

UNITED STATES TARIFF COMMISSION

**BASEBALL AND SOFTBALL GLOVES,
INCLUDING MITTS**

**Report in Response to the President's
Request for Information
Supplemental to the Report
on Escape-Clause
Investigation No. 7-97**



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Report in Response to the President's Request for Information Supplemental
to the Report on Escape-Clause Investigation No. 7-97

Introduction

On May 1, 1961, the Tariff Commission submitted to the President its report on escape-clause investigation No. 7-97 concerning baseball and softball gloves, including mitts, in which the Commission recommended escape action. ^{1/} By letter dated June 29, 1961, the President requested the Commission to furnish additional information on the following matters:

1. A more complete analysis of the impact of pricing practices by domestic and foreign producers upon the share of the market captured by imports.
2. Information on the profit relationship to investment in productive facilities.
3. The effect of voluntary export quotas by Japan upon domestic production and sales.
4. Average unit price data for domestic production, in terms of major points of shipment.
5. More complete data on sales of baseball gloves as a proportion of total sales of the firms manufacturing the gloves.
6. More complete data on employment, wages, and earnings.
7. Competition, or threat of competition, between imported gloves and domestic gloves in the higher price brackets.

^{1/} See U.S. Tariff Commission, Baseball and Softball Gloves, Including Mitts: Report to the President on Escape-Clause Investigation No. 7-97 . . ., 1961 (processed).

In order to obtain the information requested, the Commission sent questionnaires to the domestic producers and importers of baseball gloves ^{1/} and reexamined material previously obtained in its investigation No. 7-97. Publication of some of the additional data requested would result in a disclosure of the operations of individual concerns. Such information, therefore, is being submitted to the President in confidence.

The following sections of this report are addressed to the specific matters on which the President requested information.

The impact of pricing practices by domestic and foreign producers upon the share of the market captured by imports

As marketed by domestic producers, baseball gloves generally fall into four categories: (1) Regular or standard line gloves, (2) promotional gloves, (3) gloves made to special order, and (4) "close-outs." Regular or standard gloves are those shown in the illustrated catalogs and published pricelists; they are freely offered to various classes of customers. Promotional gloves, although not shown in the catalogs and pricelists, are also freely offered but are sold only in minimum quantities, usually no less than 300 gloves to a customer. Special-order gloves are those made for a particular distributor, such as a large retail chain, at negotiated prices. "Close-outs" are generally offered at the end of the selling season and consist of regular line gloves the manufacture of which has been discontinued. Except for two plants that regularly sell their entire output on order at negotiated prices, domestic producers

^{1/} As used here and subsequently in this report, the term "baseball gloves" (or simply "gloves") means baseball and softball gloves, including mitts.

commonly market at least two of the foregoing categories of gloves, and some producers, especially the larger ones, regularly market gloves in all four categories.

The producers' profit margin is usually highest on regular or standard-line gloves, and is generally next highest on promotional gloves. The margin on gloves sold at negotiated prices is usually less than that on promotional gloves. Close-out sales are usually made at substantial discounts--at times as much as 30 percent--from the quoted list prices for dealers.

Information obtained in connection with the preparation of this report indicates that in recent years the proportion of sales (in terms of volume) of regular or standard-line gloves has declined and the corresponding proportion of promotional and special order gloves has increased. Moreover, to meet competition from imports, domestic producers in recent years have made changes in models more frequently than formerly, with the result that seasonal close-out sales at substantial discounts have increased.

It was not practicable for the Commission to obtain detailed information regarding the pricing practices of foreign (Japanese) producers. More significant than foreign producers' pricing practices, from the standpoint of appraising the competition in the U.S. market, however, are the pricing practices of U.S. importers. Except for some large retail chains and mail-order houses that import baseball gloves directly from Japan for sale at retail, importers generally market baseball gloves in wholesale quantities in one or both of the two following ways: (1) They buy for their own account and sell from their inventories in the United States, or (2) they sell on behalf of foreign exporters who ship directly

to the buyers in the United States. Sales from importers' inventories consist of regular line baseball gloves, ordinarily shown in the importers' illustrated catalogs. Prices received by the importer for shipments made directly from overseas to the domestic purchaser are usually 8 to 10 percent less than the prices charged for comparable gloves sold from importers' inventories. Importers at times offer "close-outs," generally consisting of regular line baseball gloves the manufacture of which has been discontinued by the foreign producer. Close-outs are sold at a discount, usually ranging from 5 to 20 percent below the original wholesale price.

The penetration of the domestic market by imported baseball gloves has resulted primarily from price competition. Reports by importers that accounted for about half of total U.S. imports in 1960 indicate that the average unit price of imported gloves in that year was \$3.19, compared with an average of \$4.58 for all domestic gloves.^{1/} In comparing the average unit prices, it should be noted that both domestic and imported gloves sell at a wide range of prices.

Among the more important factors that determine the prices of baseball gloves are their size, the type and quality of materials used, and the workmanship employed. The higher average unit price for domestic gloves is attributable mainly to: the higher proportion of medium- and high-quality gloves in the sales by domestic producers than in the sales

^{1/} The average unit price for imported gloves, as well as that for gloves of domestic manufacture, represents sales in the United States at wholesale only; it does not include retail sales by large retail chains and mail-order houses which import directly. The exclusion of such retail establishments explains in part the lower coverage for importers than for domestic producers.

by importers; and to the higher prices that domestic gloves command over imported gloves of comparable quality. Despite the efforts of domestic producers to meet the competition from imports--by marketing a higher proportion of promotional gloves and "close-outs"--imports have continued to increase. In the first 9 months of 1961, they amounted to 2.2 million gloves, compared with 1.8 million for the corresponding period in 1960.

Profit relationship to investment in productive facilities

The Commission sought by questionnaire to obtain investment data on productive facilities for the years 1956-60 from all domestic concerns that produced baseball gloves in 1960. Productive facilities include land, buildings, machinery, equipment, and other facilities used directly or indirectly in the manufacture of baseball gloves; they do not include warehouses used to store the finished product, equipment used in marketing and selling the product, and other nonmanufacturing equipment. The concerns were requested to furnish the actual cost of the productive facilities and also the depreciated or net book value of such facilities.

In investigation No. 7-97, the Commission obtained usable profit-and-loss data from five concerns ^{1/} which in the aggregate accounted for 88 percent of the domestic output of baseball gloves in 1960. These five concerns furnished adequate data on their investment in productive facilities in each of the years 1956-60; such data are summarized in table 1, in the appendix. All of the concerns produce various other athletic goods in the plants in which they make baseball gloves, and they use certain facilities in producing both gloves and the other articles.

^{1/} These 5 concerns operate 11 plants in which baseball gloves are produced.

The investment data reported in table 1 for three of the five concerns relate to the overall operations of their plants in which baseball gloves were produced; such gloves accounted for a substantial share of the value of the total sales of all products made in those plants. ^{1/} For the remaining two concerns, the data reported in table 1 relate to baseball gloves only.

Some of the concerns for which investment data are shown in table 1 have old plants which are carried on their books at comparatively low values; others have new plants which are carried on their books at comparatively high values. Some concerns own the land, buildings, and other productive facilities they use; others lease in varying degrees such facilities. Because of these and other factors, the reported investment in productive facilities varied widely from concern to concern.

Table 2 shows for each of the years 1956-60 the ratio of the aggregate net operating profit of the five reporting concerns (a) to the reported aggregate actual cost of their productive facilities, and (b) to the reported aggregate depreciated or net book value of such facilities. The profit ratio based on the reported actual cost declined from 121 percent in 1956 to 52 percent in 1958, increased to 69 percent in 1959, and declined to 49 percent in 1960. The ratio based on net book value declined from 255 percent in 1956 to 99 percent in 1958, increased to 140 percent in 1959, and declined to 107 percent in 1960. While these ratios indicate in general the trend in the aggregate profits of the industry, there is serious question whether they measure its profitability. Because of the upward trend of prices, ratios based on actual cost of the productive facilities approach

^{1/} A similar procedure was followed with respect to profit-and-loss data in the Commission's report on investigation No. 7-97.

more nearly what the ratios would be if they were based on replacement cost. The ascertainment of replacement cost, however, would be an impossible task for the Commission to undertake.

Effect of voluntary export quotas by Japan upon
domestic production and sales

Restrictions on exports of baseball gloves to the United States were announced on June 26, 1961, by the Japanese Ministry of International Trade and Industry (MITI). Such exports are limited to 2,100,000 gloves during each quota year extending from April 1 through March 31; the quota is comprised of 1,900,000 baseball gloves with a value f.o.b. Japan of more than \$1 each, and of 200,000 gloves with an export value of not more than \$1 each. ^{1/} Gloves having a unit foreign value of more than \$1 are for the most part comparable to, and directly competitive with, domestically produced baseball gloves. On the other hand, imported gloves valued at not more than \$1 each are made of plastic and/or low-grade leather, and compete little, if at all, with any of the gloves made by the domestic baseball-glove industry.

The quota of 1,900,000 gloves valued at more than \$1 each is allocated as follows: (1) 1,843,000 gloves for members of the Japan Sundry Goods Exporters Association on the basis of their relative shares of the total exports during the 3-year period 1958-60, and (2) 57,000 gloves for new concerns with no previous record of exports of baseball gloves. No special allocations are provided for baseball gloves valued at not more than \$1 each, except that no more than 40,000 such gloves may be exported

^{1/} Nikkan Tsusansho Koho (Daily Bulletin of MITI) No. 3503, dated July 5, 1961.

by any one concern during a quota year. For the current quota year the export quota was applied retroactively to April 1, 1961.

During the 12-month period immediately preceding the present quota year, imports of baseball gloves from Japan amounted to about 2.7 million. Of this total, an estimated 0.3 million consisted of gloves with a unit foreign value of not more than \$1, and approximately 2.4 million of them had a unit foreign value of more than \$1. Thus, compared with imports during the year preceding the present quota year, the total export quota of 2.1 million gloves represents a total reduction of 0.6 million gloves--consisting of 0.1 million with a foreign value of not more than \$1 each, and of 0.5 million with a foreign value of more than \$1 each.

The time that has elapsed since Japan established export quotas on baseball gloves has been too short for a meaningful evaluation of their effect upon domestic production and sales. Official statistics of U.S. imports of baseball gloves from Japan are available for only the first 6 months of the current quota year (April-September 1961). Since 3 to 5 months are required for exports from Japan to the United States to be reported in the import statistics of the United States, the available import data do not reflect the effect of the quotas announced in late June 1961.

Average unit price data for domestic production,
in terms of major points of shipment

For the preparation of this report the Commission obtained data on sales of domestically produced baseball gloves by points of shipment for the years 1958-60. The major points of shipment, in the order of importance, were St. Louis, Mo.; Cincinnati, Ohio; Ponce, Puerto Rico; River

Grove, Ill.; Johnstown, N.Y.; Philadelphia, Pa.; and New York, N.Y. In the aggregate, the gloves shipped from these points accounted for about 73 percent of total domestic shipments in 1958, 76 percent in 1959, and 77 percent in 1960. The corresponding ratio on the basis of value was 72 percent for all 3 years.

Publication of data on the average unit prices at which baseball gloves were shipped by domestic producers from the various points would disclose the operations of individual concerns; the data are therefore submitted to the President in confidence in a separate document.

More complete data on sales of baseball gloves as a proportion of total sales of the firms manufacturing the gloves

The ratio of the value of sales of baseball gloves to the value of sales of all products varies widely among the different producing concerns. The data requested by the President, if published, would disclose the operations of individual concerns; the data, therefore, are submitted to him in confidence in a separate document.

More complete data on employment, wages, and earnings

As indicated in the Commission's report of May 1961, the information contained therein on employment and wages related to domestic producers that accounted for about three-fourths of the U.S. production of baseball gloves in 1960. In connection with the preparation of this report the Commission obtained employment and wage data for additional plants that accounted for most of the remaining domestic production. The more complete data, obtained from producers that accounted for about 96 percent of total U.S. production of baseball gloves in 1960, are shown in table 3.

Competition, or threat of competition, between imported gloves and domestic gloves in the higher price brackets

The great bulk of the imported baseball gloves and three-fourths or more of the domestic gloves are sold in the United States at wholesale prices ranging from \$1 to \$6 each. ^{1/} This indicates that competition between imported and domestic gloves is concentrated in the \$1-to-\$6 price range, but it does not reveal the full scope of the competition encountered by U.S. producers. During its investigation the Commission obtained information showing that wholesale prices in the United States for imported Japanese gloves were substantially--generally 20 to 25 percent--lower than those for comparable domestic gloves. Hence, many of the imported gloves selling in the upper part of the \$3-to-\$6 price range compete with domestic gloves selling in the \$6-to-\$9 price range.

On the other hand, domestic producers of baseball gloves have so far encountered little competition from imports with respect to gloves selling at wholesale for more than \$9 each. Such gloves accounted for about 6 percent of the total quantity of all domestic gloves sold in 1960. The market for such high-priced gloves includes the professional and semi-professional leagues, some amateur teams, and schools and colleges. To these purchasers the quality of the raw materials used, the workmanship employed, and the size and shape of the gloves are of the utmost importance. Such purchasers are accustomed to dealing with well-established

^{1/} These and other prices mentioned in this section are f.o.b. manufacturers' or importers' shipping point in the United States.

sporting-goods concerns. Buyers of high-priced, high-quality gloves are reluctant to shift to new sources of supply, especially if those sources do not have an established reputation in the U.S. market. While there has been sharp competition between imported and domestic baseball gloves in the low and medium price ranges, there has been virtually no competition between imported gloves and those domestic gloves that have a wholesale value of more than \$9 each.

STATISTICAL APPENDIX

Table 1.--Investment in productive facilities employed wholly or in large part in the production of baseball and softball gloves and mitts, reported by 5 U.S. producers, 1956-60 ^{1/}

(In thousands of dollars)

Year and item	Actual cost at end of year ^{2/} (1)	Accumulated depreciation and amortiza- tion at end of year ^{3/} (2)	Net book value at end of year (3)
<u>1956</u>			
Land, land improvements, buildings, and leasehold improvements-----	392	161	231
Machinery, equipment, fixtures, tools, and dies---	1,178	663	515
Total-----	<u>1,570</u>	<u>824</u>	<u>746</u>
<u>1957</u>			
Land, land improvements, buildings, and leasehold improvements-----	655	170	485
Machinery, equipment, fixtures, tools, and dies---	1,303	727	576
Total-----	<u>1,958</u>	<u>897</u>	<u>1,061</u>
<u>1958</u>			
Land, land improvements, buildings, and leasehold improvements-----	653	176	477
Machinery, equipment, fixtures, tools, and dies---	1,449	822	627
Total-----	<u>2,102</u>	<u>998</u>	<u>1,104</u>
<u>1959</u>			
Land, land improvements, buildings, and leasehold improvements-----	491	199	292
Machinery, equipment, fixtures, tools, and dies---	1,680	913	767
Total-----	<u>2,171</u>	<u>1,112</u>	<u>1,059</u>
<u>1960</u>			
Land, land improvements, buildings, and leasehold improvements-----	526	216	310
Machinery, equipment, fixtures, tools, and dies---	1,738	1,012	726
Total-----	<u>2,264</u>	<u>1,228</u>	<u>1,036</u>

^{1/} For 2 producers, the data relate to baseball and softball gloves and mitts only; for the other producers, the data relate to the overall operations of the plants in which baseball and softball gloves and mitts were produced. For these plants, the sales value of gloves and mitts accounted for a substantial share of the total sales value of all products.

^{2/} Actual cost at beginning of year, plus additions and improvements, less retirements and disposals during the year.

^{3/} Accumulated depreciation and amortization at beginning of year, plus provision for depreciation and amortization for the year, less deductions for retirements and disposals during the year.

Source: Compiled from data supplied the U.S. Tariff Commission by domestic producers.

Table 2.--Investment in productive facilities, net operating profit, and ratio of net operating profit to investment in productive facilities, reported by 5 U.S. producers with respect to their operations relating wholly or in large part to baseball and softball gloves and mitts, 1956-60 ^{1/}

Year	Investment in productive facilities at end of year			Net operating profit before income taxes	Ratio of net operating profit to investment in productive facilities	
	Actual cost	Net book value			Actual cost	Net book value
	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>		<u>1,000</u> <u>dollars</u>	<u>Percent</u>	<u>Percent</u>
1956-----	1,570	746		1,901	121.1	254.8
1957-----	1,958	1,061		1,475	75.3	139.0
1958-----	2,102	1,104		1,087	51.7	98.5
1959-----	2,171	1,059		1,487	68.5	140.4
1960-----	2,264	1,036		1,105	48.8	106.7

^{1/} For 2 producers, the data relate to baseball and softball gloves and mitts only; for the other producers, the data relate to the overall operations of the plants in which baseball and softball gloves and mitts were produced. For these plants, the sales value of gloves and mitts accounted for a substantial share of the total sales value of all products.

Source: Compiled from data supplied the U.S. Tariff Commission by the domestic producers.

Table 3. Employment of production and related workers, man-hours worked, and wages paid in certain U.S. plants producing baseball and softball gloves and mitts, 1956-60 ^{1/}

Item	1956	1957	1958	1959	1960
All products:					
Average number of workers-----	2,906	2,826	2,835	2,713	2,946
Man-hours worked, total-----thousands---	5,386	5,232	5,288	5,115	5,412
Average hours per worker ^{2/} -----	1,853	1,851	1,865	1,885	1,837
Wages paid, total-----1,000 dollars---	7,751	7,927	8,044	8,032	8,674
Average hourly earnings ^{2/} -----	\$1.44	\$1.52	\$1.52	\$1.57	\$1.60
Baseball and softball gloves and mitts:					
Man-hours worked, total-----thousands---	2,146	2,057	1,903	1,913	1,906
Wages paid, total-----1,000 dollars---	2,803	2,843	2,632	2,714	2,717
Average hourly earnings ^{2/ 3/} -----	\$1.31	\$1.38	\$1.38	\$1.42	\$1.43
Ratio of man-hours worked on baseball and softball gloves and mitts to those worked on all products ^{2/} -----percent---	39.8	39.3	36.0	37.4	35.2

^{1/} Data shown are for concerns that accounted for about 96 percent of total production of baseball and softball gloves and mitts in 1960.

^{2/} Calculated from the unrounded figures.

^{3/} Includes average hourly earnings of a plant located in Puerto Rico where the minimum hourly wages under the Wage and Hour Law are substantially below those of the continental United States.

Source: Compiled from data supplied the U.S. Tariff Commission by domestic producers.