing the need for an extension of the service in this area. We have a Weather Bureau station. We have an airport where a building could easily be constructed, and good radar facilities could be provided without great cost.

As I have stated, I do a good deal of private flying in this area. There are several hundred flying farmers and hundreds of private airplanes in the State of Kansas. I call attention to the need for this particular service. I do not propose to offer any amendments, but I want the RECORD to show that there is a need for this service, which would be of great value to the many people who use this section. It could be important to commercial aviation, because there would then be an adequate reporting service. The Weather Bureau submits reports morning, afternoon, and evening from a central station. I find from the hearings that some have suggested that a difference of 2 minutes can mean the difference between safe flying and an accident.

I appreciate the kindness of the chairman of the subcommittee in allowing me these few minutes to discuss the problem.

Mr. HOLLAND. I am glad to have the Senator discuss it.

The subcommittee and the full committee, by unanimous action, restored to the bill the full request for the Weather Bureau for the improvement of flight safety. The other body had substantially reduced the amount.

The Senator from Oklahoma [Mr. MONRONEY], who is known to be interested in this field, took a very great interest in this particular item. He interrogated Dr. Reichelderfer and other witnesses at some length.

I am unable to state whether the particular objective which the Senator mentioned is served by allowing the full request of the Weather Bureau. Whatever is comprehended within the full request made by the Weather Bureau, and supported by the aviation industry, was restored to the bill, because we felt that this was an objective of such compelling interest that we should take that course.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued April 1, 1960
For actions of March 31, 1960
86th-2d, No. 59

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HIGHLIGHTS: Senator Bennett commended the rural development program.

SENATE

- RURAL DEVELOPMENT PROGRAM.** Sen. Bennett praised the rural development program as "one of the soundest and most promising farm programs instituted during recent years, and one which is unfortunately receiving far less public attention than it deserves," stated that the program "could well be the answer to the problem we are facing ... that is, the large-scale migration of our citizens to the cities, producing dying communities in some of our rural area," and inserted several items discussing the program, including the interest of Canada in the program. pp. 6508-10
- D. C. APPROPRIATION BILL, 1961.** Agreed to the conference report on this bill, H. R. 10233, and acted on amendments in disagreement. This bill will now be sent to the President. pp. 6451-2
- CRANBERRY PAYMENTS.** Sen. Wiley commended "the announcement made by the White House that the Department of Agriculture will offer to make indemnity payments to cranberry growers who -- through no fault of their own -- sustained losses on berries harvested in 1959," and stated that payments "to the growers will approximate \$8 per barrel of cleaned, marketable cranberries and will be made pursuant to the authority conferred by section 32 of Public Law 320 of the 74th Congress, as amended. Details of this offer to make such payments are expected

to be forthcoming from the Department of Agriculture shortly." pp. 6510-1

4. FARM PROGRAM. Sen. Carlson inserted a Coffey County (Kan.) Farmers Union resolution favoring a "Federal farm price support bill" to provide farmer elected committees from county to national levels, a national food use program, support levels at not less than 90 percent of current parity, and a wide variety of methods to carry out these programs, including Government loans, marketing orders, allotments, incentive payments, and a strong soil conservation program. p. 6498
5. NOMINATIONS. Received the nominations of Lester C. Carter and Robert T. Lister to be members of the Federal Farm Credit Board. p. 6556

HOUSE

6. CASEIN IMPORTS. Agreed to the Senate amendment to H. R. 7456 which, as amended, extends the existing suspension of import duty on casein only until July 1, 1960, rather than until April 1, 1963, as in the original House bill. This bill will now be sent to the President. pp. 6564-5
7. WHEAT. Agreed to the Senate amendment of H. R. 4874, to provide that farms on which the farm marketing excess of wheat is adjusted to zero because of overproduction shall be regarded as farms on which the entire amount of the farm marketing excess of wheat has been delivered to the Secretary or stored to avoid or postpone the payment of the penalty. The Senate amendment is technical and clarifies the exemption of 15 acre feed wheat farms from provisions of the bill. This bill will now be sent to the President. pp. 6567-8
8. SPECIAL MILK PROGRAM. House conferees were appointed on authorized maximum expenditure for the fiscal years 1960 and 1961 under the special milk program. Senate conferees have not yet been appointed.
9. ACREAGE ALLOTMENTS. Agreed to the Senate amendment to H. R. 8343, to require the preservation of acreage allotments on land from which the owner is displaced by reason of the acquisition thereof by a Government agency in the exercise of the right of eminent domain so long as the land remains leased to the former owners of the land. The Senate amendment extended from 1 to a period 2 years the time which former owners would have to make such a lease and have their allotment returned. This bill will now be sent to the President. p. 6568
10. RYUKYU ISLANDS. Subcommittee No. 2 of the Armed Services Committee reported to the full committee H. R. 1157, to provide for promotion of economic and social development in the Ryukyu Islands. p. D258
11. TRANSPORTATION. Rep. Fascell inserted a speech made by Mr. A. Arpaia, former member of the Interstate Commerce Commission, which calls for a "reorientation of the Government's role in transportation and a complete revision of the law relating to the Government's regulatory function. pp. 6472-3
12. FARM PROGRAM. Rep. Poage criticized two newspapers for using supposed quotes from his bill H. R. 10355, the family farm income bill which, he said, are not found in the bill. He was particularly critical of the article in a Farm Bureau publication and suggested that his fellow Farm Bureau members might "be interested in trying to get leadership in Washington and Chicago which can and will give a more factual and unbiased review of what efforts are being made by the Congress in behalf of the farm people throughout the Nation." pp. 6600-1

Gordon David Van Amburgh
 Bela Jozsef Vasvary
 Herbert Edward Vaughan
 Carl Parker Vermilyea
 Anthony Michael Vickers
 Ralph Lewis Waddell
 Richard Ward Wagner
 Louis Gregory Waldhour
 William Roger Waldrop
 James Henry Walker
 Hubert Dalton Wallace
 Bobbie Jack Waller
 Charles Cornelius Washington
 Robert Lee Waters
 James Elwyn Watson, Jr.
 Pitt Marvin Watts, III
 William Cleon Weathersby
 James Howard Weaver
 Gerald Edwin Webb
 Richard Olin Webb
 Faustin Neff Weber
 Gerard Jenson Weber
 Richard Ross Weisner

Michael Norton Welch
 Herbert Daniel Wells
 True Franklin Wells
 Anthony Daniel Weyland
 Gene Child Whaples
 J. Dee Whisenhunt
 Jerry Donald White
 Berkley Allan Whipple
 Basil John Whiting, Jr.
 Lee Roy Whitley
 Nathaniel Olmstead Whitlaw, Jr.
 Rush Robert Wicker, Jr.
 Thomas John Wilbanks
 Charles Earl Williams
 Samuel Douglas Williams
 Stephen Beryle Williams
 Charles Cole Wing, Jr.
 Lawrence Jerome Winston
 David Bitner Wirthlin
 James Michael Wisby
 Gerald Smithers Wolf
 Robert Raymond Wolff
 Larry Wayne Wood

George Satterwhite, Jr.
 Thomas John Woodall
 Lawrence Leonard Woodman, Jr.
 Edward Richard Wynn
 Phillip Takeshi Yamaguchi
 Joseph Paul Yannuzzi
 Donald York
 Robert Laverne Yoxtheimer
 Lawrence Paul Zaborowski
 John Zebrowski, Jr.
 William James Zimmer
 Carl Edward Zoubra
 Ervan Eugene Zouzalik

CONFIRMATION

Executive nomination confirmed by
 the Senate March 31 (legislative day of
 March 30), 1960:

POST OFFICE DEPARTMENT

Frank E. Barr., of Kansas, to be an Assist-
 ant Postmaster General.

House of Representatives

THURSDAY, MARCH 31, 1960

The House met at 12 o'clock noon. Rev. Clark Robbins, First Methodist Church, Huntington Park, Calif., offered the following prayer:

Almighty God, our Father, Thou who art the way, the truth, and the life, come close to us each one in these quiet moments that we share together. Remind us that we are debtors to the past, to giant souls who have labored in these Halls and throughout the Nation. Remind us and help us to a larger love for freedom and for liberty. Save us from blindness to sins at home while we ask for reforms abroad. Make straight in the deserts of our time a highway of righteousness and peace and help us to walk thereon.

We ask these things in the name of Jesus Christ, our Lord and our Saviour. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

NAVAJO TRIBE OF INDIANS

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 6329) to set aside permanently certain land in McKinley County, N. Mex., for use of the Navajo Tribe of Indians, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Amend the title so as to read: "An act to convey certain land in McKinley County, New Mexico, to the Navajo Tribe of Indians."

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

PROGRAM FOR NEXT WEEK

(Mr. HALLECK asked and was given permission to address the House for 1 minute.)

Mr. HALLECK. Mr. Speaker, I take this time for the purpose of inquiring of the acting majority leader as to the program for the balance of the week and for next week.

Mr. ALBERT. Mr. Speaker, if the gentleman will yield, in response to the distinguished minority leader, Monday is Consent Calendar day. Then there are five suspensions: H.R. 10550, extend Export Control Act of 1949; S. 1062, mer-

gers, Federal Deposit Insurance Act; House Joint Resolution 397, resettlement of refugees; House Resolution 431, White House Conference on Narcotics; H.R. 10087, taxes, foreign tax credit.

On Tuesday the Private Calendar will be called. Any rollcalls on Monday or Tuesday, except on rules, will go over until Wednesday, due to the Wisconsin primaries.

On Wednesday there will be a joint meeting for the purpose of receiving the President of Colombia as a distinguished guest of the Congress, and also H.R. 10959, employment retired commissioned officers.

Thursday and the balance of the week is undetermined. Then there are the usual reservations that any further program will be announced later, and conference reports may be brought up at any time.

Mr. HALLECK. I thank the gentleman.

HSIAO-LI LINDSAY

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 9444) for the relief of Hsiao-li Lindsay—nee Li-Hsiao-li—with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Lines 5 and 6, strike out "notwithstanding the provisions of section 202(a) and 202(b) of that Act" and insert "and the provisions of section 201(a), 202(a)(5), and 202(b)(2) of that Act shall not be applicable in this case."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

ADJOURNMENT UNTIL MONDAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that, when the House adjourns today, it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

SUSPENSION OF DUTY ON IMPORTS OF CASEIN

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 7456) to extend for 3

years the suspension of duty on imports of casein, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

(1) Line 7, strike out "1960" and insert "March 31, 1960".

(2) Line 7, strike out "1963" and insert "July 1, 1960".

Amend the title so as to read: "An Act to extend until July 1, 1960, the suspension of duty on imports of casein."

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, as the Members of the House will recall, as it passed the House H.R. 7456 provided for an extension of 3 years, until the close of March 31, 1963, of the existing suspension of import duties on casein. The Senate has amended the bill to provide that the suspension be continued for 3 months only, until July 1, 1960.

The Senate Finance Committee has scheduled a hearing to be held on this bill today, March 31, 1960. By extending the existing suspension for 3 months, ample time will be afforded for all interested parties to be heard, and at the same time the suspension will not lapse before appropriate action can be taken.

I urge that the House accept the amendment of the Senate.

(Mr. BYRNES of Wisconsin asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. BYRNES of Wisconsin. Mr. Speaker, I have concurred in the action in agreeing to the Senate amendment to H.R. 7456.

It will be recalled that the House passed version of this legislation would have continued for an additional 3 years to April 1, 1963, the existing law suspension of import duty on casein. The Senate-approved amendment would continue the suspension for 3 months to July 1, 1960. Under present law this suspension is scheduled to terminate tomorrow April 1, 1960.

The original legislative action suspending the duty on casein occurred in 1957. The duty has been suspended for the entire period from September 3, 1957, to the present time.

In anticipation of the scheduled expiration of this suspension at the end of the current month, the Committee on Ways and Means on August 10, 1959, unanimously reported to the House legislation which had been introduced June 1, 1959, to continue the suspension for 3 additional years. On August 18, 1959, the House unanimously passed this bill and sent it to the other body.

To my knowledge no objection has ever previously been raised to the suspension of the import duty on casein during the time the suspension has been in effect. Recently an objection was made in the other body after the Senate Finance Committee had favorably reported H.R. 7456 to the Senate without amendment. This objection resulted in a Senate floor amendment to the legislation so as to provide the 3-month continuation of the suspension of duty to July 1, 1960. A 3-month extension of the suspension will give opportunity for public hearings on this matter to ascertain the merit of the objection. It is my understanding that the Senate Finance Committee has scheduled such public hearings. The interim 3-month suspension will alleviate to some extent the disruption of procurement practices of casein users.

I have agreed to concur in the Senate amendment so as to allow such public hearings to be held with the understanding that a more realistic extension of the suspension will receive congressional action during the present session of Congress.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

COMMISSION OF FINE ARTS

Mr. JONES of Missouri. Mr. Speaker, I ask unanimous consent that the Committee on House Administration be discharged from further consideration of the bill (S. 2778) to amend the act relating to the Commission of Fine Arts and for the immediate consideration thereof.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

Mr. GROSS. Mr. Speaker, reserving the right to object, what bill are we considering, S. 2778 or H.R. 7923, under this procedure?

Mr. JONES of Missouri. We are considering S. 2778, which I hope to amend by inserting language of H.R. 7923 which was reported unanimously from the House Committee on Administration.

Mr. GROSS. The gentleman intends to take some time to explain the bill and will yield for questions?

Mr. JONES of Missouri. When we get down to the amendment I shall be glad to.

Mr. GROSS. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act entitled "An Act Establishing a Commission of Fine Arts," as amended (40 U.S.C. 106), is amended to read as follows:

"Sec. 2. That to meet the expenses made necessary by this Act an expenditure of not exceeding \$100,000 a year is hereby authorized."

Mr. JONES of Missouri. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONES of Missouri: On page 1, strike out lines 6, 7, and 8 and insert:

"SEC. 2. There are hereby authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act."

Mr. JONES of Missouri. Mr. Speaker, I am now glad to yield to the gentleman from Iowa [Mr. Gross].

Mr. GROSS. What is this bill going to cost under the amended version?

Mr. JONES of Missouri. I would say to the gentleman from Iowa that whereas there is a present limitation of \$35,000 for appropriations to the Commission of Fine Arts, this would lift that limitation. I might say that for the past 3 years that limitation has not been adhered to in the appropriations that have been made. We feel that that limitation was set many years ago and is not now a realistic figure. Rather than accept the limitation fixed by the other body at \$100,000, which we felt might be used as a goal for them to shoot at, we think that the House language with the limitation as reported by our committee would be more practical. The members of the committee felt that there would be less money spent in that way.

Mr. GROSS. I think the gentleman is correct in assuming that adoption of the Senate provision would mean the Fine Arts Commission attempt to obtain the full \$100,000. The limitation now is \$35,000.

Mr. JONES of Missouri. We are taking off all the ceiling.

Mr. GROSS. There is no limitation in the language which the gentleman would insert in the bill.

Mr. JONES of Missouri. I agree with the gentleman that there is no limitation, but it was the opinion of the committee, in which I concur, that in this case the ceiling of \$100,000 would encourage the spending of more money than by taking off the ceiling entirely, because justifications would have to be made before the Committee on Appropriations.

Mr. GROSS. What does the gentleman think this Fine Arts Commission ought to have by way of an increase?

Mr. JONES of Missouri. I will say to the gentleman from Iowa this is like many other things in our Government. I feel that at least with the present makeup of the Commission they would spend probably in the neighborhood of \$45,000.

Mr. GROSS. A \$10,000 annual increase, in other words.

Mr. JONES of Missouri. It would be approximately that, I would think.

Mr. GROSS. What has the Committee on Appropriations been giving them up to this point?

Mr. JONES of Missouri. The highest figure, as I recall, and I would not want to be held to it, is in the neighborhood of \$45,000.

Mr. GROSS. So the Appropriations Committees of the House and Senate have been violating the law to the extent of \$10,000 a year?

Mr. JONES of Missouri. I would not want to comment on that.

Mr. GROSS. The limitation was \$35,000, was it not?

Mr. JONES of Missouri. I think the gentleman is correct.

Mr. GROSS. And if the committees have been giving them \$45,000, they have been bending the law pretty much out of shape, have they not?

Mr. JONES of Missouri. The gentleman can draw his own conclusion as to that.

Mr. GROSS. Does this have anything to do with the cultural center that is to be built down in Foggy Bottom?

Mr. JONES of Missouri. I am sorry; I cannot answer the gentleman's question about that. Foggy Bottom was not discussed in connection with this bill.

Mr. GROSS. What does this Fine Arts Commission do?

Mr. JONES of Missouri. It is the official advisory body of Government upon matters of art. It makes recommendations concerning the artistic aspects of design and location of public statues, fountains, monuments, buildings, and similar Federal projects, within the District of Columbia. I would say it is solely an advisory commission. I would also state to the gentleman that many of the people who serve on the Commission are serving without any compensation. They do have employees, a staff who draw salaries, but our committee felt that they were not being overpaid. They felt it was a necessary function to have such a commission.

Mr. GROSS. The appropriation has not been made for this year?

Mr. JONES of Missouri. I could not answer the gentleman's question.

Mr. GROSS. I am confident that I cannot stop the passage of this legislation, but I am opposed to it and I am certainly going to be watching for the appropriation when it comes in.

Mr. JONES of Missouri. As the gentleman well knows, I am only representing our committee here.

The SPEAKER. The question is on the amendment offered by the gentleman from Missouri.

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

A similar House bill (H.R. 7923) was laid on the table.

(Mr. THOMPSON of New Jersey (at the request of Mr. JONES of Missouri) was given permission to extend his remarks at this point in the RECORD and include extraneous matter.)

Mr. THOMPSON of New Jersey. Mr. Speaker, as author of H.R. 7923, I wish to take this opportunity to express myself on its behalf. I also desire to present a brief explanation of its real objective. The bill simply seeks the removal of a fixed limit of \$35,000 for fiscal expenditures by the Commission of Fine Arts. This limitation of authorization was established in May 1955 and after 5 years of very difficult financial programming the officials of that great Commission are now seeking permission to have its necessary activities annually reviewed, and its estimates justified, by the Committee on Appropriations in both

Houses. They made an excellent case before our committee, pointing up the extensive work being done in our country's ever-growing demand for the fine arts and the importance of such a public service. The committee was unanimous in its endorsement of the proposal.

I compliment the course taken by the gentleman from Missouri [Mr. JONES] who recommended passage of a similar Senate bill, S. 2778, and amended it so as to include the provisions of H.R. 7923. The Senate-passed measure would limit the Commission's authorization to \$100,000 instead of the present \$35,000. The gentleman from Missouri [Mr. JONES], who is chairman of the Subcommittee on Library and Memorials, carefully followed the views of our committee, which was advised by the distinguished Chairman of the Commission, Dr. David E. Finley, who stated:

As it is not possible to anticipate what the workload will be several years from now, or to foresee what legislation there may be which will affect the workload or the costs, the Commission hesitates to recommend a specific limitation amount.

The Bureau of the Budget has approved H.R. 7923, and has concurred in the views expressed by Dr. Finley as to the necessity of enactment of this legislation as being in the best interests of the Commission of Fine Arts and the Nation.

The Commission of Fine Arts has been very careful in its expenditures of Government funds over the 49 years of its existence but it has found that its actual operating expenses have increased to a degree which makes it impossible adequately to discharge its functions within the \$35,000 limit.

In fact, the appropriations for the Commission have exceeded the \$35,000 limitation for the last 3 years. The excess for 1958 and 1959 and a portion of that for 1960 was required by the Federal Employees Salary Increase Act of 1953—Public Law 85-462. An additional \$4,600 was requested and appropriated for the fiscal year 1960 to cover additional travel costs by reason of the appointment of a member from New Mexico to the Commission by President Eisenhower.

During fiscal year 1959, it was necessary for the Commission of Fine Arts to hold three extra meetings of the architect and landscape architect members of the Commission with the Executive Secretary, outside of Washington, D.C., in order to develop acceptable designs for the Theodore Roosevelt Memorial Bridge and for the exterior and interior of the addition to the Department of State. The cost of these three meetings, plus the cost of travel for the new member of the Commission appointed from New Mexico, together with the in-grade salary raises made mandatory by law, made it impossible for the Commission to hold the regular monthly meetings scheduled for May and June 1959.

It is important to point out that the Commission of Fine Arts will complete 50 years of service to the Federal Government and to the Nation in 1960. During these 50 years the Government has had the benefit of services, free of charge,

of more than 60 of the country's most distinguished architects, landscape architects, painters, sculptors, and distinguished judges of the fine arts.

I would agree with Dr. David E. Finley in his statement that—

It would be fair to say that from no other agency has the Government received so much in the way of expert services for so small an outlay of funds.

If, today, the Nation's Capital is one of the most beautiful and impressive cities in the world, far outweighing many European capital cities, particularly Moscow and the provincial capitals of the Soviet Union, it is due to the devoted services of the members of the Commission of Fine Arts.

Among the great Americans who have contributed their services to the work of the Commission of Fine Arts are the following:

Daniel H. Burnham, architect, Chairman; appointed June 15, 1910; died June 1, 1912.

Frederick Law Olmsted, landscape architect; appointed June 15, 1910; reappointed June 15, 1914. Term of service expired September 11, 1918.

Thomas Hastings, architect; appointed June 15, 1910; reappointed June 15, 1914. Term of service expired September 21, 1917.

Daniel Chester French, sculptor; appointed June 15, 1910; appointed Chairman July 5, 1912; resigned June 15, 1915.

Francis D. Millet, painter; appointed June 15, 1910; died April 5, 1912.

Cass Gilbert, architect; appointed June 15, 1910; reappointed June 15, 1914; resigned September 20, 1916.

Charles Moore; appointed June 15, 1910; reappointed June 15, 1914; elected Chairman July 25, 1915; reappointed for third term September 11, 1918; reelected Chairman October 4, 1918; reappointed for fourth term November 3, 1922; reelected Chairman December 18, 1922; reappointed for fifth term December 9, 1926; reelected Chairman January 6, 1927; reappointed for sixth term December 8, 1930; reelected Chairman January 6, 1931; reappointed for seventh term December 18, 1934; reelected Chairman; resigned as Chairman September 29, 1937. The term of service of Mr. Moore expired January 18, 1940. Mr. Moore died September 25, 1942.

Edwin H. Blashfield, painter; appointed May 31, 1912, to fill the vacancy caused by the death of Francis D. Millet. Term of service expired September 1, 1916.

Pierce Anderson, architect; appointed July 5, 1912, to fill vacancy caused by the death of Daniel H. Burnham. Term of service expired September 1, 1916.

Herbert Adams, sculptor; appointed June 15, 1915, to fill the vacancy caused by the resignation of Daniel Chester French.

J. Alden Weir, painter; appointed September 1, 1916, to fill vacancy caused by termination of term of service of Mr. Blashfield. Mr. Weir died December 8, 1919.

Charles A. Platt, architect; appointed September 1, 1916, to fill vacancy caused by termination of term of service of Mr. Anderson.

William Mitchell Kendall, architect; appointed September 20, 1916, to fill vacancy caused by resignation of Mr. Gilbert.

John Russell Pope, architect; appointed September 21, 1917, to fill vacancy caused by termination of term of service of Mr. Hastings.

James L. Greenleaf, landscape architect; appointed September 11, 1918, to fill vacancy caused by termination of term of service of Frederick Law Olmsted; reappointed February 1, 1923.

William Sergeant Kendall, painter; appointed April 10, 1920, to fill vacancy caused by the death of J. Alden Weir.

James E. Fraser, sculptor; appointed May 7, 1920, to fill vacancy caused by termination of service of Mr. Adams.

Louis Ayres, architect; appointed February 19, 1921, to fill vacancy caused by termination of service of William Mitchell Kendall.

Henry Bacon, architect; appointed February 21, 1921, to fill vacancy caused by termination of service of Charles A. Platt. Mr. Bacon died February 16, 1924.

H. Siddons Mowbray, painter; appointed February 24, 1921, to fill vacancy caused by resignation of William Sergeant Kendall. Mr. Mowbray died January 13, 1928.

Milton B. Medary, Jr., architect; appointed December 2, 1922, to fill vacancy caused by termination of service of John Russell Pope.

William Adams Delano, architect; appointed April 8, 1924, to fill vacancy caused by the death of Henry Bacon.

Lorado Taft, sculptor; appointed February 14, 1925, to fill vacancy caused by termination of service of James E. Fraser.

Abram Garfield, architect; appointed November 2, 1925, to fill vacancy caused by termination of service of Louis Ayres.

Benjamin W. Morris, architect; appointed January 7, 1927, to fill vacancy caused by termination of service of Milton B. Medary, Jr.

Ferruccio Vitale, landscape architect; appointed September 28, 1927, to fill vacancy caused by termination of services of James L. Greenleaf.

Ezra Winter, painter; appointed June 6, 1928, to fill vacancy caused by the death of H. Siddons Mowbray.

John W. Cross, architect; appointed October 25, 1928, to fill vacancy caused by termination of service of William Adams Delano.

Adolph A. Weinman, sculptor; appointed February 23, 1929, to fill vacancy caused by termination of service of Lorando Taft.

John L. Mauran, architect; appointed October 22, 1930, to fill the vacancy caused by the termination of service of Abram Garfield. Mr. Mauran died September 23, 1933.

Egerton Swartwout, architect; appointed August 10, 1931, to fill the vacancy caused by the termination of service of Benjamin W. Morris.

Gilmore D. Clarke, landscape architect; appointed April 21, 1932, to fill vacancy caused by the termination of service of Ferruccio Vitale; reappointed April 18, 1936; elected Vice Chairman May 1, 1936; elected Chairman Septem-

Public Law 86-405
86th Congress, H. R. 7456
April 4, 1960

AN ACT

74 STAT. 14.

To extend until July 1, 1960, the suspension of duty on imports of casein.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to amend the Tariff Act of 1930 to provide for the temporary free importation of casein", approved September 2, 1957 (71 Stat. 579; 19 U.S.C. 1001, par. 19 note), is amended by striking out "March 31, 1960" and inserting in lieu thereof "July 1, 1960".

Approved April 4, 1960.

