UNITED STATES TARIFF COMMISSION

COTTON PRODUCTS

Report to the President

on

Investigation No. 22-25 Under Section 22

of the

Agricultural Adjustment Act, as Amended

TC Publication 69

Washington
September 1962

Address all communications to

UNITED STATES TARIFF COMMISSION

Washington 25, D.C.

C O N T E N T S

(TC29065)

CONTENTS

TABLES

TABLES (Con.)

REPORT TO THE PRESIDENT

U.S. Tariff Commission
Washington, September 6, 1962

To the President:

In response to your request dated November 21, 1961, 1/ the U.S. Tariff Commission, on November 22, 1961, instituted an investigation under section 22(a) of the Agricultural Adjustment Act, as amended (7 U.S.C. 624(a)), to determine whether articles or materials wholly or in part of cotton are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the programs or operations undertaken by the U.S. Department of Agriculture (USDA) with respect to cotton or products thereof, or to reduce substantially the amount of any product processed in the United States from cotton or products thereof with respect to which such programs or operations are being undertaken.

Public notice of the investigation and of the public hearing to be held in connection therewith was posted at the office of the Commission in Washington, D.C., and at its office in New York City, and was published in the Federal Register (26 F.R. 11226), and in the November 30, 1961, issue of Treasury Decisions. In this original notice, the hearing was scheduled to begin on March 13, 1962; this

1/ Copies of the President's letter to the Commission and the related letter to the President from the Secretary of Agriculture are included in appendix A.

date was subsequently changed to February 13, 1962, and public notice thereof was given in the same manner as the original notice (26 F.R. 11402; Nov. 30, 1961, issue of Treasury Decisions). An inadvertent error of language in the original public notice was corrected by public notice in similar manner (27 F.R. 451; Jan. 18, 1962, issue of Treasury Decisions). Concurrent with the release of this notice of correction the Commission issued an amended notice of investigation and date of hearing, incorporating the above-mentioned changes. 1/

A hearing in connection with this investigation was held from February 13 through February 16, 1962, and on February 19 and 23, 1962. All interested parties were given opportunity to be present, to produce evidence, and to be heard. The transcript of the testimony adduced at the hearing is attached. 2/

In addition to the information submitted at the hearing, the Commission obtained information pertinent to the investigation from its files, from briefs of interested parties, from the USDA, and from other appropriate sources.

1/ A copy of the amended notice of investigation and date of hearing is included in appendix A.

2/ Attached only to the report sent to the President. However, a copy of the transcript is available for inspection at the office of the Secretary, U.S. Tariff Commission.

Legal Issues Arising in Connection With This Investigation

During the course of this investigation, several legal issues were raised:

(1) Whether the President's failure to express affirmatively his agreement with the finding by the Secretary of Agriculture--that there is reason to believe the conditions to which section 22 is addressed exist--constitutes a fatal procedural defect;

(2) Whether the Commission could submit an interim report to the President advising the immediate imposition of the import fee referred to in his letter (i.e., a fee equivalent to the per-pound export-subsidy rate on the cotton content of imported articles), to be followed after the completion of the investigation by a final report containing a recommendation for such additional relief as the Commission found to be necessary;

(3) Whether the clause "or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any * * * program or operation is being undertaken" establishes a criterion for action under section 22 that is independent of the question of interference with an agricultural program; and

(4) Whether the Commission is jurisdictionally limited, if the need for remedial action is found, to consideration of the remedy mentioned by the President in his letter, i.e., an import fee on the cotton content of imported articles equivalent to the per-pound export-subsidy rate on raw cotton.

These issues are analyzed and discussed in detail in appendix B to this report. 1/

Scope of the Investigation

The request pursuant to which this investigation was instituted used the term "articles or materials wholly or in part of cotton" in describing the imports to which the Commission's investigation was to be directed. This term is so broad that it could conceivably embrace a range of articles extending from raw cotton to finished products that contained only an insignificant amount of cotton. However, the spokesman for the USDA at the hearing clarified the position of the Secretary of Agriculture on this matter by submitting as a part of the Department's prepared statement the following comment: 2/

> It is the considered position of the Secretary of Agriculture and of his authorized representatives, for purposes of this investigation and hearing, that:
>
> 1. the term "articles or materials wholly or in part of cotton" should be construed to mean all articles, materials, or products composed wholly or in part of cotton that are or have been processed to a stage beginning with yarn and should include all such articles, materials, or products that are or have been processed to one or more stages succeeding the stage in which yarn is produced, or corresponding unspun or unwoven articles.

1/ Commissioners Schreiber and Sutton do not necessarily agree with the conclusions set forth in appendix B with respect to legal issue (3).

2/ USDA statement, pp. 41-42. As required by the statute, the Secretary of Agriculture took the initial step in instituting this proceeding by advising the President that he had reason to believe that "articles or materials wholly or in part of cotton" are being, or are practically certain to be, imported under such conditions and in such quantities as to have the adverse effects spelled out in the statute.

2. the term "articles or materials wholly or in part of cotton" should <u>exclude</u>:

   A. all articles, materials, or products the importation for consumption of which has been or is limited quantitatively as a result of previous Section 22 investigations and proclamations issued in connection therewith, including

      (1) all types of raw cotton (short harsh Asiatic, Tanguis, upland, long staple, and extra-long staple)

      (2) cotton wastes included in the import quota

      (3) cotton products produced in any stage preceding the spinning into yarn

   B. all articles, materials, or products for which import quota limitations have been suspended, including

      (1) American cotton exported from the United States and returned under certain conditions

      (2) commercial samples (if in specified packing) of cotton and cotton waste to which import quotas are applicable

      (3) card strips made from cottons 1-3/16 inches or more in staple length

   C. certain other articles, materials, or products to which import quota limitations do not apply, specifically

      (1) hard cotton waste and types of soft waste other than those included in the import quota on waste

      (2) cotton linters

The USDA spokesman also testified, in response to questioning by the Chairman, that the <u>de minimis</u> concept should apply in delineating the articles "in part of cotton" which are within the purview of the investigation. 1/ The general test to be applied, according to this witness, should be whether the articles are in chief value of cotton; nevertheless, he indicated that certain articles which contain significant amounts of cotton should be included even though not characterized in the tariff schedules as being in chief value of cotton. 2/ He appended to his prepared statement a list of articles, expressed in terms of Schedule A classifications, 3/ that fell within the USDA's proposed definition of "articles or materials wholly or in part of cotton." This list of articles is appended hereto as appendix C.

The Commission adopted the USDA definition of the articles falling within the scope of the investigation.

Finding of the Commission

On the basis of the investigation, including the hearing, the Commission (Commissioners Schreiber and Sutton dissenting) 4/ finds that articles or materials wholly or in part of cotton are not being, and are not practically certain to be, imported into the United States

1/ Transcript of the hearing, p. 60.

2/ Ibid., pp. 61-62.

3/ U.S. Bureau of the Census, Schedule A: Statistical Classification of Commodities Imported Into the United States.

4/ The separate views of Commissioners Schreiber and Sutton are set forth in this report commencing on p. 16.

under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the programs or operations undertaken by the U.S. Department of Agriculture with respect to cotton or products thereof, or to reduce substantially the amount of any product processed in the United States from cotton or products thereof with respect to which such programs or operations are being undertaken. Accordingly, the Commission concludes that a fee equivalent to the per pound subsidy rate on the cotton content of imported articles and materials wholly or in part of cotton or any other restriction on imports for the purposes of section 22 of the Agricultural Adjustment Act, as amended, is not necessary.

Considerations in Support of the Foregoing Finding

The undersigned Commissioners are deeply concerned about the misconceptions, both in and out of Government, of the nature and objectives of the various programs and operations of the Department of Agriculture with respect to cotton and the products thereof. These misconceptions have given rise to widespread misunderstanding of the Commission's statutory responsibilities in the conduct of this investigation.

The specific request that gave rise to the instant investigation directed the Commission to conduct an "investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether a fee equivalent to the per pound export subsidy rate on the cotton content of imported articles and materials wholly or in part of cotton is necessary to prevent the imports of such articles from rendering or tending to render ineffective or materially interfering with the Department's programs for cotton and cotton products, or from reducing substantially the amount of products processed in the United States from cotton or products thereof, with respect to which such programs are being undertaken."

The most important issue that arose in the course of the Commission's investigation was whether inclusion of the language "or to reduce substantially the amount of any product processed in the United States" in section 22(a) manifests congressional intent that section 22 be utilized to protect from import competition a domestic industry that processes an agricultural raw material such as cotton. The representative of the Department of Agriculture who testified at the hearing contended that the language does establish a criterion for action under section 22 that is distinct from and unrelated to interference with the Department's agricultural programs.

Most of the information available to the Commission in the course of the investigation, including the testimony offered at the public hearing, had more bearing on the effect of imports of cotton articles on various domestic manufacturers of such articles than on the effect of those imports on programs of the Department of Agriculture for cotton and cotton products. There is, of course, a statute designed specifically to provide relief for any domestic industry that is being seriously injured, or threatened with serious injury, as a result of increased imports of any article subject to a trade-agreement concession. However, the Commission may not employ "escape clause" criteria or remedies in a section 22 investigation. 1/

After a thorough review of the legislative history of the Agricultural Adjustment Act, as amended, as well as a careful study of the statute itself, we find no evidence that the Congress ever intended the statute to be invoked for any purpose other than to protect the effectiveness of programs of the Department of Agriculture. Conceivably domestic manufacturers that use raw cotton in their production might be incidental beneficiaries of an import restriction designed to protect one or more of those programs, but section 22 of the Agricultural Adjustment Act does not per se in any circumstance confer authority on the Tariff Commission to recommend a restriction of imports (either by quota or fee) of cotton products for the

---

1/ In assessing the competitive impact of complained-of imports in an escape-clause investigation, the Commission would never base its finding solely on the comparative overall costs of production in the United States and in the foreign supplying countries. It would obviously, therefore, not base its finding on any one component of such comparative costs, irrespective of whether it was a principal raw material (such as cotton), labor, transportation, taxes, or any other.

specific purpose of affording domestic manufacturers of such products protection from import competition.

The undersigned are of the opinion that the position of the Department of Agriculture on the above issue is not tenable and that remedial action under section 22 based on a substantial reduction in the amount of domestic cotton processed in the United States may appropriately be placed in force only if a causal relation can be established between such reduction and material interference with the Department's programs for cotton. In our opinion, no such relation was established. The "processing clause" in section 22 is an integral part of the program-protection purpose of the statute rather than a separate and alternative basis for restricting imports.

There has also been considerable misunderstanding about the "remedy" that the Commission was requested to consider, i.e., "a fee equivalent to the per pound export subsidy rate on the cotton content of imported articles . . . ." Although no specific rate was mentioned in the request made by the President, 1/ many persons have assumed that the reference was to the export-subsidy rate that has been in effect since August 1, 1961--8½ cents per pound.

1/ Neither was a specific rate mentioned in the letter of Nov. 13, 1961, from the Secretary of Agriculture to the President recommending that he request the Tariff Commission to institute the investigation.

The proposed fee is popularly, though inaccurately, referred to as an "equalization fee," on the theory that it measures the difference in the cost of raw cotton to domestic mills and to foreign mills that market some of their output in the United States. As shown in the body of the report, there is great variation in the cost of cotton to mills throughout the world. The application of such an "equalization fee" would therefore not equalize costs of raw cotton to mills in the United States with those in foreign countries. 1/

No evidence was made available to the Commission in the course of its investigation that imports of articles containing cotton were adversely affecting the operation of any specific program of the Department of Agriculture for cotton or cotton products. On the contrary, it was found that the rising level of imports of articles containing cotton contributed to the success of several of those programs, notably, the export-subsidy program for raw cotton and the domestic price-support program. But for the expanding U.S. market for such imports, the tendency would have been for U.S. exports of raw cotton to be smaller or lower priced, or the export-subsidy

1/ Employment of such a fee, moreover, would be very disruptive of trade in cotton articles, inasmuch as innumerable tariff rates on such articles would have to be altered whenever the Secretary of Agriculture ordered a change in the export-subsidy rate.

or price-support programs to be more costly to carry out, or some combination of these. The contrary position of the Department of Agriculture rests primarily on the thesis that the imports that would be excluded by the application of the proposed import fee would be replaced by similar domestic articles whose cotton content would be equal, or substantially equal, to that of the excluded imports.

The application of an import fee would necessarily operate not only to restrict the volume of imports of cotton articles but also to raise the sales prices of both the imported and the domestic cotton articles that compete with one another. The higher prices would clearly result in a reduction in the aggregate consumption of such articles. Admittedly, many of the imports of articles containing cotton would be replaced by domestic articles containing cotton but, because of the generally higher prices of the domestic articles, such replacement would not cause an additional pound of U.S. cotton to be processed domestically for every pound of cotton content of the displaced imports. Other imports of cotton articles would be replaced by either imported or domestic articles containing fibers other than cotton. Still other imports, for one reason or another, would not be replaced by any similar article; such imported cotton articles "provide their own market." The view that a restriction of imports of articles containing cotton would bring about an increase in domestic mill consumption of U.S. cotton equal, or nearly equal, to the cotton content of the excluded imports rests, in our opinion, on a mischievous denial of the most commonplace workings of the market.

The application of the import fee would also operate to reduce U.S. exports of raw cotton (including the cotton content of exports of articles containing cotton). The reduction in such exports would--in the absence of still higher rates of Government export subsidy--be indeterminably greater than the increase in domestic mill consumption of raw cotton. In consequence, the offtake of U.S. cotton would tend to decline in relation to the aggregate domestic supply of cotton. The result would be an increase in the aggregate stocks of cotton which (under existing statutes) the Government would be obliged to hold or to export under subsidy, either of which would entail increased Government expenditure. In short, the application of an import fee would generate the very interference with the major agricultural programs for cotton that the application of such a fee is intended to prevent or correct.

The extent to which U.S. exports of raw cotton would tend to decline in response to the application of an import fee would depend on several unpredictable factors. Such decline might be no greater than the cotton content of the U.S. imports excluded by the import fee, but could be much greater. For example, the application of the proposed fee could conceivably provoke foreign countries that purchase U.S. cotton, particularly those that also export cotton articles to the United States, into adopting retaliatory measures. These might include not only countervailing and antidumping duties on raw cotton and manufactures of cotton, but other measures that could appreciably reduce the volume and value of their imports from the United States not only of such products, but others as well.

We make one further observation concerning the probable effect of the application of an import fee. Domestic processors of cotton would no doubt benefit from such action, at least in the short run. The degree of benefit, however, would vary widely from one domestic processor to another, depending largely upon the importance of the cost of the raw cotton in relation to the total production cost of the particular article. Such benefit, however, would be at the expense of one or more of the following: The domestic consumers of cotton articles, the growers of cotton, and the U.S. Treasury. In the long run, not even the manufacturers of cotton products would necessarily benefit, for the enhancement in price of cotton manufactures, whether imported or domestic, tends to promote a shift from the use of cotton to other fibers.

The "two price" system, a feature of the U.S. cotton programs, presently operates, on balance, to promote such a shift. The system involves both export subsidies and domestic price supports. The export subsidies tend to depress world prices of cotton and thereby encourage the use abroad of cotton in place of other fibers. The domestic price-support program, on the other hand, operates to increase prices of cotton to domestic mills and thereby promotes the consumption in the United States of fibers other than cotton at the expense of cotton. Further, the domestic price supports tend to raise domestic cotton prices to a much greater degree than the export subsidies tend to depress world cotton prices; and much more U.S. cotton finds its way to domestic mills than to foreign mills.

Respectfully submitted.

Ben Dorfman

Ben Dorfman, Chairman

Joseph E. Talbot

Joseph E. Talbot, Commissioner

William E. Dowling

William E. Dowling, Commissioner

FINDINGS AND STATEMENT OF COMMISSIONERS SCHREIBER AND SUTTON

We the undersigned, Commissioners Schreiber and Sutton, dissent from the findings of the majority of the Commission. We find --

(1) that articles and materials wholly or in part of cotton are being imported into the United States under such conditions and in such quantities as to --

(a) tend to render ineffective, and to materially interfere with, the programs and operations undertaken by the U.S. Department of Agriculture with respect to cotton and products thereof, and

(b) to reduce substantially the amount of any product processed in the United States from cotton and products thereof with respect to which such programs and operations are being undertaken;

and

(2) that, in order to prevent imports of articles and materials wholly or in part of cotton from tending to render ineffective and materially interfering with the said programs, and from reducing substantially the amount of any product processed in the United States from cotton and products thereof with respect to which such programs and operations are being undertaken, it is necessary that a fee, as hereinafter recommended, be imposed (in addition to existing duties), under

section 22 of the Agricultural Adjustment Act, as amended, on all articles wholly or in chief value of cotton which are dutiable under the Tariff Act of 1930, as amended and modified (except articles classifiable in paragraph 783, paragraph 901(c), or paragraph 922 of the said tariff act).

In view of the foregoing findings, we recommend that there be imposed on all the aforementioned dutiable articles wholly or in chief value of cotton a fee of 8.5 cents per pound, but not less than 20 percent ad valorem: Provided, That in no case shall the fee exceed that rate which when added to existing duties results in a cumulative aggregate of rates equivalent to more than 50 per centum ad valorem.

The considerations which support our particular findings and recommendations are set forth below.

(1) Certain fundamentals of the Commission's responsibility under section 22 and other provisions of law, although simple and clear, continue to be aired in a distorted and confused way. During the course of this investigation dissatisfaction was expressed by some of the interested parties with respect to various aspects of the cotton programs administered by the Department of Agriculture and of the laws which provide for such programs. The Commission is itself a creature of statute and is not vested with legislative discretion or authority. Nor is it appropriate for the Commission, in carrying out its functions under section 22 or other provisions of law, to take issue with the legislative policy involved. Under our

system of government, any commissioner who has any scruples or reservations about carrying out the will of the Congress should perforce disqualify himself from accepting or holding office. We, therefore, wish to state unequivocally that our findings represent our best effort to respond to the mandate of the Congress, and are in no wise to be construed as registering any personal predilections either of us may have as to what the law should or should not be.

(2) As a preliminary matter we wish to refer to the Commission's report of June 27, 1960 on Investigation No. 22 - 22, under section 22 of the Agricultural Adjustment Act, as amended. That investigation, like the current one, related to imported articles containing cotton. The current investigation, therefore, is, in practical effect, an extension of Investigation No. 22 - 22. The cumulative body of data now before the Commission, although encyclopedic in scope, differs little in basic relevant detail from that which formed the basis for the findings set forth in the aforementioned report of June 1960. In that report, our findings (also as a minority) were, in essence, the same as our present findings. In view of the similarity of the two investigations and of our findings in connection therewith, we will be concerned primarily with further development of certain of the points previously made, and supplementary considerations.

(3) Also, at the outset, we wish to comment briefly on one of the legal issues which arose in the course of this investigation.1/ We

1/ An analysis of these issues is set forth in Appendix B of this report.

have serious doubts concerning the majority's view that, as a matter of law, the so-called "processing" clause is not an independent criterion for relief and must be limited to cases where its utilization will prevent or remedy interference with the effective operation of a government agricultural program. Although this legal view is a significant part of the majority's position in this investigation, we do not find it necessary to resolve our doubts on this issue inasmuch as we are of the opinion, as expressed in the foregoing findings, that the cotton programs of the Department of Agriculture are being materially interfered with by imports of cotton articles.

We wish to add, though, that, even those who may share the legal views of the majority must agree that a necessary corollary of such views is a recognition that the processing clause does evidence a clear intention on the part of the Congress that imports which reduce substantially the amount of any product processed in the United States from products such as cotton covered by programs would, in fact, in certain circumstances constitute material interference with the program involved. In particular, this conclusion is true where, as in the case of raw cotton, the imports have been subjected to severe quantitative import limitations by reason of the material interference occasioned by its unrestricted importation. We might also add that this point of view is strengthened by the action taken by the President under section 22 to restrict the importation of wheat flour in order to preclude the practical certainty of substantial avoidance of the quantitative restrictions imposed on the importation of wheat.

(4) The investigation concluded in June 1960 was directed primarily towards a consideration of the export subsidy programs. Our minority statement in that report pointed out the absurdity of viewing the individual programs as mutually exclusive with regard to either economic influences or purposes. We emphasized the interrelationship and interdependence of all of the individual programs with respect to cotton and cotton products, and how such programs are, in reality, segments of the total extensive national cotton program which operate together to attain major objectives. The soundness of this approach has been amply demonstrated by the additional data obtained in the current investigation with respect to the various individual programs. While it is true that an analysis of each of these programs will reveal, in turn, some of the elements of material interference which form the basis of our finding, a dogmatic persistence in this direction, as the majority apparently is predisposed to do, ends with the basic issues becoming lost and obscured in a myriad of details.

For example, under the acreage allotment programs, the statute fixes 30 percent of consumption plus exports as the objective carryover component for "normal supply", but the actual carryover has been substantially higher. Were it not for the substantial increase in the imports of cotton products, carryover would have been lower and acreage allotments higher. Under the price support programs, growers have not been getting parity price for their cotton even though they have shown average returns higher than the support levels. Were it not for imports there would have been more demand for domestic raw cotton which would have bid prices up. Under the export programs, including the foreign aid and assistance programs, a primary purpose is to move cotton out of the United States to reduce surplus stocks. The imports of cotton products tend to replace the use of domestic cotton with the result that the replaced domestic cotton goes into the surplus which the export programs are trying to get rid of. It is immaterial that the level of exports, standing alone, may be meeting some statutory objective, since the underlying purpose is not being accomplished.

But, as we noted above, the totality of the programs with respect to cotton must be viewed in their entirety, as an integral whole, if the will of the Congress is to be ascertained and effectively carried out. In this connection, we pointed out in the earlier report that, in broad perspective both the total cotton program and Congressional policy call for an expanding domestic cotton agriculture with an increasing off-take of cotton in both domestic and export markets. When imports materially interfere with the substantial attainment of either one or both of these objectives, section 22 requires and provides for the imposition of appropriate import restrictions in the form of fees or quantitative limitations.

(5) The majority attempts to justify their position by minimizing the quantity and impact of imports by broad comparisons with total domestic consumption of cotton, and by setting up competition with rayon and other man-made fibers as the primary interference experienced by the cotton programs. Neither of these factors can withstand the burden of the majority's position.

A graphic measure of the extent of imports can be gained from the following statistics. The cotton content of imported cotton articles during 1962 is expected to be in excess of 700,000 bales. The quantity will be even greater than the 1960 peak of 525,500 bales and more than 23 times the import quota on Upland type cotton, under 1-1/8 inches in staple length. It will exceed the quantity of cotton produced in 1961 in each of the states of North Carolina, South Carolina, Georgia, Tennessee, Alabama, Missouri, Louisiana, Oklahoma and New Mexico. The acreage required to produce this quantity of cotton is larger than the 1961/62 acreage allotments in each of the states of Arizona, Louisiana, Missouri, New Mexico, North Carolina and Tennessee and about equal to that of South Carolina.

In addition, 700,000 bales is equivalent to 4 times the raw cotton consumption of one specific U.S. textile mill which is considered to be the largest single unit textile concern in the world. This particular mill has nearly 450,000 cotton spindles and 9,000 looms and employs some 11,000 persons. Indeed, it would take the entire cotton textile industry in the United States approximately a month to consume this quantity of cotton at present levels of textile production.

In years of extremely favorable exports of U.S. cotton, it would take about a month to ship this much cotton from U.S. ports. As a matter of fact, very few of the leading exporting firms ever export as much raw cotton in a single marketing year as the cotton contained in the anticipated import level in 1962. During the 1960/61 season (a good year for exports) only 3 countries took more than 500,000 bales of our total exports.

The domestic competition from man-made fibers is not new, and whatever its intensity may be, it is not an appropriate factor for consideration in this investigation. This investigation is directed towards imports of cotton products, and if such imports are in fact materially interfering with the programs, it is irrelevant that other unrelated factors are also causing problems. Insofar as the Commission's functions in this investigation are concerned, it is of no consequence that speculative guesswork leads to the possible conclusion that, in the event effective import restrictions should be imposed on cotton products, the void occasioned by the absence of imported cotton products might be filled in part by domestic man-made fiber products. This line of argument is obviously circuitous, hypothetical, and self-defeating. Some of the void created (and, in our opinion, the greater part thereof) would inevitably be filled with domestic cotton products.

(6) Past actions of the Commission and the President under section 22 with respect to cotton and cotton products are part and parcel of the issues before the Commission, and must be considered in arriving at proper conclusions in the instant investigation. It is important to note that the original restrictions imposed tolerate only the barest minimum of imports of raw cotton1/ (approximately 30,000 bales per annum) to be admitted into the United States. Although these restrictions have been reviewed by the Commission and the President a number of times, they are virtually the same as when originally proclaimed. Moreover, in 1961, the President accepted the recommendation of the Commission and, consistent with past actions, effectively stopped imports of cotton picker lap and other processed cotton fibers by imposing a quantitative limit thereon of 1,000 pounds annually.

In the light of the clear intendment of the statute as reflected in the provisions thereof and long-continued practice thereunder, the findings of the majority cannot be rationalized. How, indeed, can it be said that imports of cotton products representing the annual equivalent of upwards of 700,000 bales or more of cotton do not materially interfere with programs when, under the same statute, the same programs have been found to be materially interfered with by imports of raw cotton if admitted into the United States in excess of

1/ Upland type, under 1-1/8 inches in staple length.

approximately 30,000 bales annually, or by imports of cotton picker lap in excess of 2 bales annually?

(7) On the basis of the foregoing considerations and other considerations set forth in our statement of June 1960, we are obliged to conclude that cotton products are being imported into the United States under such conditions and in such quantities as to materially interfere with the cotton programs, and to substantially reduce the amount of any product processed in the United States from cotton or products thereof, and that the import remedy contemplated by the statute should have the effect of curtailing imports of such cotton products. In our opinion, the fee we have recommended would have the effect of reducing the flow of imports of cotton products to manageable proportions compatible with the efficient operation of the cotton programs of the U.S. Department of Agriculture.

Respectfully submitted,

Walter R Schreiber

Walter R. Schreiber, Commissioner

Glenn W. Sutton

Glenn W. Sutton, Commissioner

FACTS OBTAINED IN THE INVESTIGATION

Summary of USDA Cotton Programs and Operations

Although the USDA conducts a variety of programs and operations with respect to cotton pursuant to legislation currently in force, the following are of principal concern for purposes of this investigation:

(1) Cotton marketing-quota and acreage-allotment programs

(2) Cotton and cottonseed price-support and loan programs

(3) Cotton and cotton-products export programs

(4) Foreign-aid and assistance programs

It is not possible to rank the above-mentioned programs in order of relative importance; all are being conducted by the Department pursuant to statutory mandate, and all are interrelated and interdependent. These programs are discussed in detail below; passing mention is made of other USDA cotton programs and operations.

<u>Marketing-quota and acreage-allotment programs</u>

The Agricultural Adjustment Act of 1938 (52 Stat. 31; 7 U.S.C. 1281 et seq.) established a system of annual acreage allotments for cotton linked to "marketing quotas," a system which, with a few modifications, is still in operation. 1/

1/ In the United States, where cotton is planted during the spring, harvesting begins late in June but is concentrated during the months of September and October; in some areas, harvesting may continue until the following January. In this report the terms "crop year" and "marketing year" are used synonymously to identify the 12-month period beginning Aug. 1 following the planting season.

The currently applicable legislation requires the Secretary of Agriculture to proclaim national marketing quotas for Upland cotton and for extra-long-staple cotton under conditions hereinafter specified. 1/ Whenever during a calendar year (but not later than October 15) the Secretary of Agriculture determines that the total supply of Upland cotton for the marketing year beginning in that calendar year will exceed the "normal" supply, 2/ he is required to proclaim a national marketing quota for the crop year that begins in the following calendar year. Similarly, the Secretary must proclaim a national marketing quota for extra-long-staple cotton for the succeeding crop year whenever he determines that the total supply of such cotton for the marketing year

---

1/ Upland cotton accounts for about 99 percent of the cotton produced in the United States. The term "Upland cotton" encompasses the many varieties of cotton developed from strains native to Mexico and Central America which make up one (Gossypium hirsutum) of three principal botanical groups of cotton. Upland cotton may vary in staple length from about 3/4-inch to 1-1/2 inches.

Extra-long-staple cotton, comprising only about 1 percent of production in the United States, includes such domestically produced varieties as American-Egyptian and Sea Island. The term also applies to certain Egyptian and Peruvian varieties. Extra-long-staple cotton (G. barbadense) makes up one of the three principal botanical cotton groups and generally is of a longer staple than Upland cotton.

2/ Defined in 7 U.S.C. 1301(b)(10)(C) as estimated domestic consumption plus estimated exports plus 30 percent of the sum of such estimated consumption and exports as an allowance for carryover.

beginning in the calendar year then current will exceed the "normal" supply by more than 8 percent. 1/

Not later than December 15 following his proclamation, the Secretary is required to conduct a referendum, by secret ballot, of growers currently engaged in the production of the type of cotton involved to determine whether they favor, or oppose, the national marketing quota; if more than a third of the growers are opposed, the quota becomes ineffective. 2/ If the national marketing quota proclaimed by the Secretary is not disapproved by the growers, acreage allotments calculated on the basis of the quota are allocated by States, by counties, and eventually by farms. 3/

Acreage allotments for Upland cotton were in force during each of the crop years 1938/39 through 1943/44 (ranging between 27 million and 28 million acres each year), in 1950/51 (21 million acres), and in 1954/55 through 1961/62 (averaging about 18 million

---

1/ 7 U.S.C. 1342, 1347(b). These sections establish a statutory minimum number of bales for national marketing quotas beginning with the 1961/62 crop. For Upland cotton, the minimum is the sum of estimated domestic consumption and estimated exports (less estimated imports) for the marketing year for which the quota is proclaimed, except that the Secretary may make some adjustment in the quota under certain specified conditions. (In no event, however, may the acreage allotment derived from this national marketing quota be less than 16 million acres.) For extra-long-staple cotton, the minimum is the larger of 30,000 bales or a number of bales equal to 30 percent of the sum of estimated domestic consumption and exports for the marketing year beginning in the calendar year in which the quota is proclaimed.

2/ 7 U.S.C. 1343.

3/ 7 U.S.C. 1344.

acres annually) (table 1, in appendix D). The acreage allotment for the 1962/63 Upland crop is also about 18 million acres. Acreage allotments were first proclaimed for extra-long-staple cotton for the 1954/55 crop year and have been in existence since then. Such allotments, however, have not exceeded 100,000 acres in any single crop year, except for the 1962/63 allotment of 100,293 acres.

Whenever farm marketing quotas are in effect with respect to any crop of cotton, growers are generally subject to a penalty if their acreage planted to cotton exceeds their acreage allotment. The penalty per pound of farm marketing excess for Upland cotton is 50 percent of the parity price (as of June 15 of the calendar year in which such crop is produced); for extra-long-staple cotton it is either 50 percent of the parity price or 50 percent of the support price, whichever is higher. 1/

In addition to operating acreage-allotment programs, the Government has also encouraged limitation of cotton acreage by offering payments to growers that planted less than their allotted acreage. The most recent of such plans became effective in 1956

1/ 7 U.S.C. 1346(a), 1347(c). Farm marketing excess is defined in 7 U.S.C. 1345 as the "normal production of that acreage planted to cotton on the farm which is in excess of the farm acreage allotment." The penalty rates for the 1961/62 crops of Upland and extra-long-staple cotton were 19.5 cents per pound and 40.9 cents per pound, respectively. See definition of "parity price" in footnote 1, p. 37.

and was known as the soil bank program. The Soil Bank Act 1/ authorized assistance to growers to divert a portion of their allotted cotton acreage to programs of soil, water, forest, and wildlife conservation. Payments were based on normal yields for the designated acreage at specified amounts per pound. The plan operated under both short-term (1 year) and long-term contracts (not less than 3 years). No short-term contracts have been made since the 1958/59 crop year and no long-term contracts since the 1960/61 crop year; certain long-term contracts, however, are still in effect.

Since the beginning of the soil bank program, growers have been compensated for diverting from production the allotted cotton acreage shown in the following tabulation:

Crop year	Acres
1956/57	1,121,151
1957/58	3,129,630
1958/59	5,105,957
1959/60	517,000
1960/61	683,000
Total	10,556,738

Progressive reductions in cotton acreage under the foregoing programs (acreage-control and soil-bank cutbacks) have not reduced annual output. In 1961/62 about 15.6 million acres was harvested, an area equivalent to 64 percent of the acreage harvested in 1938/39 and to 37 percent of that in 1928/29 (table 1). Between

1/ 70 Stat. 188; 7 U.S.C. 1801 et seq.

the 2 crop years 1928/29 and 1961/62, however, the average yield per acre rose from 163 pounds to 438 pounds. 1/ Although the acreage harvested annually in the period 1959/60 to 1961/62 was only about a third of that harvested in 1928/29, cotton production in each of the crop years 1959/60 to 1961/62 was virtually the same as that in 1928/29.

The principal objective of the marketing-quota and the acreage-allotment programs for cotton is to prevent the accumulation of "excessive supplies." 2/ Accordingly, some appreciation of the operation of these programs can be gained by a review of the yearend carryover stocks of cotton. In such a review, however, recognition must be given to other factors--particularly the USDA price-support and export-subsidy programs for raw cotton--that have affected the level of yearend stocks.

According to the legislation under which the marketing-quota and acreage-allotment programs are conducted, the objective for the level of carryover stocks for both Upland and extra-long-staple cotton is 30 percent of the sum of domestic consumption and exports. 3/ During the 1960/61 crop year, consumption plus exports of Upland cotton amounted to 14.8 million bales (table 2). Accordingly, the objective for the carryover of Upland cotton on

---

1/ The highest average yield per acre on record is 466 pounds attained in 1958/59.
2/ 7 U.S.C. 1341.
3/ 7 U.S.C. 1301(b)(10)(C).

July 31, 1961, would have been 4.4 million bales; the actual carryover, however, was 7.0 million bales (equivalent to 48 percent of consumption plus exports during 1960/61). For extra-long-staple cotton, consumption plus exports during 1960/61 amounted to 155,000 bales. The objective for the carryover of such cotton on July 31, 1961, therefore, would have been 46,500 bales, whereas the actual carryover was 135,000 bales (equivalent to 87 percent of consumption plus exports during 1960/61).

Some observers in the trade contend, however, that for Upland cotton a carryover larger than the statutory objective for July 31, 1961, is necessary to assure adequate supplies of the various qualities of cotton and to prevent inroads by manmade fibers and other substitutes during years of less than average production of particular grades and staples of raw cotton. For that reason, a Presidential advisory committee in 1961 concluded that a carryover of 7.5 million bales is desirable. 1/

1/ See Summary and Conclusions of Members of the Cotton Advisory Committee, Jan. 30, 1961, p. 3; see also U.S. Department of Agriculture, Commodity Stabilization Service, Price Support Handbook, June 1960, p. 62, which states that in recent years, due to world tensions, objectives for reserves for national emergency purposes (i.e., stocks in excess of normal carryover requirements) of many major commodities such as corn, wheat, and cotton have been revised upward to levels higher than those which would have been considered desirable previously.

So far as can be ascertained, there has been no public comment by responsible officials concerning the adequacy or inadequacy of the "30-percent" carryover for stocks of extra-long-staple cotton.

The following tabulation (computed from the data in table 2) shows for Upland and extra-long-staple cotton yearend carryover stocks in the United States, and the ratios of such stocks to the offtake (domestic consumption plus exports) for the crop years 1954/55 to 1961/62:

Crop year Aug. 1-July 31	Upland cotton		Extra-long-staple cotton	
	Yearend stocks	Ratio of yearend stocks to offtake	Yearend stocks	Ratio of yearend stocks to offtake
	1,000 bales	Percent	1,000 bales	Percent
1954/55	11,028	91	177	158
1955/56	14,399	128	130	90
1956/57	11,269	70	103	60
1957/58	8,615	63	122	112
1958/59	8,733	77	152	114
1959/60	7,404	46	155	110
1960/61	7,093	48	135	87
1961/62 (estimated)	7,760	56	90	49

Yearend stocks of both Upland and extra-long-staple cotton have exceeded the statutory objective in every year of the period

1954/55 to 1961/62. Beginning in 1959/60, however, the annual carryover of Upland cotton has been at a level consistent with the quantity which responsible sources, including the USDA, regard as adequate.

Price-support programs

Cotton.--Although price support direct to growers of Upland cotton was first made available in the early 1930's through loans offered by the Commodity Credit Corporation (CCC), 1/ the first comprehensive legislation dealing with price support for cotton was contained in the Agricultural Adjustment Act of 1938. Additional price-support legislation followed in 1941 and subsequent years. The Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), which superseded or repealed nearly all the prior price-support legislation for cotton, has in recent years been, with amendments, the basic authority for the price-support programs for both Upland and extra-long-staple cotton. 2/

Participation in the price-support program is intended to be available only to "cooperators," i.e., growers that do not exceed their farm-acreage allotment. 3/ Although the Secretary of

1/ The CCC was originally chartered as a Delaware corporation by executive order of Oct. 16, 1933. This corporation became a part of the USDA effective July 1, 1939, pursuant to Reorganization Plan No. 1 of 1939 (53 Stat. 1429, 4 F.R. 2730, sec. 401). A second CCC was charted by Congress in 1948.

2/ See 7 U.S.C. 1441, 1443-44. Regulations concerning the administration of such programs are issued for each crop year by the CCC and are published as part 427 of title 6, Code of Federal Regulations.

3/ 7 U.S.C. 1428(b), 1441. In years for which no marketing quotas are proclaimed, all growers are considered "cooperators."

Agriculture has the statutory authority to make price supports available to noncooperators at such levels as he determines will facilitate the effective operation of the program but not in excess of the level of price support to cooperators, 1/ he has allowed only cooperators to participate.

Since the inception of price-support programs, farm prices for cotton have been supported by both loan and purchase programs. Nonrecourse loans have been available for Upland cotton in every year except 1936/37, while loan or purchase programs have been available for extra-long-staple cotton in every year since 1942/43 except for 1950/51. 2/

The loan method of support affords the grower an opportunity either to market his crop or to keep it under loan, whichever course is more advantageous to him. At any time before maturity of the loan the grower may redeem his cotton by paying off the loan; he would then be free to sell his cotton in the open market. Ordinarily, of course, a grower would redeem cotton that he had placed under loan only if the market price was above the support (loan) price (plus storage charges). If the grower chooses not to redeem his cotton before maturity of the loan, the nonrecourse character of the loan agreement enables him to deliver his cotton to the

---

1/ 7 U.S.C. 1441(d)(5).
2/ Price support in the form of loans has been in effect for extra-long-staple cotton only since the 1953/54 crop year, when marketing quotas for such cotton were first proclaimed.

CCC in full settlement of the loan. Under the purchase programs, growers may sell cotton directly to the CCC at the support price at any time during the crop year. The loan and purchase programs promote orderly marketing. In the absence of such programs, many growers would find it necessary to market the bulk of their output at harvest time, tending to cause market gluts which lower prices. The loan and purchase programs give growers an opportunity, without risk of serious financial loss, to spread marketing throughout the season, and thus to reduce the extent of seasonal price swings.

CCC loans are made to growers by the CCC or by approved lending agencies. The loans bear interest 1/ and mature July 31 of the calendar year following the year in which the cotton was planted, or on such earlier date as the CCC may make demand for repayment. In the event that the grower does not elect to redeem the cotton upon maturity of the loan, title to the cotton vests in the CCC without sale. 2/

1/ The rate for 1961/62 was 3-1/2 percent.

2/ A grower may transfer his equity in the cotton under loan prior to maturity of the note, in which event the transferee must redeem the cotton promptly. (6 CFR 427.1225).

The Agricultural Act of 1949 originally provided for minimum support to cooperators at 75 to 90 percent of the parity price of cotton. 1/ The act specified that the minimum support level should vary between these limits inversely with a so-called supply percentage--i.e., the ratio of the estimated total supply of cotton for the marketing year to the "normal supply" as determined at the beginning of the marketing year by the Secretary of Agriculture. For cotton with respect to which marketing quotas were disapproved, the loan rate was established at 50 percent of the parity price. 2/ The act of 1949, however, deferred the full implementation of the "supply percentage" formula by providing that the support level to cooperators for the crop year 1950/51 should be 90 percent of the parity price for cotton for which marketing quotas or acreage allotments were in effect, and that the support level for such cotton for the crop year 1951/52 should be not less than 80 percent of the parity price. 3/

Legislative action in 1952 further deferred the application of the "supply percentage" formula in the crop years 1952/53

1/ The "parity price" is determined by the Secretary of Agriculture according to a statutory formula (7 U.S.C. 1301(a)(1)), and is, in effect, the price that 1 pound of cotton would have to command in order to give the grower the same equivalent purchasing power with respect to goods, labor, interest on farm mortgages, and taxes on farm real estate as existed during a statutory base period. Parity prices for cotton (and also for various other farm products) are computed and published monthly by the USDA.

2/ 7 U.S.C. 1441(b), (d)(3).

3/ 7 U.S.C. 1441(d)(1), (d)(2).

through 1954/55, 1/ pegging the support level for Upland cotton for these years at 90 percent of parity and requiring the level of support for extra-long-staple cotton for the crop year 1953/54 to be in the same relationship to that of Upland cotton as the relationship of the average farm prices for those types of cotton during the period 1936/37 to 1942/43.

The Agricultural Act of 1954 (68 Stat. 897) specified that the minimum level of support for Upland cotton of the 1955/56 crop was to be 82.5 percent of the parity price, and that for subsequent crops of Upland cotton with respect to which marketing quotas were approved the "supply percentage" formula was to be used. This act also required extra-long-staple cotton to be supported at the minimum level specified in the "supply percentage" schedule.

In 1958 an amendment to the Agricultural Act of 1949 effected two changes in the method of determining the level of price supports for Upland cotton. 2/ The first change, which applied to the 1959/60 and 1960/61 crops, afforded two choices to the operator of each farm for which an acreage allotment was

---

1/ 66 Stat. 298; 66 Stat. 758.

2/ Another 1958 amendment to the Agricultural Act of 1949 provided in effect that beginning with the 1961/62 crop year the standard grade and staple of Upland cotton for purposes of parity and price support should be the average grade and staple of the crop; in preceding crop years the standard was Middling 7/8-inch cotton /7 U.S.C. 1423, as amended by sec. 108 of the Agricultural Act of 1958 (72 Stat. 993)/.

established: "Choice A" offered price support in the form of purchase programs for the acreage allotment of the individual farm at the appropriate "supply percentage" level (except for the 1959/60 crop, which was to be supported at not less than 80 percent of parity); and "choice B" offered price support in the form of loan programs at 15 percentage points of parity below the support level of "choice A" with permission to plant up to 140 percent of the acreage allotment of the individual farm. 1/ The second change in the method of determining price-support levels applied to the Upland cotton crops of 1961/62 and subsequent years. 2/ That change authorized the Secretary of Agriculture--after taking into account certain statutory criteria--to establish the support level for Upland cotton with respect to which marketing quotas have not been disapproved within the range of 70 to 90 percent of the parity price for the 1961/62 crop, and 65 to 90 percent of the parity price for subsequent crops. 3/

The changes relating to Upland cotton just noted resulted in a support level for "choice A" cotton at 80 percent of parity (the statutory minimum) in 1959/60 and at 75 percent of parity in 1960/61; the support levels for "choice B" cotton were 65 percent and 60 percent of parity, respectively. In the 1961/62 crop year

---

1/ 7 U.S.C. 1443.
2/ Beginning with the 1961/62 crop year, loans again became available on all eligible Upland cotton.
3/ 7 U.S.C. 1421(b), 1444.

the support level for Upland cotton was established at 82 percent of parity; for 1962/63 Upland cotton the support level is also 82 percent.

Under the price-support system in effect since 1950/51, the minimum basic loan rate (i.e., the support price for the basic quality of cotton) is computed for a particular marketing year in advance of the beginning of that year by multiplying the support level prescribed under the statute by the parity price of cotton then current. Beginning with the 1961/62 crop of Upland cotton, as already noted (footnote 2, p. 38), the basic (standard) quality of Upland cotton for price-support purposes has been the average quality of the crop, as estimated by the USDA on the basis of the quality of the crops of immediately preceding years; prior to the 1961/62 crop year, the basic quality was Middling cotton of 7/8-inch staple. 1/

In the event that the support price computed in advance of a marketing year represents a smaller percentage of the parity price existing at the beginning of that marketing year than the minimum support level required by law, the support price is raised to the required minimum percentage. 2/

1/ The basic quality of extra-long-staple cotton for price-support purposes has always been the average quality of the crop.

2/ 7 U.S.C. 1421(d). For the 1961/62 crop the minimum support level was 70 percent of parity; for the 1962/63 crop it is 65 percent.

The support price for a particular quality (grade and staple) of cotton is determined from a schedule of premiums and discounts which are expressed in cents per pound and either added to or deducted from the support price of the basic quality. With respect to the 1961/62 crop of Upland cotton (and also that of 1962/63), the USDA converted the support price for the average quality (the standard for those crops and subsequent crops) into the appropriate figure for cotton of Middling grade and 1-inch staple, a quality of cotton that is at present slightly higher than the average quality of the crop. That support price for Middling 1-inch cotton and the schedule of premiums and discounts was used to determine the support prices (loan rates) for other qualities of Upland cotton.

For the 1962/63 crop, the loan rate for Middling 1-inch cotton is 32.47 cents per pound, compared with the 1961/62 loan rate of 33.04 cents (table 3). 1/ The decline from 1961/62 to 1962/63 in the loan rate for Middling 1-inch cotton is attributable to the fact that the average quality of Upland cotton has increased in recent years. Moreover, since premiums and discounts for computing the schedule of loan rates for other qualities of Upland cotton have been based in recent years on the current market prices, those differentials for

---

1/ The loan rates shown in table 3 are "average" rates; appropriate adjustments are made in these averages for cotton in various locations (see 7 U.S.C. 1423).

quality are generally smaller for the 1962/63 crop than the corresponding amounts for the 1961/62 crop. Accordingly, the loan rates for the 1962/63 cotton of lower quality than Middling 1-inch are higher, and those for such cotton of higher quality are approximately the same as, or slightly lower than, the corresponding loan rates in 1961/62.

In 1958 the price-support legislation concerning extra-long-staple cotton with respect to which marketing quotas are not disapproved was also amended. The Secretary of Agriculture was authorized to exercise discretion in establishing the support level for such cotton, taking into account certain statutory criteria and the price levels for similar qualities of cotton grown outside the United States. The level of support as a percent of parity, however, was not to exceed that for the 1956/57 crop (which had been 75 percent) and not to be below 60 percent of the parity price. 1/ In each of the years 1958/59 to 1961/62 the support level for the average quality of the crop of extra-long-staple cotton was 65 percent of the parity price; for the 1962/63 crop it is also 65 percent.

In summary, a system of flexible price supports is presently available to "cooperating" growers of cotton. In the 1963/64 and subsequent crop years, the level of support for Upland cotton will be within the limits of 65 to 90 percent of the parity price thereof, and for extra-long-staple cotton, within the limits

---

1/ 7 U.S.C. 1441(f); 7 U.S.C. 1421(b) lists the "certain statutory criteria" referred to in the preceding sentence.

of 60 to 75 percent of the parity price thereof. In the event that marketing quotas are disapproved by growers, the support level for both types of cotton is fixed by statute at 50 percent of the parity price.

Inasmuch as one of the principal aims of the price-support programs is to assist growers in obtaining parity prices for their crops, 1/ the ratios of average prices received by growers to average parity prices may be considered as one measure of the success, or failure, of the price-support programs. The following tabulation shows the average prices received by growers for Upland cotton produced in the crop years 1951/52 to 1961/62, the ratios of those average prices to the average parity prices, and the support level expressed as a percent of parity price: 2/

1/ As noted previously, the first comprehensive legislation dealing with price support for cotton and other commodities was contained in the Agricultural Adjustment Act of 1938. Sec. 2 of that act (7 U.S.C. 1282) provides, in pertinent part, as follows:

> It is hereby declared to be the policy of Congress * * * to regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice to the extent necessary to provide an orderly, adequate, and balanced flow of such commodities in interstate and foreign commerce through * * * assisting farmers to obtain, insofar as practicable, parity prices for such commodities * * *.

2/ For each crop year, as previously noted, the basic loan rate (expressed in cents per pound) is equivalent to the percentage of the parity price designated as the support level. In 1961/62 the basic loan rate (for the average quality of the crop) was equivalent to 82 percent of the parity price, and the loan rate for Middling 7/8-inch cotton (the basic quality for preceding crops), which was below the average quality of the 1961/62 crop, was equivalent to 77.5 percent of the parity price.

Crop year Aug. 1-July 31	Average price received by growers	Ratio of average price received by growers to average parity price	Support level in relation to parity
	Cents per pound	Percent	Percent
1951/52	37.69	114	90
1952/53	34.17	104	90
1953/54	32.10	97	90
1954/55	33.52	99	90
1955/56	32.27	93	90
1956/57	31.63	87	82.5
1957/58	29.46	78	78
1958/59	33.09	86	81
1959/60	31.56	82	1/ 80, 65
1960/61	30.08	78	1/ 75, 60
1961/62 (Aug.-June)	31.83	82	2/ 82, 77.5

1/ "Choice A" and "choice B," respectively.
2/ Based on average of the crop and Middling 7/8-inch cotton, respectively.

The following tabulation shows the average prices received by growers for extra-long-staple cotton in the crop years 1953/54 to 1961/62, the ratios of those average prices to the average parity prices, and the support level expressed as a percent of parity price:

Crop year Aug. 1-July 31	Average price received by growers	Ratio of average price received by growers to average parity price	Support level in relation to parity
	Cents per pound	Percent	Percent
1953/54----------	73.8	104	105
1954/55----------	65.3	90	91
1955/56----------	53.9	73	76
1956/57----------	65.3	84	75
1957/58----------	56.9	70	75
1958/59----------	54.0	66	65
1959/60----------	54.3	67	65
1960/61----------	55.1	68	65
1961/62 (Aug.-June)---	55.1	68	65

Cottonseed.--For many years, the Federal Government has maintained price-support programs for cottonseed, a valuable by-product of cotton. Under section 301 of the Agricultural Act of 1949 (7 U.S.C. 1447), the Secretary of Agriculture is authorized to make available, through loans, purchases, or other operations, price support to growers of cottonseed and other "nonbasic" agricultural commodities, at a level not in excess of 90 percent of the parity price for such commodities. 1/ The minimum level of support is variable, ranging from 75 to 90 percent of parity according to a statutory "supply percentage" table; under specified conditions the Secretary may establish a

1/ For purposes of price support, the basic grade for cottonseed is the average quality of the crop.

lower level than that provided in the table. 1/ In 1952 the Congress directed that any price-support program in effect on cottonseed or any of its products be extended to the seed and seed products of extra-long-staple cotton. 2/ Pursuant to this statutory authority, loan and purchase programs have been conducted each year beginning in 1950/51 with respect to cottonseed. 3/ These programs are similar to those described in the preceding section for cotton. Support levels have ranged from 57 to 90 percent of parity.

The primary purpose of price-support operations for cottonseed, as for cotton, is to assist the growers to obtain parity prices for their crops. One indication of the success of this objective is the ratio of average prices received by growers to average parity prices. The following tabulation shows average prices received by growers of cottonseed for the crop years 1950/51 through 1961/62, the ratios of those average prices to the average parity prices, and the support level expressed as a percentage of parity price:

1/ 7 U.S.C. 1448.
2/ 7 U.S.C. 1432.
3/ Regulations concerning such programs are published annually in pt. 443 of title 6 of the Code of Federal Regulations.

Crop year Aug. 1-July 31	Average price received by growers	Ratio of average price received by growers to average parity price	Support level in relation to parity
	Per ton	Percent	Percent
1950/51----------	$86.60	122	73
1951/52----------	69.30	92	90
1952/53----------	69.60	95	90
1953/54----------	52.70	73	75
1954/55----------	60.30	85	75
1955/56----------	44.60	64	65
1956/57----------	53.40	75	70
1957/58----------	51.10	72	65
1958/59----------	43.80	64	65
1959/60----------	38.80	58	57
1960/61----------	42.50	66	57
1961/62----------	51.10	81	78

The wide fluctuations in average prices received by growers for cottonseed is probably attributable, in large degree, to the marked changes in support levels; such prices were influenced not only by the supply of and demand for cottonseed oil and meal, but also by the prices of competing end products of soybeans, peanuts, and corn.

Export programs

Ordinarily, when a country depends upon export markets as an outlet for a substantial share of its annual output of a particular commodity, as the United States does with respect to raw cotton, prices for that commodity are generally lower in the markets of the producing country than in the markets of the importing countries. The spread between the prices in the exporting country and those in importing countries is generally sufficient to cover transportation costs, handling charges, and other costs (and incentives) of marketing the commodity in the importing countries. Before the inception of price-support programs for U.S. raw cotton, the relation of domestic prices to prices in foreign markets followed the customary pattern described above; U.S. cotton was generally able to compete in foreign markets with comparable cotton of foreign growth on the basis of price. 1/ During the early years of price-support programs for U.S. raw cotton, such cotton continued to be offered in foreign markets at prices generally higher than those in the domestic market, the spread being sufficient to cover all costs of marketing U.S. cotton abroad. However, under the price-support programs, the ability of U.S. cotton to compete in foreign markets dwindled. The change in the competitive position of U.S. cotton in world markets--resulting in part from the marked increase in cotton production in foreign countries 2/--had a

---

1/ In the period 1924/25 to 1932/33, when there were no domestic price-support programs for raw cotton, the United States accounted for 52 to 67 percent of annual world exports of raw cotton.

2/ Cotton production in foreign countries rose from an annual average of 12.3 million bales in the period 1924/25 to 1932/33 to 17.6 million bales in the period 1933/34 to 1939/40, and to 25 million bales in the postwar period 1946/47 to 1960/61. In 1960/61 cotton production in foreign countries amounted to 32.3 million bales.

restraining effect on U.S. exports of cotton that was offset, in part, by various export-incentive programs of the U.S. Government. 1/

After U.S. export-incentive programs for raw cotton became effective (1939), the spread between prices for U.S. cotton in the domestic market and those for such cotton in foreign markets was gradually eliminated, and eventually prices for U.S. cotton became lower abroad than in the United States. Evidence of the change in the relation of U.S. cotton prices in the domestic market to those in foreign markets is indicated in table 4, which shows, for the crop years 1951/52 to 1961/62, the average spot market price of Strict Middling 1-1/16-inch cotton at Memphis, Tenn., and the average quotations at Liverpool, England, of approximately the same quality of U.S. cotton and of comparable cotton of foreign growth. 2/

The export programs discussed in this report include not only the programs conducted by the USDA for the sole purpose of encouraging the exportation of raw Upland cotton and articles

---

1/ During the period 1933/34 to 1939/40 the United States supplied 28 to 55 percent of annual world exports of raw cotton, and in the period 1946/47 to 1960/61, 17 to 48 percent.

2/ Although the data shown in table 4 indicate only crudely the disparity between the prices of U.S. cotton in the domestic market and those of such cotton in foreign markets, they are the best available for measuring such disparity. One of the problems involved in attempting to measure this disparity is the fact that a particular quality of U.S. cotton classified under USDA specifications for grade and staple--for example, Strict Middling, 1-1/16-inch--may be classified somewhat higher in grade and/or staple in foreign markets.

produced from such cotton, but also the foreign aid and assistance programs (hereinafter referred to as foreign-assistance programs) operated under the Mutual Security Acts of 1951 and 1954, the Export-Import Bank Act, and the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong., 2d sess). Inasmuch as these foreign-assistance programs have purposes and objectives extending beyond the mere disposal of surplus agricultural commodities and, except for the programs operating under titles I and III of Public Law 480, have not been administered by the USDA, they could be considered outside the scope of this investigation. Since August 1, 1956, however, practically all exports of raw Upland cotton under the foreign-assistance programs have been subsidized under the export-incentive programs of the USDA; 1/ some raw cotton, therefore, has been exported in response to two U.S. Government programs, both of which are given attention in this investigation.

Inasmuch as U.S. production of extra-long-staple cotton is not adequate to meet domestic requirements, USDA export-subsidy programs have not been conducted for such cotton. Small amounts of extra-long-staple cotton, however, were exported under Public Law 480 in the period 1957/58 to 1961/62.

1/ The exports of cotton for famine relief under title II of Public Law 480 have not benefited from the export-subsidy programs of the USDA; however, such exports have always been less than 50,000 bales per year.

Raw-cotton export programs.--The first cotton-export program of the USDA began on July 27, 1939, when direct payments to exporters of 1.5 cents per pound were offered. The rate of such payments was gradually reduced until it reached 0.2 cent per pound on December 11, 1939; the program was discontinued on January 30, 1940. Under that program, payments were made on cotton exports totaling about 5.6 million bales, an amount equal to about 90 percent of the cotton exported in the year 1939/40. Another export program, with payments on exports of cotton to Canada only, was in effect from September 29, 1941, to March 13, 1942. A third export-subsidy program, which allowed the purchase of certain qualities of cotton for export at fixed differentials below the domestic price, was announced in November 1944 and continued until the end of December 1950.

The next export program for raw cotton was announced by the USDA on September 21, 1955. Under that "special" export program, the CCC offered to sell, beginning after January 1, 1956, for export on a competitive-bid basis not more than 1 million bales of the shorter lengths of Upland cotton (15/16-inch and shorter) in its stocks. Sales under that program, which were completed in February 1956, were at prices "below the minimum price limitations that control most CCC sales"; a substantial part of such sales were exported under the Mutual Security and Export-Import Bank loan programs (table 5).

On February 28, 1956, the USDA announced another sales-for-export program of the competitive-bid type which, unlike the program announced in 1955, covered all lengths and qualities of Upland cotton in CCC stocks. This type of program became effective August 1, 1956, and continued until July 31, 1959; it was applicable to exports under the various foreign-assistance programs--Mutual Security, Export-Import Bank loans, and titles I and III of Public Law 480 (table 5). The cotton exported under the competitive-bid programs of 1956/57 to 1958/59 was purchased at discounts averaging, for cotton of Middling grade and 1-inch staple, 7.2 cents per pound in the crop year 1956/57, 6.2 cents in 1957/58, and 5.8 cents in 1958/59. 1/ These discounts, in effect, measure the average annual subsidies per pound accorded exporters under the competitive-bid export programs; however, they do not even approximate the average spread in the specified crop years between cotton prices in the U.S. market and those in foreign markets (table 4).

The Agricultural Act of 1956 contained a provision (section 203) directing the CCC to offer Upland cotton for export "at prices not in excess of the level of prices at which cottons of comparable qualities are being offered in substantial quantity by other

---

1/ Discounts represent the difference between the average of the sales prices on each sale date (weighted by the number of bales sold) and the average of the prices in the 14 U.S. spot markets on each of the sales dates.

exporting countries * * *." The purpose of this provision, as stated in the act, was to "reestablish and maintain the fair historical share of the world market for United States cotton." The Secretary of Agriculture was authorized under the act to determine the volume of cotton to be exported in order to accomplish the desired end. Pursuant to this mandate, the USDA inaugurated a payment-in-kind program for Upland cotton on August 1, 1958. It has continued this method of subsidizing exports to the present. 1/ Under these programs, exporters that register their sales or consignments of Upland cotton with CCC receive, upon exportation of the cotton, payments in the form

---

1/ For the regulations governing administration of the program for the crop year 1961/62, see 26 F.R. 3513 and amendment (26 F.R. 10586). Extra-long-staple cotton has not been included in either the sales-for-export or the payment-in-kind programs. Sec. 202(b) of the Agricultural Act of 1956 (7 U.S.C. 1852) directed the CCC, beginning not later than Aug. 1, 1956, to sell for export at competitive world prices its stocks of extra-long-staple cotton then on hand. No action was taken pursuant to this provision until December 1960, when the USDA announced that it would offer American-Egyptian cotton acquired through its price-support programs for sale for export at competitive bids. To date (Aug. 17, 1962), however, no such sales have been negotiated. Legislation, effective in July 1962, authorized the USDA to sell 219,000 bales of extra-long-staple cotton that had been a part of the national strategic materials stockpile; of the total, approximately 47,000 bales was of domestic origin and 172,000 bales, of foreign origin. The cotton of domestic origin is to be sold for domestic use; that of foreign origin must be exported. The details of this sales program had not been announced by Aug. 17, 1962.

of certificates redeemable in Upland cotton from CCC stocks. 1/ Payments have been made on virtually all exports of Upland cotton since the inception of this type of program, including the exports shipped under the auspices of various U.S. foreign-assistance programs (table 5). Payments under the payment-in-kind program in the period 1958/59 to 1961/62 are shown in the following tabulation:

Crop year Aug. 1-July 31	Cents per pound
1958/59	6.5
1959/60	8.0
1960/61	6.0
1961/62	8.5

On February 15, 1962, the Secretary of Agriculture announced that the rate in effect during 1961/62 (8.5 cents per pound) would be continued during 1962/63, subject to change without prior notice. 2/ On June 26, 1962, the USDA announced that, in addi-

1/ The redemption rate in the form of cotton is based on the price at which CCC sells its stocks of cotton for use in the domestic market (see section of this report on domestic sales). Because of a shortage of cotton in the hands of the CCC at the beginning of 1961/62, the USDA broadened the provisions of the program to include, in addition to a choice for payment-in-kind, two other options: Repayment of loans on Upland cotton; cash payment under certain conditions (26 F.R. 10586).

2/ USDA Press Release No. 606-62, Feb. 15, 1962.

tion to the payment-in-kind program, the CCC would also operate a competitive-bid-for-export program during the 1962/63 crop year. 1/ However, CCC will not offer any cotton under the program unless the average official market price for cotton of Middling grade and 1-inch staple reaches at least 34.22 cents per pound plus carrying charges. The average spot market price for this quality of cotton was slightly below 34 cents per pound during the early weeks of August 1962. The price rise on which exports under this program are contingent is not anticipated by the cotton trade unless the 1962/63 domestic crop of Upland cotton is far below the crop estimate of August 1.

The USDA spokesman at the Commission hearing stated that the export-subsidy rate then current--8.5 cents per pound--was "the most accurate measurement that we have * * * for the disparity between the domestic prices of cotton and the prices in the world

---

1/ USDA Press Release No. 2334-62, June 26, 1962. The minimum price at which cotton will be sold under this program is the domestic market price (as determined by CCC) for each quality, plus 0.6 cent per pound.

market." 1/ No data were presented to support the validity of this statement. The following paragraphs concerning the selection of the export-subsidy rate indicate that, in order to induce significant quantities of exports, that rate must generally be higher than the above-mentioned disparity (see also section of this report on cost factors). Indeed, to be effective the subsidy must be high enough to provide some incentive to exporters over and above the prices that they must pay for U.S. cotton plus the various costs incident to its delivery to foreign markets.

As noted, the Secretary of Agriculture is authorized by statute to determine the annual volume of cotton necessary to be exported to "reestablish and maintain the fair historical share of the world market for United States cotton." Accordingly, under the payment-in-kind program he must determine the rate of the subsidy payment at a level that, in his judgment, will result in the exportation of the desired amount of raw cotton.

What the Secretary considers "the fair historical share of the world market" in terms of bales for a particular crop year is not known. 2/ In determining the rate of the export subsidy

---

1/ Transcript of the hearing, p. 81.

2/ At the time the statutory provision was written, the Secretary of Agriculture advised the Congress that at the then-current level of world trade in cotton the "fair historical share" for the United States was 5 million bales, an amount equivalent to about 43 percent of free-world trade in cotton (see H.R. Rept. No. 2197, 84th Cong., 2d sess. (1956), p. 4).

required to induce exports of the desired quantity, however, the Secretary must take into consideration many factors, including the following: U.S. carryover stocks, an estimate of the oncoming U.S. crop, the U.S. support price, the tone of the U.S. textile market, carryover stocks in foreign countries, estimates of the oncoming foreign crops, the tone of foreign textile markets, and the various costs incident to delivering U.S. cotton to foreign markets.

Although the Secretary does not reveal his export goal, information and sophisticated estimates pertinent to his determination of the subsidy rate are available to cotton interests throughout the world. Accordingly, anticipation of the U.S. export program for a particular year has an effect--even in advance of the announcement [1/]--on prices in foreign markets dependent upon the collective judgment of cotton traders of the probable effect of that program on the volume of U.S. exports. Inasmuch as the Secretary's estimates of the size and quality of the oncoming cotton crops in both the United States and foreign countries, as well as his estimates of the consumption trends in cotton-manufacturing centers, may prove to be inaccurate, cotton prices in foreign markets may rise above, or fall below, the level anticipated by him. In any event, the current U.S. export subsidy does not

1/ Thus far under the payment-in-kind export-subsidy program for raw cotton, the USDA has announced the rate of the subsidy to be paid during a particular crop year many months in advance of the start of such crop year.

enable foreign cotton manufacturers to purchase raw cotton at prices lower by an amount equal to such subsidy than they would pay in the absence thereof. The subsidy is a planned response to a set of circumstances (price supports, et al.) that have caused cotton prices to be higher in the U.S. market than in the foreign markets that are important outlets for U.S. cotton.

When, during a particular crop year, cotton prices in foreign markets are higher than those anticipated by the Secretary, U.S. exports of raw cotton on which the export subsidy is paid will exceed the amount of the Secretary's target; on the other hand, when prices in foreign markets are below those anticipated by the Secretary, U.S. exports will fall short of that target. Inasmuch as a uniform subsidy is paid under the payment-in-kind program on every pound of U.S. cotton exported, regardless of quality, exporters will almost always find it profitable to export some raw cotton, particularly the lower grades and shorter staples. Moreover, cotton exporters are also assisted in their sales abroad by the foreign-assistance programs, the subject of the following section of this report.

The following tabulation (based on table 6) shows for the period 1956/57 to 1961/62--i.e., when USDA export-incentive programs were continuously in operation--the relationship of U.S. exports of raw cotton to total free-world exports:

Crop year Aug. 1-July 31	U.S. exports	
	Quantity	Share of total free-world exports
	1,000 bales	Percent
1956/57	7,598	53.3
1957/58	5,717	45.4
1958/59	2,789	24.4
1959/60	7,182	47.1
1960/61	6,639	44.3
1961/62 (estimated)	5,000	36.0

Foreign assistance programs.--Only two of the programs designated by the USDA at the hearing as foreign-aid and assistance are administered by the USDA--namely, the operations under titles I and III of Public Law 480. The other designated foreign-assistance programs, however, have also served as a stimulus to U.S. exports. In the 5-year period 1951-55, which included some years when no USDA export-subsidy programs were in operation, a substantial share of U.S. exports were shipped either under the auspices of the mutual security program or upon receipt by the foreign importers of loans from the Export-Import Bank. During the period since August 1, 1956, even though nearly all exports of Upland cotton have been subsidized under the USDA export programs, the foreign-assistance programs have continued to provide an important additional stimulus to U.S. exports of cotton. 1/

1/ Exports under the mutual security program and Export-Import Bank loan programs represented 44 percent of total U.S. exports of raw cotton in the 3 years (beginning July 1) of 1952/53 to 1954/55 and about 10 percent, in the 3 years 1959/60 to 1961/62 (table 5).

Title I of Public Law 480 provides a sales-for-foreign currency program. 1/ The purpose of this program is stated in the law as follows: 2/

> It is declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor.

1/ 7 U.S.C. 1701-1709. Sec. 8 of Public Law 85-931 (72 Stat. 1790) makes the provisions of title I expressly applicable to extra-long-staple cotton and products manufactured from Upland or extra-long-staple cotton, in the same manner as to Upland cotton.

2/ 7 U.S.C. 1691. When a foreign country enters into an agreement with the United States to purchase surplus agricultural commodities under the terms of title I, it applies to the USDA for dollar financing, and banks in the United States and in the importing country are designated to participate in the transaction. A private importer in the foreign country and a private exporter in the United States then negotiate the terms of sale in the normal manner. The foreign importer deposits foreign currency (in an amount equal to the agreed-upon price in dollars converted at current rates of exchange) in the foreign bank to the credit of the United States. The U.S. exporter receives payment in dollars from the U.S. bank, which is in turn reimbursed by the CCC. The foreign currencies are used abroad by the United States in various ways specified in the agreement between the United States and the foreign country.

In the years 1954/55 to 1961/62, sales of cotton under title I of Public Law 480 were as follows (in thousands of running bales):

Year beginning July 1	
1954/55	58
1955/56	465
1956/57	1,377
1957/58	864
1958/59	639
1959/60	704
1960/61	1,283
1961/62 (estimated)	1,100

Related to the surplus disposal program of title I of Public Law 480 is the barter provision of title III of that act, which authorizes the CCC to barter or exchange surplus commodities for Government purchases of strategic or other materials. 1/ The stated purpose of the barter program is "to prevent the waste of commodities whether in private stocks or acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices." 2/ The volume of U.S. cotton exported under barter arrangements reached 970,000 bales in 1956/57, or 13 percent of total cotton exports. Since then, exports under barter have declined; they were only 104,000 bales (less than 2 percent of total cotton exports) in 1960/61 and declined to less than 50,000 bales in 1961/62 (table 5).

1/ 7 U.S.C. 1431.
2/ Ibid.

Cotton-products export program.--On May 21, 1956, the USDA announced an export program for cotton products, effective August 1, 1956. Under this program "equalization payments" are made on exports of cotton manufactures (including spinnable waste) produced from Upland cotton grown and wholly processed in the United States. 1/

The export program for cotton products is conducted under the authority of sections 4 and 5 of the CCC charter. 2/ At the beginning of each month the CCC determines the "base equalization rate," which at present equals the payment rate in effect for Upland cotton under the payment-in-kind program. 3/ For purposes of administering the program, cotton products are currently divided into 18 categories. To determine the cash equalization rate to be paid on exports under each category, a fixed percentage (to adjust chiefly for spinning and cutting losses and for the noncotton content of the various products in each category) is applied to the base equalization rate. 4/ To the extent deemed feasible,

---

1/ The product must contain not less than 50 percent by weight of American Upland cotton (6 CFR 482.352(b)). The program does not currently apply to the content of extra-long-staple cotton in exported products.

2/ 15 U.S.C. 714b, 714c(f). Regulations governing administration of the program appear in 6 CFR pt. 482, as amended (amendments, 26 F.R. 2773 and 26 F.R. 12750).

3/ During 1961/62 the base equalization rate of payment was 8-1/2 cents per pound.

4/ In 1961/62 these percentages ranged from 53 percent for coated, rubberized, and impregnated fabrics in short lengths (category L) to 135 percent for articles manufactured from finished fabrics (category H).

the base equalization rate is paid on each pound of raw Upland cotton required to manufacture the exported article.

In the period August 1, 1961, through June 30, 1962, subsidy payments to exporters of cotton products amounted to $16.5 million. Experience during earlier years indicates that about 40 percent of such payments were for finished fabric; 20 percent, for cotton waste; 15 percent, for gray yarn or fabric; 10 percent, for articles manufactured from fabric; and 6 percent, for short pieces of fabric (either gray or finished) more than 1 yard but less than 10 yards in length. The remaining portion included payments on a wide range of products.

The stated purpose of the export program for cotton products is "to encourage the movement of cotton by the commercial cotton trade into export channels"; 1/ this end is achieved by granting a subsidy on the raw cotton used to produce the exported cotton articles at the same rate as the subsidy payments on exports of raw cotton. Although the cotton-products export program compensates exporters for the higher cost of raw cotton in the U.S. market resulting from the operation of the USDA price-support programs, the ability of U.S. manufacturers to sell cotton articles abroad in competition with foreign manufacturers necessarily depends on many factors other than the comparative costs of raw cotton. Indeed, the trend of annual exports of cotton

1/ 6 CFR 482.401.

articles has been downward since 1947--the peak year of record for such exports--despite the following facts relating to the cost of raw cotton: (1) Prior to 1956/57, prices of individual qualities of Upland-type cotton were generally lower in U.S. markets than in foreign markets (table 4); and (2) beginning in 1956/57, the cotton-products export program has been in effect. However, the rate of decline in U.S. exports of cotton articles has, in general, been moderately lower since the inception of the cotton-products export program than it was in the immediately preceding years, as is shown in the following tabulation of U.S. exports of cotton articles during the period of the calendar years 1947-61 (in millions of pounds of cotton content 1/):

3-year average:	
1947-49	532.4
1950-52	328.4
1953-55	281.4
1956-58	260.9
1959-61	236.0
Annual:	
1953	291.2
1954	290.2
1955	262.8
1956	254.6
1957	278.0
1958	250.1
1959	236.4
1960	233.3
1961	238.4

1/ The amount of cotton actually embodied in the articles plus the amount "wasted" in processing.

Other programs and operations

Domestic sales.--As a result of the USDA price-support programs, the CCC has from time to time acquired large stocks of cotton. In recognition of the fact that large inventories of CCC stocks can depress market prices as well as run up high storage costs, the Congress provided in the Agricultural Act of 1949 for sale in the domestic market of the cotton owned or controlled by the CCC. 1/ However, in order to prevent domestic sales by the CCC at prices below support levels--which sales would depress market prices and cause additional quantities to be acquired by the CCC--the legislation also stipulated that cotton could not be sold domestically (except for certain specified purposes) at less than 5 percent above the current support price, plus reasonable carrying charges. The Agricultural Act of 1958 amended this legislation to provide that the minimum domestic sale price for Upland cotton during the marketing years 1959/60 and 1960/61 should be 110 percent of the "choice B" price-support level and that beginning with the 1961/62 crop year the domestic sale price for both Upland and extra-long-staple cotton should be not less than 115 percent of the established support price, plus reasonable carrying charges. 2/

1/ 7 U.S.C. 1427.

2/ 72 Stat. 988, 993; 7 U.S.C. 1443(c), 1427. To date, the CCC has established the minimum sale price for its stocks of cotton at the higher of either the specified percentage of the current support price or the market price that the CCC has determined.

Miscellaneous.--Numerous other activities are carried out by the USDA for the express purpose of increasing the income of the cotton grower. On the basis of their principal functions these may be briefly classified under seven categories: 1/

(1) Research and technical assistance to aid growers in lowering costs of production and increasing yields per acre;

(2) Research to determine new and better end uses for cotton as well as to improve production methods in end uses which already provide important outlets for cotton;

(3) Research to increase the speed and efficiency of ginning without injuring the intrinsic good qualities of cotton;

(4) Improvements in marketing of cotton by providing classing and grading services, market reports, and production and offtake forecasts;

(5) Market analysis to determine consumer preferences to enable the cotton industry to satisfy such preferences;

(6) Sales promotion and market development for cotton in foreign countries, administered by USDA and paid for in part by the use of foreign currencies received in payment for sales of surplus agricultural commodities abroad; and

---

1/ General statutory authority for these activities can be found as follows: (1) 7 U.S.C. 427; (2) 7 U.S.C. 1622(e), 7 U.S.C. 427, 7 U.S.C. 1292(a); (3) 7 U.S.C. 427; (4) 7 U.S.C. 51-65, 7 U.S.C. 471-76, 7 U.S.C. 1622(g); (5) 7 U.S.C. 427; (6) 7 U.S.C. 1704(a); (7) 12 U.S.C. 636 et seq., 7 U.S.C. 1508(a), 7 U.S.C. 1291(d), 16 U.S.C. 590h(b), 16 U.S.C. 590a, et seq.

(7) Credit and insurance programs for growers; assistance to farm cooperatives; and conservation programs.

Effect of USDA cotton programs on the distribution of raw cotton

In responding to the President's request for this investigation, the Commission found it necessary to consider the effect of the USDA cotton programs and of the accompanying so-called two-price system for U.S. cotton on the distribution of such cotton. The two-price system involves both Government support prices in the domestic market and subsidies that permit export sales at lower prices. Such a price policy is of special interest in connection with one of the declared purposes of the USDA domestic programs for cotton, namely, assistance to domestic "consumers to obtain an adequate and steady supply of [cotton] at fair prices." 1/

Inasmuch as the United States is the largest single supplier in the world market, the prices at which U.S. cotton is offered in foreign markets directly affect the prices of foreign-grown cotton. In recent years the U.S. price-support programs have raised market prices in the United States to levels which, in the absence of the U.S. Government export-incentive programs, would have discouraged any large volume of export sales of U.S. cotton. Although the U.S. export programs

1/ 7 U.S.C. 1282.

did not create the system that enables foreign manufacturers of cotton articles to buy Upland-type cotton at prices lower than those paid by U.S. manufacturers, those programs have operated to depress cotton prices in foreign markets. The rate of the U.S. export subsidy, as already indicated, seldom even approximates the spread between prices for U.S. cotton in the domestic market and in foreign markets. Moreover, the differential in raw-cotton costs favoring particular foreign manufacturers of cotton articles over their U.S. counterparts on sales of cotton articles in the United States is frequently smaller than the spread between prices for raw-cotton in the U.S. market and in foreign markets (see section of this report on cost factors).

Two important factors that have affected the level of cotton prices paid by U.S. textile mills (hereinafter referred to as U.S. market prices) in recent years are the price-support level and the CCC minimum sale price to domestic consumers. During the period embracing the crop years 1952/53 to 1958/59, 1/ as previously pointed out, the CCC was not permitted to sell in the domestic market the cotton stocks acquired through its price-support operations for less than 5 percent above the current support-price

1/ Crop years 1950/51 and 1951/52 are omitted from this discussion since the threat of wartime shortages accompanying the Korean incident was, by far, the principal factor contributing to the high level of market prices in those years.

plus reasonable carrying charges. In those years the average spot price for Middling 1-inch Upland cotton, for example, was generally at a level between the CCC loan rate (support rate) and the minimum sale price, as shown in the following tabulation (in cents per pound):

Crop year Aug. 1-July 31	Average spot price 1/	CCC loan rate 1/	Minimum CCC sale price 2/
1952/53	35.06	32.41	34.03
1953/54	34.07	33.50	35.18
1954/55	34.71	34.03	35.73
1955/56	35.20	34.55	36.28
1956/57	33.25	32.74	34.38
1957/58	34.12	32.31	33.93
1958/59	34.20	35.08	36.83
1959/60	31.64	3/ 28.40, 34.10	31.24
1960/61	30.67	3/ 26.63, 32.42	4/ 29.29
1961/62	5/ 33.94	33.04	38.00

1/ Converted to average location.

2/ In 1952/53 to 1958/59, equivalent to 105 percent of the loan rate; in 1959/60 and 1960/61, equivalent to 110 percent of the "choice B" loan rate (for explanation of "choice A" and "choice B" options offered growers these years, see section of this report on price-support programs); in 1961/62, equivalent to 115 percent of the loan rate. The prices shown represent minimums required by law; CCC regulations require the minimum to be the higher of either the specified percentage of the loan rate or the price that the CCC considers to represent the current market price. Therefore, the CCC minimum sale prices during a particular crop year have often been higher than the prices shown here. To the actual sales prices, CCC added reasonable storage charges.

3/ "Choice B" loan rate and "choice A" purchase price, respectively.

4/ Applicable to 1960/61 cotton purchased under the "choice A" option; for cotton of 1959/60 and prior crops, the minimum sale price was 115 percent of the 1960/61 "choice B" loan rate, or 30.62 cents per pound.

5/ August 1961-June 1962.

In only one of these years--1958/59--did the average spot price for Middling 1-inch cotton fall below the CCC loan rate. This relationship resulted largely from a change in USDA's support program for 1959/60; 1/ that year the minimum sale price 2/ for Middling 1-inch Upland cotton was 31.24 cents per pound (110 percent of the "choice B" loan rate), which was 5.59 cents below the minimum sale price for the same grade and staple during 1958/59. Accordingly, market prices declined during the 1958/59 crop year as the new season approached.

The average spot price at average location for Middling 1-inch cotton was 31.64 cents per pound in 1959/60, or 2.56 cents below the average spot price at average location in 1958/59. It was 2.46 cents per pound below the CCC "choice A" 1959/60 purchase price. 3/ The price-support program for 1960/61, like that for 1959/60, also provided a dual price-support system, with the CCC minimum sale price (not including storage charges) for 1960/61 cotton purchased under "choice A" being established at 110 percent of the "choice B" loan rate, or at 29.29 cents per pound for Middling 1-inch cotton. In that year, the CCC minimum sale price (not including storage charges) for 1959/60 and earlier crops was 115

1/ Legislation providing for this change was passed in August 1958, thereby giving the cotton trade about 11 months' advance knowledge of the operation of the program for 1959/60.

2/ Not including storage charges.

3/ In 1959/60 CCC purchased nearly 8.7 million bales of Upland cotton under the "choice A" option.

percent of the "choice B" loan rate, or 30.62 cents per pound for Middling 1-inch cotton; the average spot price for Middling 1-inch cotton at average location in 1960/61 was 30.67 cents per pound, or 1.75 cents below the CCC purchase price for 1960/61 "choice A" cotton. 1/

In February 1961 the Secretary of Agriculture announced that the price of cotton for the crop year beginning August 1, 1961, would be supported at 33.04 cents per pound for Middling 1-inch cotton at average location. Accordingly, the CCC minimum sale price (not including storage charges) for that marketing year--established at 115 percent of the support level--would be 38.0 cents, or some 7 to 9 cents above the CCC minimum sale prices in effect at the time of the Secretary's announcement. The cotton trade foresaw a rise in market prices, the consequence of which was an immediate surge in the buying of CCC stocks. Such stocks were smaller on July 31, 1961, than on the corresponding date of any earlier year since 1952 (table 7). Total carryover of all cotton on that date amounted to 7.2 million bales of which CCC's share amounted to 1.5 million bales. The effect of the price-support program announced in February 1961 on the cotton market was reflected in the average spot prices for subsequent months. During the period August 1961-March 1962, spot prices at average location for Middling 1-inch cotton averaged

---

1/ In 1960/61, CCC purchased about 7.8 million bales of Upland cotton under its "choice A" option.

33.23 cents per pound, or 2.56 cents above the average for the 1960/61 marketing year.

In February 1961 the Secretary also announced that the export subsidy would be 8-1/2 cents per pound in 1961/62; it was 6 cents in 1960/61. The increase in the subsidy encouraged cotton traders to take title to cotton that might otherwise have fallen into CCC hands. It is estimated that cotton can be stored at a cost of approximately 1/4 cent per pound per month. Cotton purchased in March 1961 could thus have been stored until August 1, 1961, at a cost of approximately 1-1/4 cents per pound, then exported at a subsidy 2-1/2 cents per pound higher than the subsidy that was paid during the previous season. Traders that bought cotton in March 1961, therefore, gained an increased operating margin of at least 1-1/4 cents per pound in their export sales.

As indicated previously, the support level for the 1962/63 marketing year is approximately the same as that for the 1961/62 marketing year (table 3). The effect of the support level on market prices during 1962/63 will, of course, depend upon demand (rate of textile-mill activity) and the size and quality of the 1962/63 crop, 1/ as well as upon the level of the sale price for CCC cotton. On August 1, 1962, the CCC took title to approximately 3.0 million bales of 1961/62 cotton on

1/ The 1962/63 crop was estimated by the USDA on Aug. 1, 1962, at about 15.0 million running bales, an amount approximately 5 percent above the 1961/62 crop.

which loans were still outstanding; the CCC minimum sale price for such cotton is 115 percent of the 1962/63 support price. 1/ In mid-August 1962 the U.S. mills appeared to have adequate stocks of raw cotton to meet their requirements until late September, when large quantities of the new (1962/63) crop will be available.

Notwithstanding the increasing price of raw cotton in the domestic market during 1961/62, domestic mill consumption was about 700,000 bales larger in 1961/62 than in the preceding crop year. 2/ The following factors accounted for the increased mill activity:

(1) The higher level of general economic activity for the nation as a whole;

(2) A decline in the ratio of stocks of broadwoven goods at cotton mills to unfilled orders; and

(3) A rising trend of fabric prices during the past few months which to some degree offset the increase in the cost of raw cotton (table 8).

Despite the increase in domestic consumption of raw cotton during the 1961/62 marketing year, total offtake (domestic

---

1/ For Middling 1-inch cotton, for example, the CCC minimum sale price is 37.34 cents per pound, compared with the average spot market price of 33.51 cents per pound on Aug. 9, 1962.

2/ This rise in cotton consumption would probably have been even greater if not for the marked increase in the consumption of rayon staple in U.S. mills having a cotton-spinning system (see section on recent gains by rayon staple against cotton).

consumption plus exports) was somewhat less than that of the preceding marketing year, as indicated below (in millions of bales 1/):

Crop year Aug. 1-July 31	Domestic consumption	Exports	Total offtake
1960/61-------------------	8.3	6.6	14.9
1961/62 (preliminary)----	9.0	5.0	14.0

U.S. exports of raw cotton were approximately 5 million bales during 1961/62, or about 1.6 million bales smaller than they were during 1960/61. A general slowdown in mill activity among many of the important Western European purchasers of U.S. cotton was an important factor in the reduction of U.S. exports. 2/ With apprehension among many foreign textile mills about the future and with no significant increase in cotton prices expected in 1962/63 3/ over those which prevailed in 1961/62, there was some hesitancy in maintaining foreign mill stocks at levels as high as those on August 1, 1961.

1/ Running bales of approximately 500 pounds, except for the foreign cotton consumed, which is reported in bales of 500 pounds (gross weight).

2/ Consumption in the foreign countries of the free world during 1961/62 was about the same as that during the previous marketing year. However, increases in consumption among the cotton-producing countries, especially India, offset the declines in Western Europe.

3/ As previously indicated, the U.S. export-subsidy rate for the 1962/63 payment-in-kind program is 8.5 cents per pound, the same rate that prevailed during 1961/62. The U.S. export-subsidy program, however, is only one of the factors affecting cotton prices in foreign markets.

Total cotton exports during 1961/62 by all of the producing countries of the free world are estimated to have been about 1.1 million bales less than during the preceding crop year. Because of a lack of financial resources, many foreign producers of raw cotton must sell their cotton during the crop year in which it is produced. Consequently, the pricing policies of these producers are such that in any season of contracted demand in the net cotton-importing countries of the free world (such as during 1961/62) U.S. cotton bears the brunt of the reduced world exports.

As a result of the lower offtake, stocks of cotton on July 31, 1962, were about 600,000 bales higher than those on the corresponding date of 1961, as indicated below (in millions of bales 1/):

Crop year Aug. 1-July 31	Carry-in stocks	Production plus imports	Total offtake	Carryover stocks
1960/61-----------	7.6	14.6	14.9	7.2
1961/62-----------	7.2	14.6	14.0	7.8

Nature of Interference Claimed 2/

According to the USDA spokesman at the hearing, the marketing-quota and acreage-allotment programs have encountered interference from the increased consumption of imported articles containing

1/ Running bales of approximately 500 pounds, except for the foreign cotton consumed, which is reported in bales of 500 pounds (gross weight).

2/ Consists primarily of a résumé of arguments presented at the hearing; also includes information from briefs and other statements presented to the Commission after the hearing.

cotton. Such imports were alleged to reduce the consumption of domestic manufactures containing U.S. cotton, thus decreasing U.S. mill consumption of domestic cotton and increasing the carryover stocks of raw cotton in the United States and thereby requiring reduced marketing quotas and acreage allotments in order to achieve a "normal" supply level. 1/ So far as concerns the price-support program, this witness stated that, to the extent that imported cotton articles replace demand for raw cotton in the domestic market and create or enlarge a surplus of cotton, the domestic market price of raw cotton is adversely affected, which in turn interferes with the programs by enlarging their scope and increasing the cost of their operations. 2/ As for the export-subsidy program for raw cotton, the USDA spokesman expressed the view that if foreign mills consume larger quantities of raw cotton by reason of their increased exportation of cotton textiles and products to the United States, increases in foreign production of raw cotton to meet the larger need are likely to be accelerated. Under such conditions, he maintained, exports of U.S. cotton could tend to decrease unless the export-subsidy rate was increased, thus interfering with the program by increasing its cost. 3/ With respect to both the raw-cotton and cotton-products export-subsidy programs, it was argued that the importation of cotton products "replaces" cotton exported from the United States, whether in the form of raw cotton or cotton

---

1/ USDA statement, pp. 27-28.
2/ Idem, pp. 27-29, passim.
3/ Idem, p. 29.

articles, and interferes with these programs by thwarting their purpose (i.e., moving cotton out of the country) and increasing their cost. 1/ This witness also expressed the view that inasmuch as the foreign-aid and assistance programs serve to move surplus cotton out of the country they too may be regarded as being in the nature of surplus disposal programs, and therefore the importation of cotton in the form of cotton products, by "replacing" exported cotton, tends to thwart the objective of surplus disposal and constitutes interference with the programs. 2/ No explanation was given at the hearing of the contention that imports of cotton products interfere with the price-support programs for cottonseed, but the Commission was subsequently supplied with the following statement in a letter from the USDA spokesman who testified at the hearing:

> The basic reason for failing to show interference with the cottonseed programs separately and apart from interference with the programs for lint cotton was that cottonseed, as a byproduct of cotton, is not a separate commodity in the sense that its production can be controlled separately from cotton, and that the programs for cottonseed are only appendant to those for cotton. In other words, the incomes of cotton producers, which the programs seek to protect, are dependent primarily on cotton lint and secondarily on cottonseed, the residue of the cotton crop after the separation of the lint from the seed by the ginning process. Therefore, protection of cotton farmers' incomes involves the byproduct as well as the primary product, and interference with the price support and

---

1/ Ibid., p. 31; transcript of the hearing, p. 67.
2/ USDA statement, p. 14; transcript of the hearing, pp. 88-89.

loan program for one likewise causes interference with the other.

Since production of cottonseed cannot be controlled except by control of the production of cotton, import interference causing a surplus accumulation of lint cotton and requiring a curtailment of cotton production would automatically reduce the production of cottonseed and thereby further reduce the income of cotton producers.

The USDA spokesman advanced two further arguments, one supporting the claim that material interference with the USDA cotton programs has already occurred and the other alleging the practical certainty of further material interference therewith. The first of these was that the 1939 quota on raw cotton and cotton waste established the level of cotton imports that could be absorbed by the U.S. market without causing material interference with the USDA cotton programs, and therefore, by implication, since the cotton content of current imports of cotton articles is in excess of these quota levels, these imports are causing material interference. 1/ The second argument was that the cotton content of imported cotton articles, based on trends through 1960, could be expected to reach about 900,000 bales by 1965. 2/

To the foregoing arguments, importing interests asserted the following counterclaims: First, there cannot be material

1/ USDA statement, p. 40. This witness also pointed out that the 1939 investigation of raw cotton and cotton waste was actually the first half of a two-part request from the President, the second part relating to cotton articles. The investigation of cotton articles was never completed owing to the onset of World War II.

2/ Idem, p. 27.

interference with the USDA programs because the USDA spokesman at the hearing tacitly admitted that through 1957 the USDA did not consider imports of cotton articles to be causing material interference with its cotton programs; 1/ domestic production, mill consumption, and disappearance of cotton were higher in 1961, and yearend stocks were lower that year, than in 1957. 2/ Second, the premise upon which the 1939 quotas on cotton and cotton waste were based was that imports of those products were tending to render the USDA programs ineffective, and such a premise does not provide an objective standard against which to measure the amount of imported cotton articles (expressed in terms of their cotton content) that would actually cause material interference with the USDA programs. 3/ Finally, the USDA projection for the cotton content of imported cotton articles in 1965--900,000 bales--was based on the imports of such articles during the period 1956-60. That projection was asserted to be unrealistic because it ignored the decline in imports from 1960 to 1961; moreover, it was argued, the conclusion of the long-term Geneva cotton textile agreement completely removed from consideration the USDA projection. 4/

1/ Ibid., pp. 205-206.

2/ See brief filed on behalf of the United States-Japan Trade Council, pp. 3-4, and that filed on behalf of the Hong Kong General Chamber of Commerce and the Federation of Industries, pp. 33-53.

3/ See brief filed on behalf of the Hong Kong General Chamber of Commerce and the Federation of Industries, p. 75.

4/ See brief filed on behalf of certain U.S. importers of cotton textiles from Portugal and the Portuguese cotton industry, p. 33.

U.S. Imports of Cotton Articles

Basis for statistical analysis

For purposes of this investigation it is essential that U.S. imports of articles made wholly or in part of cotton be measured quantitatively in terms of their cotton content. As used here and elsewhere in this report, the term "cotton content" means the quantity of raw cotton required to manufacture the various imported (and exported) articles, i.e., the amount actually embodied in the articles plus the amount "wasted" in processing.

Early in the investigation the Commission decided to rely largely on the estimates made by the USDA of the cotton content of U.S. imports (and exports) of cotton articles. 1/ For the Commission to have prepared estimates independently would have required an inordinate amount of time. The USDA estimates are the result of extensive research that has been in progress since 1955 for the purpose of identifying the pattern of U.S. foreign trade in textile manufactures. This project undertook to estimate the raw-cotton waste occurring during manufacturing processes and the nonfiber content of the finished

1/ Secretary of Agriculture Freeman had used the USDA estimates as the motivating consideration in recommending that this investigation be undertaken.

articles, as well as to devise suitable methods for dealing with import (and export) data recorded only in value or in quantitative units other than pounds. 1/ In brief, the USDA estimates the cotton content of monthly imports recorded under nearly all the statistical classes for articles in chief value of cotton in the textile section (Group 3) of Schedule A; 2/ the statistical classes omitted are those for raw cotton, linters, cotton waste, sliver, roving, cotton rags, urological instruments, and cotton tire cord fabrics.

The USDA data include the estimated cotton content of various imported articles in chief value of materials other than cotton classified for duty purposes as cotton articles by virtue of the similitude provision of paragraph 1559. 3/ In the official import statistics the "similitude" articles (except wearing apparel classified under paragraphs 919 and 1529(a) and miscellaneous

---

1/ For an explanation of the techniques for developing the factors used to express the trade statistics in terms of cotton content, see U.S. Department of Agriculture, Economic Research Service, Fibers Used in Textile Manufactures Entering United States Foreign Trade, Marketing Research Rept. No. 491, pp. 12-21.

2/ U.S. Bureau of the Census, Schedule A--Statistical Classification of Commodities Imported Into the United States.

3/ Articles dutiable by similitude to cotton articles do not generally contain cotton, and such cotton content as they may have is generally *de minimis*. Apart from this, in no event could import restrictions be imposed on articles not within the scope of the investigation as delineated by the President. The imported articles within the scope of this investigation, as set forth in the President's letter, are limited to "articles or materials wholly or in part of cotton."

articles classified under paragraph 923 1/) are not separately reported. Accordingly, the estimated cotton content of the imports of "similitude" articles included in the USDA data is not known. The quantities involved, however, are believed to be insignificant compared with USDA estimates of the total cotton content of imported articles.

The USDA data omit estimates of the cotton content of articles which are (1) in chief value of vegetable fiber other than cotton, and (2) in chief value of manmade fibers. The quantities of raw cotton included in such articles are believed to be small. In recent years the cotton content of imported articles in chief value of manmade fibers has probably been less than 5,000 bales annually. The cotton content of imported articles in chief value of vegetable fibers other than cotton is known to have been even smaller.

Certain articles which are not classified under the textile group of the import statistics although they contain significant quantities of cotton are also omitted from the USDA data. The imports of these additional items, expressed in terms of their cotton content, are presented in table 11. 2/

1/ The "similitude" articles classified under these paragraphs have been separately reported only since July 1959.

2/ The USDA data omit still other imported articles which may contain significant quantities of cotton (viz, articles that are dutiable by similitude as leather or rubber and have cotton backing). During the course of its investigation, however, the Commission obtained no information to indicate that the cotton content of the omitted articles was substantial.

Recent trends

From 1954 to 1960 the cotton content of U.S. annual imports for consumption of cotton articles rose from 101,000 bales (48 million pounds) to a record high of 526,000 bales (252 million pounds), or by about 420 percent (table 9). 1/ From 1959 to 1960 alone, such annual imports increased by about 166,000 bales (80 million pounds). In 1961, imports were about 394,000 bales (189 million pounds), and in the first 6 months of 1962 they were 347,000 bales (167 million pounds). 2/

1/ Throughout this section of the report, all data for imports of cotton articles are for calendar years and are given in terms of their cotton content.

The import data, as reported by the USDA, include some articles embroidered or otherwise manufactured in the Philippine Republic from U.S. fabric. In 1960 and again in 1961 the cotton content of U.S. exports of fabric for such processing in that country and return to the United States was approximately 10,000 bales (5 million pounds).

The USDA import data also include articles that have been entered for processing in the United States and subsequently exported with benefit of drawback payments of the import duty. It is estimated that the cotton content of unfinished articles that were imported in 1960 for processing and subsequently exported with benefit of drawback was less than 5,000 bales. Exports of "drawback" articles are included in USDA data relating to U.S. exports of domestic cotton articles.

2/ According to reports, however, the unusually high imports during the first half of 1962 were entered in anticipation of the possible imposition of an import fee resulting from this investigation. A further contributing factor to the increased imports since the third quarter of 1961 was the desire of various exporters in certain foreign countries to insure that their shipments clear U.S. customs before the United States asked for or imposed "restraint" under the provisions of the "short-term" Geneva Cotton Textile Arrangements. These arrangements cover exports from Oct. 1, 1961, through Sept. 30, 1962, with each country's minimum quantitative control level equal to its exports to the United States during U.S. fiscal year 1961 (July 1, 1960 to June 30, 1961). (See section of this report on Geneva Cotton Textile Arrangements).

U.S. imports of cotton articles reached a peak during the second quarter of 1960, declined steadily through the second quarter of 1961, and then rose during successive quarters until they reached a new high of 179,000 bales (86 million pounds) during the first quarter of 1962; imports during April-June 1962 were larger than those during any preceding quarter except January-March 1962, as shown in the following tabulation:

Period	1,000 bales 1/	1,000 pounds
1960:		
1st quarter----------	131.2	62,986
2d quarter-----------	147.4	70,775
3d quarter-----------	140.1	67,255
4th quarter----------	106.7	51,234
1961:		
1st quarter----------	96.5	46,282
2d quarter-----------	85.9	41,243
3d quarter-----------	101.0	48,498
4th quarter----------	111.1	53,359
1962:		
1st quarter----------	179.0	85,884
2d quarter-----------	168.0	80,638

1/ Bales of 480 pounds net weight (500 pounds gross weight).

During the years 1958-60, Japan, Hong Kong, and the European Economic Community (EEC) were the principal sources of U.S. imports of cotton articles (table 10). The share of the total supplied by Japan fell from 62 percent in 1958 to 25 percent in 1960, while that supplied by Hong Kong rose from 13 percent to 25 percent during the same period. The share of total imports of cotton articles supplied by EEC declined from 14.5 percent in 1958 to 12 percent in 1960. The following tabulation shows the share of total U.S. imports of cotton articles in each of the years 1958-60 supplied by specified sources (in percent, based on cotton content):

Source	1958	1959	1960
Japan	62.4	39.7	24.7
Hong Kong	13.3	26.1	25.1
European Economic Community	14.5	12.8	11.6
Portugal	.4	.5	6.5
Egypt	.4	.3	5.3
India	.9	4.2	5.3
Spain	-	1.4	5.3
Formosa	-	1.7	2.5
Korea	1.7	2.2	2.3
Philippines	2.1	1.7	1.9
Pakistan	-	1.4	1.7
United Kingdom	3.0	2.2	1.1
Switzerland	.9	.8	.8
All other	.4	5.0	5.9
Total	100.0	100.0	100.0

During the period 1957/58 to 1959/60 the foregoing specified sources of U.S. imports of cotton articles received an average of approximately 4.4 million bales of raw cotton annually from the United States; the cotton obtained from the United States was equivalent to 42 percent of their total imports of raw cotton during that period (table 10). 1/ The cotton content of the

1/ U.S. imports of cotton articles during a calendar year are compared with foreign countries' imports of raw cotton from the United States during the crop year beginning Aug. 1 of the preceding calendar year in order to take into account the approximate time required to process the raw cotton into finished articles and to ship such articles to the United States.

U.S. imports of cotton articles during 1960 from all the sources identified above was equivalent to almost 9 percent of their combined imports of raw cotton from the United States during the 1959/60 crop year. U.S. imports of cotton articles from Hong Kong, the principal source during 1960, were equivalent to 67 percent of its 1959/60 imports of U.S. raw cotton; the corresponding ratios for Japan and EEC were 8 percent and 3 percent, respectively. 1/

In the period 1958-60 the trend of U.S. annual imports of cotton articles from Japan was downward; imports declined from 146,000 bales in 1958 to 130,000 bales in 1960. In this period, however, Japan was the second most important foreign market (after EEC) for U.S. raw cotton. That country's imports of U.S. raw cotton were 1.1 million bales in 1957/58 (44 percent of its total imports of raw cotton), 0.6 million bales in 1958/59 (26 percent of total imports), and 1.6 million bales in 1959/60 (49 percent of total imports).

Eleven supplying areas 2/ participated in the increase in U.S. imports of cotton articles from 1959 to 1960 (table 10). Eight of them (EEC, Formosa, Hong Kong, India, Korea, Philippines, Spain, and Switzerland) obtained more than two-fifths of their total raw-cotton imports from the United States during the 1959/60 crop year. Of the

---

1/ In the crop year 1959/60, about 4 percent of U.S. exports of raw cotton were marketed in Hong Kong; 24 percent and 32 percent were marketed in Japan and EEC, respectively.

2/ Egypt, EEC, Formosa, Hong Kong, India, Korea, Pakistan, Philippines, Portugal, Spain, and Switzerland.

remainder, two (Egypt and Pakistan) are both producers and net exporters of cotton and one (Portugal) imports cotton mainly from its African colonies. During the crop year 1959/60, the combined imports of raw cotton from the United States by these 11 suppliers of cotton articles amounted to 3.5 million bales; such imports accounted for nearly half of their total imports of raw cotton from all sources, and were equivalent to nearly half of the U.S. exports of raw cotton in that year.

The importance of the U.S. market to the textile economy of each of the areas listed in table 10 is indicated by the ratio of the cotton content of U.S. imports of cotton articles therefrom to the total quantity of raw cotton consumed therein, as shown in the following tabulation for calendar year 1960 (in percent):

Japan----------------	4.2
Hong Kong-----------	33.0
EEC-----------------	1.3
Portugal------------	12.0
Egypt---------------	5.3
India---------------	6.7
Spain---------------	4.7
Formosa-------------	6.9
Korea---------------	4.6
Philippines---------	7.4
Pakistan------------	.8
United Kingdom------	.5
Switzerland---------	2.1

Of the total U.S. imports of cotton articles in 1961, at least 200,000 bales (96 million pounds)--the total of the yarn and cloth imports--was in a semimanufactured state. Undoubtedly, some of the other imports could also be classified as semi-manufactures. It appears, therefore, that more than half of the total cotton-textile imports during 1961 required some further processing in the United States before they were sold to ultimate consumers.

Practically all of the increase in annual imports of cotton articles from 1954 to 1960 was accounted for by the four USDA categories discussed below: Yarn, cloth, knit and woven underwear and outerwear, and household and clothing articles.

Yarn.--In the period 1954-57 U.S. annual imports of cotton yarn ranged from 355 bales (nearly 0.2 million pounds) to 562 bales (nearly 0.3 million pounds) (col. 1, table 9). Such imports were 2,000 bales (1.0 million pounds) in 1958, rose to 3,000 bales (1.6 million pounds) in 1959, and then increased sharply to 36,000 bales (17 million pounds) in 1960. 1/ Imports during 1961 amounted to 33,000 bales (16 million pounds). During the first half of 1962 they amounted to 41,000 bales (20 million pounds), compared with 13,000 bales (6 million pounds) during the first half of 1961.

Before 1960, annual imports of yarn were insignificant in relation to the total annual imports of cotton articles. 2/ Since

---

1/ Yarn accounted for 20 percent of the increase in imports of all cotton articles from 1959 to 1960, but for only 2 percent of the decline from 1960 to 1961.
2/ They were less than 1 percent of total annual imports.

then, however, the share of the total accounted for by yarn has increased greatly. The following tabulation shows the share of total imports of cotton articles that was accounted for by imports of cotton yarn in 1954-61 and January-June 1962 (in percent, based on cotton content):

1954----------------------	0.6
1955----------------------	.2
1956----------------------	.2
1957----------------------	.2
1958----------------------	.8
1959----------------------	.9
1960----------------------	6.8
1961----------------------	8.3
1962 (January-June)-------	11.9

In 1960 and 1961, 59 percent and 83 percent, respectively, of the total yarn imports were neither bleached, dyed, colored, combed nor plied; 1/ the remainder were bleached, dyed, colored, combed, or plied. The chief supplier of imported cotton yarn in those years was Portugal.

Cloth.--Between 1954 and 1961, U.S. annual imports of cotton cloth rose by more than 300 percent, or by about 127,000 bales (61 million pounds) (col. 3, table 9). They amounted to about 42,000 bales (20 million pounds) in 1954, 96,000 bales (46 million pounds) in 1956, 69,000 bales (33 million pounds) in 1957, 77,000

1/ In the cotton trade, such yarns are generally referred to as gray carded singles.

bales (37 million pounds) in 1958, and 138,000 bales (66 million pounds) in 1959, and then reached a record high of 265,000 bales (127 million pounds) in 1960. The imports in 1961, however, amounted to about 168,000 bales (81 million pounds), which was almost 37 percent below the 1960 level. In the first half of 1962, they also amounted to about 168,000 bales (81 million pounds), compared with 77,000 bales (37 million pounds) during the first half of 1961.

As previously noted, annual imports of cotton articles increased by about 165,000 bales (80 million pounds) from 1959 to 1960, and declined by 131,000 bales (63 million pounds) from 1960 to 1961. Cotton cloth accounted for about 75 percent of both the increase and the decrease. 1/ Cloth accounted for about 50 percent of the total imports of cotton articles in 1960, whereas previously it had not accounted for more than 40 percent of the annual total; in 1961 it accounted for about 43 percent, and in the first half of 1962, for 48 percent. The following tabulation shows the share of total imports of cotton articles that was accounted for by imports of cotton cloth in 1954-61 and January-June 1962 (in percent, based on cotton content):

1/ Yarn and cloth together accounted for 96 percent of the total increase in annual imports of cotton articles from 1959 to 1960, and for 76 percent of the decrease from 1960 to 1961.

1954	40.7
1955	39.2
1956	42.9
1957	34.2
1958	33.3
1959	38.5
1960	50.4
1961	42.6
1962 (January-June)	48.4

In 1960, imports of sheeting amounted to 102,000 bales (49 million pounds), or to 39 percent of the total imports of cotton cloth. In both 1959 and 1961, imports of sheeting were only 37,000 bales (18 million pounds), or 27 percent and 22 percent, respectively, of the total cotton cloth imports. Practically all imported sheeting in the years 1959-61 was unbleached and made from carded yarn; Hong Kong was the chief source of supply. Miscellaneous cotton fabrics, the majority of which were unbleached, accounted for 36 percent (95,000 bales, or 46 million pounds) of the total in 1960; Egypt and Japan were the chief sources of supply. In 1961 such fabrics accounted for 49 percent (82,000 bales, or 39 million pounds) of the total.

About 10 percent of the total imports of cotton cloth in both 1960 and 1961 consisted of ginghams, of which Japan and Portugal were the main suppliers. Five percent (14,000 bales, or 7 million pounds) of the total imports of cotton cloth in 1960, and 10 percent (17,000 bales, or 8 million pounds) of those in 1961 were twill and sateen fabrics (mostly unbleached), with Hong Kong by far the largest supplier. Imports of poplin and broadcloth combined accounted for about 5 percent of the total in 1960, as did imports of shirting; imports in each of the two categories amounted to about 13,000 bales (6 million pounds). In 1961, poplin and broadcloth accounted for 6 percent (11,000 bales), and shirting, for only 1 percent (2,000 bales), of total imports of cotton cloth. Japan was the chief source for poplin and broadcloth and Spain and France were the main suppliers of shirting in 1960.

Knit and woven underwear and outerwear.--U.S. annual imports of knit and woven underwear and outerwear increased by almost 112,000 bales (54 million pounds), or by almost 1,100 percent, during the period 1954-61 (col. 8, table 9). Imports rose from about 10,000 bales (5 million pounds) in 1954 to 41,000 bales (20 million pounds) in 1955, increased continuously to 154,000 bales (74 million pounds) in 1960, and then declined to 122,000 bales (58 million pounds) in 1961. During the first half of 1962, they amounted to 94,000 bales (45 million pounds), compared with 58,000 bales (28 million pounds) during the first half of 1961.

The category "knit and woven underwear and outerwear" includes a wide assortment of wearing apparel. In both 1960 and 1961, more than half of the imports of such articles consisted of (1) sport shirts, (2) blouses and blouse-skirt sets, (3) women's and children's slacks and shorts, and (4) men's and boys' trousers and shorts. In 1960 these categories accounted for 16, 15, 13, and 11 percent, respectively, of the total imports of knit and woven underwear and outerwear. In 1961, they accounted for 16, 10, 15 and 11 percent, respectively. The remainder of the imports consisted of articles such as nightwear, blouse and slack sets, dress shirts, knit shirts, playsuits, raincoats, coats, robes, T-shirts, and dresses. The chief sources of supply for all these articles in both 1960 and 1961 were Hong Kong and Japan.

Household and clothing articles.--U.S. annual imports of household and clothing articles increased by almost 20,000 bales (10 million pounds), or by more than 500 percent, from 1954 to 1961. They rose steadily from less than 4,000 bales (2 million pounds) in 1954 to 22,000 bales (11 million pounds) in 1960 and to 24,000 bales (12 million pounds) in 1961 (col. 10, table 9). Such imports were 13,000 bales (6 million pounds) during the first half of 1962, compared with 11,000 bales (5 million pounds) during the first half of 1961.

In both 1960 and 1961, the principal statistical class in this category was "manufactures of cotton, n.s.p.f." 1/--12,000 bales (6 million pounds) in both years. This class includes such articles as unfinished tapestries, measuring tapes, decorative figures, miscellaneous bags, fabrics of mixed fibers, mattress ticking, and cushions and pads.

1/ Schedule A number 3230 710.

The second most important item of imports of household and clothing articles in 1960 and again in 1961 was brassieres--5,000 bales (2.5 million pounds) and 5,600 bales (2.7 million pounds), respectively. The chief sources of supply were Hong Kong, the Philippine Republic, and Japan.

Additional articles.--U.S. imports of five groups of articles which are not included in the USDA import statistics are presented in table 11. These five additional groups are (1) rubber-soled footwear with fabric uppers; (2) belts and belting for machinery, in chief value of cotton; (3) friction and insulating tape, in chief value of cotton; (4) printers' rubberized blanketing, and molded cotton and rubberized packing, in chief value of cotton; and (5) badminton nets in chief value of cotton. Imports of these articles increased steadily from 821 bales (0.4 million pounds) in 1954 to 17,000 bales (8 million pounds) in 1960, or by about 2,000 percent. Such imports were slightly smaller in 1961 than in 1960. In the first half of 1962, they were 10,000 bales (5 million pounds), or slightly higher than in the first half of 1961. Most of the increase from 1954 to 1960 was accounted for by increased imports of one item--rubber-soled footwear with fabric uppers. 1/ Annual imports of such footwear rose from less than 16 bales (8,000 pounds) in 1954 to 12,000 bales (5.7 million pounds) in 1960; in 1961 they amounted to 11,000 bales (5.4 million pounds). In the first 6 months of 1962, imports were 6,000 bales (2.8 million pounds), compared with 7,000 bales (3.4 million pounds) in the first 6 months of 1961. Throughout the 1954-61 period Japan was the principal country of origin; it supplied some 90 percent of the total in both 1960 and 1961. The second most important source was Hong Kong, which supplied about 6 percent in 1960 and almost 4 percent in 1961.

Annual imports of belts and belting for machinery, in chief value of cotton and valued at 40 cents and over per pound, 2/ rose from about 487 bales (0.2 million pounds) in 1954 to almost 1,500 bales (0.7 million pounds) in 1957, declined to 1,000 bales (0.5 million pounds) in 1958, then increased to more than 3,000 bales (1.6 million pounds) in 1960 and to almost 4,000 bales (2 million pounds) in 1961. Imports amounted to 3,000 bales (1.3 million pounds) in the first half of 1962, compared with 2,000 bales (0.9 million pounds) in the first half of 1961. The chief

---

1/ Pursuant to action taken under sec. 336 of the Tariff Act of 1930, the duty of 20 percent ad valorem on imports of such footwear is based on the "American selling price" of the like or similar domestic article, which is almost invariably higher than the foreign export value, generally the value for customs purposes. The amount of duty collected on the basis of the American selling price of these articles is frequently equal to 100 percent or more of the foreign-export value.

2/ In recent years, imports of such articles valued under 40 cents per pound have been insignificant.

source of supply in 1954 was Canada, in 1955-59, West Germany, and in 1960-61, Japan. Such imports from Japan alone increased from 4 bales (2,000 pounds) in 1954 to 1,700 bales (816,000 pounds) in 1961.

U.S. annual imports of friction and insulating tape, in chief value of cotton, have been small in recent years, having ranged from more than 40 bales (20,000 pounds) in 1954 to 800 bales (387,000 pounds) in 1960. In 1961 such imports amounted to 600 bales (290,000 pounds). In the first half of 1962, they were 600 bales (288,000 pounds), compared with 300 bales (156,000 pounds) in the first half of 1961. Since 1956, Japan has been the chief source of supply. In recent years imports have consisted almost entirely of plastic tape classified for duty purposes, by virtue of the similitude provision of paragraph 1559, as cotton tape. Such plastic tape is outside the scope of this investigation.

Annual imports of printers' rubberized blanketing and molded cotton and rubberized packing (both in chief value of cotton), which have also been small, increased almost steadily from 38 bales (18,000 pounds) in 1954 to 118 bales (57,000 pounds) in 1960. In 1961 they amounted to 96 bales (46,000 pounds). Imports were 60 bales (29,000 pounds) in the first 6 months of 1962, or 10 bales (5,000 pounds) larger than those in the comparable period of 1961. Throughout the 1954-61 period the United Kingdom was the primary supplier.

Annual imports of badminton nets in chief value of cotton rose irregularly from 238 bales (114,000 pounds) in 1954 to 1,200 bales (581,000 pounds) in 1960, then declined to 796 bales (382,000 pounds) in 1961. They were 645 bales (310,000 pounds) in January-June 1962, compared with 541 bales (259,000 pounds) in January-June 1961. Throughout the 1954-61 period Japan was the primary source; in both 1960 and 1961 it supplied about 95 percent of the total.

Role of imports of cotton articles

Inasmuch as the Commission is required by statute to make such determinations as whether the complained-of imports in this investigation are "materially" interfering with USDA programs for raw cotton, various "yardsticks" were used by interested parties at the public hearing, and in briefs submitted to the Commission, to evaluate the role played by imports of cotton articles in the U.S. cotton economy. In the following paragraphs, certain "yardsticks" are used as a measure of the cotton content of the imports of cotton articles shown in table 9; for the calendar years 1959-61 the cotton content of such imports was as follows (in bales of 500 pounds each, gross weight):

1959---------------	360,300
1960---------------	525,500
1961---------------	394,500

The raw-cotton import quota.--U.S. imports of raw cotton, except the harsh Asiatic types, 1/ are subject to limitations pursuant to action taken under section 22 of the Agricultural Adjustment Act, as amended. In 1939, as a result of recommendations by the Tariff Commission, the President proclaimed annual import quotas on cotton as follows: 2/

	Pounds
Long-staple cotton 1-1/8 inches and longer	45,656,420
Upland cotton with staple length under 1-1/8 inches	14,516,882

Accurate information concerning the staple length of the cotton content of imported cotton articles is not available for a comparison of recent imports of cotton articles with the foregoing quotas on raw cotton. However, to compensate for the duty on long-staple cotton provided under paragraph 783 of the Tariff Act of 1930, paragraph 924 of that act levies a duty on the long-staple cotton contained in certain cotton articles. 3/ The approximate quantities of raw long-staple cotton required to manufacture the cotton articles subject to the duty provided

---

1/ Harsh Asiatic cotton was under quota restriction for the period Sept. 20, 1946, to Jan. 28, 1958. In recent years the cotton content of annual U.S. imports of cotton articles that consisted of this type of cotton (principally cotton blankets) was probably less than 2,000 bales.

2/ Proclamation No. 2351, dated Sept. 5, 1939 (4 F.R. 3822; 3 CFR Cum. Supp., p. 113).

3/ For details of this additional duty on certain cotton articles, see section of this report on U.S. import duties.

under paragraph 924 (i.e., the amounts of such cotton actually embodied in the articles plus the amounts "wasted" in processing) for the calendar years 1959-61 were as follows (in pounds 1/):

1959-------------------	13,600,000
1960-------------------	14,260,000
1961-------------------	13,478,571

The foregoing figures indicate that in the period 1959-61 the long-staple-cotton content of imported cotton articles (approximately 30,000 bales per year) averaged about 30 percent of the annual import quota of 45.7 million pounds (approximately 95,000 bales) for comparable cotton in the raw state. 2/

Estimates of the short-staple-cotton (under 1-1/8 inches in length) content of U.S. imports of cotton articles during the calendar years 1959-61 are as follows (in bales of 500 pounds each, gross weight): 3/

1959---------------	331,967
1960---------------	495,792
1961---------------	366,420

These estimates of the short-staple-cotton content of U.S. imports

1/ Computed by multiplying the quantities (reported in pounds in the official statistics) of such cotton contained (i.e., actually embodied) in the articles subject to the additional duty by the factor 1-3/7 in order to account also for the amount of cotton "wasted" in processing.

2/ The long-staple-cotton content of imported cotton articles that are not subject to the additional duty under par. 924 is believed to be small.

3/ Computed by subtracting the long-staple-cotton content of U.S. imports of cotton articles (using the figures in the tabulation above converted to bales) from the total cotton content thereof.

of cotton articles, which accounted for 90 to 95 percent of the cotton content of such annual imports during 1959-61, averaged about 13 times the annual import quota of 14.5 million pounds (approximately 30,000 bales) for comparable cotton in the raw state. 1/

Raw-cotton exports.--In referring to the ratio of the cotton content of imported cotton articles to exports of raw cotton, the USDA stated in its brief that "we have simply swapped one bale for another." 2/ In each of the calendar years 1959-61, however, the cotton content of U.S. imports amounted to less than 10 percent of U.S. exports of raw cotton. In 1960, the peak year to date for imports of cotton articles and also the year when exports of raw cotton--amounting to 7.5 million running bales (table 12)--were larger than in any preceding year since 1933, the cotton content of imported cotton articles was almost 7 percent of the exports of raw cotton.

Raw-cotton carryover.--The cotton content of articles imported during the calendar year 1959 was equivalent to 4.8 percent of the U.S. carryover of raw cotton on July 31, 1960; the corresponding ratio based on imports of cotton articles in the calendar year 1960 and carryover of raw cotton on July 31, 1961, is 7.3 percent, and that based on imports in 1961 and

---

1/ Because the quota for this type of cotton is allocated on a country-by-country basis, with some allocations so small that it would be uneconomical to take advantage of them, total imports have never been as high as the total allowed under the quota.
2/ USDA brief, p. 4.

estimated carryover on July 31, 1962, is 5.2 percent. As indicated in the section of this report on marketing-quota and acreage-allotment programs, the July 31 stocks of 1960-62 were not considered excessive by some responsible parties.

Factors governing U.S. imports of cotton articles

A differential in raw-cotton costs favoring foreign manufacturers over U.S. manufacturers, whenever one has existed, has been only one of many factors governing the volume of U.S. imports of cotton articles in recent years. Indeed, U.S. imports of cotton articles were significant even in years when a differential in raw-cotton costs favored U.S. manufacturers over foreign manufacturers; in the 20 years prior to World War II, the cotton content of such U.S. imports averaged about 90,000 bales annually (table 9).

The ability of foreign manufacturers of cotton articles to compete with their U.S. counterparts in U.S. markets depends largely on the respective costs of production and delivery. Included in the costs of production are the delivered cost of raw cotton and expenditures for other materials, for labor, for manufacturing overhead, for administration and sales distribution, and for taxes. Included in the foreign manufacturers' costs of delivery to the U.S. market are U.S. import duties, handling and shipping charges from the foreign plant to the port of exportation, freight and insurance for transfer to the United States, and freight and handling charges to the point of distribution in the United States. Other factors operating to encourage or to limit the flow of cotton articles to the United States include the cotton policies of the governments of the various cotton-textile-producing countries.

There follows a disucssion of (1) U.S. import duties, (2) cost factors, (3) government cotton policies of selected countries, and (4) the Geneva Cotton Textile Arrangements.

U.S. import duties.--Nearly all the imported cotton articles with which this investigation is concerned are dutiable as "cotton manufactures" under the various provisions of schedule 9 of the Tariff Act of 1930, as amended; a few are classified as "sundries" under the provisions of schedule 15 of that act. 1/ Most of the duties are the ad valorem type, with the designated rates applying to the total value of the imported articles; 2/ a few duties (viz, those on ornamented handkerchiefs)

1/ In the new Tariff Schedules of the United States, provided for in the Tariff Classification Act of 1962 (Public Law 87-456), nearly all the cotton articles here under consideration are included in schedule 3; some are included in schedule 7. The new Tariff Schedules will probably become effective on Jan. 1, 1963 (see Department of State Press Release No. 394, dated June 15, 1962).

2/ The ad valorem rates on cotton articles other than rubber-soled footwear with fabric uppers are levied on the export value in the country of origin; those on such rubber-soled footwear are levied on the American selling price of the like or similar domestic article.

have both ad valorem and specific components, and a few (viz, those on sewing thread and crochet cotton of specified unit values) are the specific type. The duties originally established were designed primarily to protect the processors that convert cotton into manufactured articles. Generally, the original duties varied according to the amount of processing required: the greater the amount of processing, the higher the rate. Although most of the rates have been modified since 1930, the relationship of the rates to the amount of processing has, for the most part, been preserved.

For most of the cotton articles imported into the United States, no part of the duties collected is designed to compensate for a duty on raw cotton. Raw cotton less than 1-1/8 inches in staple length--which accounts for about 90 to 95 percent of the cotton content of U.S. imports of cotton articles--is imported duty-free. Long-staple cotton (i.e., cotton 1-1/8 inches or more in staple length), however, is dutiable under tariff paragraph 783. 1/ To compensate for the duty applicable to long-staple cotton, paragraph 924 provides an additional duty for all cotton articles (except rags) that contain such cotton and that are dutiable under the other paragraphs of schedule 9; the current rate of the additional duty on these articles is 5 cents per pound on the long-staple cotton

1/ The current most-favored-nation rate for cotton having a staple length of 1-1/8 inches or more but less than 1-11/16 inches is 3-1/2 cents per pound, and that for cotton having a staple length of 1-11/16 inches or more is 1-3/4 cents per pound. The statutory rate for all long-staple cotton is 7 cents per pound.

contained therein. 1/ Some of the cotton articles dutiable under schedule 15, particularly laces and ornamented articles classified under paragraph 1529, contain long-staple cotton which is not subject to an additional compensatory duty such as that provided for similar cotton contained in articles dutiable under schedule 9. The amount of long-staple cotton in imported articles dutiable under schedule 15 is not known, but is believed to account for an insignificant share of the cotton content of total imports of cotton articles.

In view of the very large number of tariff items covered by this investigation, it is not practical to discuss all the applicable rates of duty. The following discussion, however, indicates the average level of the duties collected in 1961 on selected groups of articles among the imports with which this investigation is concerned; special attention is given to yarn and cloth, which comprised more than half of the imports in 1960 and 1961. For each selected group of articles, the level of duties collected in

---

1/ The most-favored-nation rate; the rate currently applicable to products of the Republic of the Philippines is 1 cent per pound (effective Jan. 1, 1962) and that applicable to products of Communist-dominated nations or areas designated by the President pursuant to sec. 5 of the Trade Agreements Extension Act of 1951 is 10 cents per pound.

Par. 924, as modified, provides that the rates applicable to the long-staple cotton contained in the specified cotton articles may not be less than 1-3/7 times the current rate applicable to raw cotton under par. 783. The provision of a minimum rate is based on the assumption that in the processing of long-staple cotton there is 30 percent waste.

1961 is expressed in terms of the average ad valorem equivalent thereof. The 1961 rates of duty applicable to the selected articles were the ad valorem type; 1/ they were levied on the total value of the imported articles, including the value of the cotton content. As noted, however, the duties were designed to protect the processors, not the growers of cotton.

The President's letter to the Commission requesting this investigation referred to "a fee equivalent to the per pound export subsidy rate on the cotton content of imported articles." Although the President did not refer to a fee of a specific amount, the rate of the export subsidy in effect when he made the request was 8-1/2 cents per pound. 2/ Accordingly, the following tabulations show for the selected articles the ad valorem equivalents of the duties collected in 1961 augmented by a fee of 8-1/2 cents per pound on the cotton content. The rates of duty provided for cotton yarn under paragraph 901 of the Tariff Act of 1930, as modified effective June 30, 1957, vary according to the yarn number and the finish, as shown in the following tabulation (in percent ad valorem): 3/

1/ The duties paid on the long-staple cotton contained in the selected articles are not known and therefore were omitted from the computations.

2/ The rate of the export subsidy on raw cotton has been 8-1/2 cents per pound since Aug. 1, 1961; during the first 7 months of 1961 it was 6 cents.

3/ The rates shown apply to products of all countries except the Philippine Republic and Communist-dominated nations or areas designated by the President pursuant to sec. 5 of the Trade Agreements Extension Act of 1951. In 1960 and 1961 there were no imports of yarn from the Philippine Republic or the designated Communist-dominated nations or areas.

Tariff paragraph and finish	Yarn number 1-60: Base rate	Yarn number 1-60: Additional rate for each yarn number	Yarn number: Over 60
901(a): Not bleached, colored, combed, dyed, or plied-------------------	4.5	0.225	18.0
901(b): Bleached, colored, combed, dyed, or plied-------------------	9.0	.225	22.5

Cotton yarn is numbered on the basis of the number of 840-yard hanks required to weigh 1 pound. Number 1 yarn measures 840 yards to the pound, and number 100 yarn measures 84,000 yards to the pound; the higher the yarn number, the finer the yarn, and the higher the unit value. Yarn numbering over 60 is generally made from long-staple cotton; accordingly, imports thereof are assessed the additional duty provided for under paragraph 924. Some coarser yarn, particularly in the yarn-number group 41-59, also contains long-staple cotton and is subject to the additional duty.

The following tabulation shows, by specified yarn-number groups, the cotton content of U.S. imports of yarn entered under tariff paragraphs 901(a) and 901(b) in 1961, the total duty paid, the average ad valorem equivalent of the duty paid, and the average ad valorem equivalent of the 1961 duty if it had been augmented by a fee of 8-1/2 cents per pound levied on the cotton content: 1/

Tariff paragraph and yarn-number group	Cotton content	Calculated duty paid, 1961 1/	Average ad valorem equivalent of--	
			1961 duty	1961 duty augmented by 8-1/2 cents per pound on cotton content
	1,000 pounds	1,000 dollars	Percent	Percent
Par. 901(a):				
1-10	569	12	6.4	33.2
11-20	6,721	212	8.2	30.5
21-30	5,757	242	10.0	30.2
31-40	16	1	12.4	25.6
41-59	-	-	-	-
60 and over	1	2/	18.0	21.4
Total, 3/ or average	13,063	466	9.0	30.4
Par. 901(b):				
1-10	697	21	9.8	37.3
11-20	695	39	13.1	32.9
21-30	895	64	15.1	33.1
31-40	26	3	17.7	32.2
41-59	21	6	20.2	26.5
60 and over	403	180	22.5	26.8
Total, 3/ or average	2,738	312	17.6	30.6

1/ Does not include the additional duty, assessed under par. 924, on the long-staple cotton contained in imported yarn. Yarn numbering 60 and over, and probably some yarn numbering 41-59, was subject to this additional duty of 5 cents per pound.

2/ Less than $500.

3/ Because of rounding, figures may not add to the totals shown.

1/ All the computations in the remainder of this section of the report were based on the full unrounded figures, instead of the rounded figures shown in the various tabulations.

The foregoing tabulation shows that the average ad valorem equivalent of the duty paid in 1961 on imports of carded gray single cotton yarn (i.e., yarn not bleached, colored, combed, dyed, or plied, dutiable under par. 901(a)) was 9.0 percent. Such imports consisted almost entirely of yarn numbering not over 30. 1/ For yarn-number groups 11-20 and 21-30, the average ad valorem equivalent of the duty paid in 1961 was 8.2 percent and 10.0 percent, respectively. Based on the total value and composition of imports in 1961, the average ad valorem equivalent of the 1961 duties augmented by a fee of 8-1/2 cents per pound of cotton content would have been 30.5 percent for yarn in yarn-number group 11-20 and 30.2 percent for that in yarn-number group 21-30.

For imports of yarn bleached, colored, combed, dyed, or plied (dutiable under par. 901(b)), the average ad valorem equivalent of the duty paid in 1961 was 17.6 percent. In that year 83 percent of such imports (computed on the basis of the cotton content) consisted of yarn numbering not over 30, 2/ and 15 percent were of yarn numbering 60 and over. For yarn-number groups 1-10 and 60 and over, the average ad valorem equivalent of the duty paid in 1961 3/ was 9.8 percent and 22.8 percent, respectively. The

---

1/ The rate of duty on such yarn numbering 30 is 11.25 percent ad valorem. The imports of carded gray single yarn in yarn-number group 60 and over, as shown in the above tabulation, are believed to be misclassified in the official import statistics.

2/ The rate of duty on such yarn numbering 30 is 15.75 percent ad valorem.

3/ Not including the additional duty assessed under par. 924 on the long-staple cotton contained therein, if any.

average ad valorem equivalent of the 1961 duties augmented by a fee of 8-1/2 cents per pound on the cotton content would have been 37.3 percent and 26.8 percent, respectively.

The rates of duty provided for cotton cloth (the so-called countable cotton cloths) under paragraph 904 of the Tariff Act of 1930, as modified effective September 10, 1955 (except tire fabric and cloth suitable for making typewriter ribbon), vary according to the fineness of the yarn, and the finish, as shown in the following tabulation (in percent ad valorem): 1/

1/ Tire fabric or fabric for use in pneumatic tires, including cord fabric (dutiable under par. 904(e) at 25 percent ad valorem, the statutory rate) was omitted from the tabulation because there have been no imports of such fabric in recent years.

The rates shown in the tabulation were also applicable, in the period Sept. 10, 1955, to Sept. 22, 1960, to cotton cloth suitable for making typewriter ribbon. Subsequent to an escape-clause investigation under sec. 7 of the Trade Agreements Extension Act of 1951, as amended, the rates on such cloth "containing yarns the average number of which exceeds No. 50 but not No. 140, the total thread count of which per square inch (counting warp and filling), is not less than 240 and not more than 340, and in which the thread count of either warp or filling does not exceed 60 percent of the total thread count of the warp and filling" became, effective Sept. 23, 1960, as follows (in percent ad valorem):

Subparagraph	Average yarn number		
	51-90		91-140
	Base rate	Additional rate for each number	
904(a)	10.0	0.35	41.5
904(b)	13.0	.35	44.5
904(c)	16.0	.35	47.5

Finish	Average yarn number: 1-80: Base rate	Average yarn number: 1-80: Additional rate for each number	Average yarn number: Over 80
Not bleached, colored, dyed, or printed (904(a))----------	7.5	0.25	27.5
Bleached (904(b))	10.0	.25	30.0
Colored, dyed, or printed (904(c))---------------------	12.0	.25	32.0

The rates shown in the foregoing tabulation apply to non-fancy-woven cloth wholly of cotton, except products of the Philippine Republic and Communist-dominated nations or areas designated by the President pursuant to section 5 of the Trade Agreement Extension Act of 1951. 1/ Cotton cloth of special weaves (viz, woven with eight or more harnesses, or with Jacquard, lappet, or swivel attachments, or with two or more colors or kinds of filling) and cloth in chief value of cotton and containing rayon or other synthetic textile or silk are assessed 2-1/2 percent ad valorem 2/ in addition to the rates shown in the tabulation. Moreover, cotton cloth woven of yarns containing long-staple cotton is also subject to the additional duty provided for under paragraph 924.

1/ In 1960 and 1961 there were no imports entered under par. 904 from the Philippine Republic, and such imports from Communist-dominated nations or areas--dutiable at the higher rates originally provided in the statute--were insignificant.

2/ Effective Jan. 1, 1948; the additional duty for special weaves is provided for under par. 904(d) and that on synthetic textile or silk content, under par. 905.

The following tabulation shows, for selected statistical classifications, the cotton content of U.S. imports of cotton cloth dutiable under the provisions of tariff paragraphs 904 (except 904(e)) and 905 in 1961, the total duty paid, the average ad valorem equivalent of the duty paid, and the average ad valorem equivalent of the 1961 duty if it had been augmented by a fee of 8-1/2 cents per pound levied on the cotton content: 1/

1/ For each of the selected classifications, the cotton content of the 1961 imports exceeded 500,000 pounds. Aggregate imports of the selected classifications accounted for 93 percent of the total 1961 imports of cotton cloth shown in col. 3 of table 9; most of the remainder of such imports reported there consisted of tapestry and upholstery fabrics dutiable under tariff par. 908 at 27-1/2 percent ad valorem, effective May 30, 1950.

Classification	Cotton content	Calculated duty paid, 1961 1/	Average ad valorem equivalent of-- 1961 duty	Average ad valorem equivalent of-- 1961 duty augmented by 8-1/2 cents per pound on cotton content
	1,000 pounds	1,000 dollars	Percent	Percent
Sheeting, unbleached	17,949	839	11.1	31.3
Poplin and broadcloth:				
Unbleached	3,484	508	18.3	29.1
Printed, dyed, or colored	1,365	491	22.1	27.3
Jacquard or dobby shirting, unbleached	564	166	21.7	28.0
Twill and sateen:				
Unbleached	6,512	347	11.7	30.3
Printed, dyed, or colored	1,549	483	20.5	26.0
Typewriter-ribbon cloth, unbleached	597	465	35.9	39.8
Gingham	9,767	2,480	23.5	31.4
Yarn-dyed cloth except gingham	5,420	1,638	23.0	29.5
Cloth, n.e.s. (not elsewhere specified)(excludes printcloth sheeting):				
Unbleached	22,657	1,372	12.9	31.0
Bleached	676	297	22.3	26.6
Printed, dyed, or colored	4,773	1,518	19.7	25.0

1/ Does not include the additional duty assessed under par. 924 on the long-staple cotton contained in the specified fabrics.

Three classifications of unbleached cloth--namely, sheeting, twill and sateen, and cloth, n.e.s.--accounted for 63 percent (computed on the basis of the cotton content) of the total 1961 imports shown in the foregoing tabulation. 1/ The average ad valorem equivalent of the duty paid in 1961 on cloth in each of those three classifications ranged from 11 to 13 percent. The level of duty indicates that the cloth was made of coarse yarn. The average yarn number of the unbleached sheeting imported during 1961 (computed on the basis of the average ad valorem equivalent of the duty) was 14; that for unbleached twill and sateen was 17, and that for cloth, n.e.s., 22. The average ad valorem equivalents of the 1961 duties augmented by a fee of 8-1/2 cents per pound of cotton content would have been 31.3 percent for unbleached sheeting, 30.3 percent for unbleached twill and sateen, and 31.0 percent for unbleached cloth, n.e.s.

Gingham represents one of the most important classes of cotton cloth imported into the United States. The average ad valorem equivalent of the duties paid in 1961 on gingham was 23.5 percent. The addition of 8-1/2 cents per pound on the cotton content would have raised this average by a third, i.e., to 31.4 percent ad valorem.

Of the other statistical classifications shown on page 112, only unbleached typewriter-ribbon cloth appears to require comment.

1/ These three classifications comprise 58 percent of the 1961 imports reported in col. 3 of table 9.

As a result of escape-clause action in 1960, higher rates of duty have been levied on cotton cloth suitable for making typewriter ribbon than on other cotton cloth of comparable construction. 1/ The average ad valorem equivalent of the duty paid in 1961 on imports of unbleached typewriter-ribbon cloth was 35.9 percent. The 1960 modification of the duty was equivalent to an increase of 28 percent (computed on the basis of the construction and value of the 1961 imports). The ad valorem equivalent of the 1961 duty augmented by a fee of 8-1/2 cents on the cotton content would have been 39.8 percent.

The duties levied on imports of cotton articles other than yarn and cloth also vary widely from article to article. The following tabulation shows for a few of the statistical classifications dutiable under tariff paragraphs 917, 919, and 1529(a) the cotton content of U.S. imports in 1961, the total duty paid, the average ad valorem equivalent of the duty paid, and the average ad valorem equivalent of the 1961 duty if it had been augmented by a fee of 8-1/2 cents per pound levied on the cotton content: 2/

1/ See footnote 1, p. 109.

2/ Except as noted, products of the Philippine Republic and Communist-dominated nations or areas designated by the President pursuant to sec. 5 of the Trade Agreement Extension Act of 1951 are excluded. Imports of the selected articles (except lace window curtains, n.e.s., and Swiss-type embroideries) are included in col. 8 of table 9; imports of lace window curtains, n.e.s., and Swiss-type embroideries are included in col. 9 of that table.

Tariff paragraph and description	Cotton content	Calculated duty paid, 1961	Average ad valorem equivalent of-- 1961 duty	1961 duty augmented by 8-1/2 cents per pound on cotton content
	1,000 pounds	1,000 dollars	Percent	Percent
Par. 917:				
Other shirts, knit (except T-shirts and sweatshirts)--	2,968	1/ 975	25	31.5
Men's and boys' all white T-shirts, knit-------------	774	1/ 148	25	36.1
Par. 919:				
Women's, misses', and children's trousers, slacks, and shorts (outer) of woven fabrics, except twill, corduroy, velveteen, and yarn-dyed fabric other than gingham--------------------	4,557	1/ 1,275	20	26.1
Poplin and broadcloth blouses and blouse and skirt sets-----------------	4,196	1/ 1,174	20	26.1
Raincoats, not knit, 3/4 length or longer, valued $48 or more per dozen------	2,726	1/ 981	10	12.4
Par. 1529(a):				
Playsuits, sunsuits, rompers, etc., not knit or crocheted (other than corduroy or velveteen), ornamented, product of the Philippine Republic 2/-----	1,393	237	$4\frac{1}{4}$	6.4
Lace window curtains, n.e.s., and Swiss-type embroideries and articles in chief value thereof--------------------	177	386	45	46.8
Blouses and blouse and skirt sets (not knit or crocheted), ornamented--------	165	374	$42\frac{1}{2}$	44.1

1/ Does not include the additional duty assessed under par. 924 on the long-staple cotton contained in the specified articles (see pp. 103-104).
2/ In 1961, products of the Philippine Republic were dutiable at preferential rates equivalent to 10 percent of the rates applicable to products of most-favored nations; effective Jan. 1, 1962, the rates applicable to products of the Philippine Republic became 20 percent of the most-favored-nation rates.

For the articles shown in the foregoing tabulation (except ornamented playsuits and the like that are the product of the Philippine Republic), the average ad valorem equivalents of the duty paid in 1961 are, in fact, the rates of duty currently in effect. 1/ For the raincoats included in the tabulation, the ad valorem duty (10 percent) augmented by a fee of 8-1/2 cents per pound on the cotton content would have been equivalent to a duty of 12.4 percent ad valorem; for women's, misses', and childrens' trousers, slacks, and shorts, and also for poplin and broadcloth blouses and blouse and skirt sets, the ad valorem duty (20 percent), augmented by such a fee, would have been equivalent to a duty of 26.1 percent ad valorem; and for men's and boys' all white T-shirts, the ad valorem duty (25 percent) similarly augmented would have been equivalent to a duty of 36.1 percent ad valorem. For ornamented blouses (dutiable at 42-1/2 percent ad valorem) and for lace window curtains, n.e.s., and Swiss-type embroideries (dutiable at 45 percent ad valorem), the imposition of a fee of 8-1/2 cents per pound on the cotton content would have raised the ad valorem equivalents of the duties to 44.1 percent and 46.8 percent, respectively. Thus, such a fee would have meant tariff increases of about 4 percent on the ornamented blouses, lace window curtains,

---

1/ The current rates became effective as follows: For articles dutiable under par. 917, Sept. 10, 1955; for those dutiable under par. 919, Jan. 1, 1948; and for those dutiable under par. 1529, July 11, 1955.

and Swiss-type embroideries, compared with tariff increases of 24 percent on raincoats, 30 percent on women's and misses' trousers and the like, and 44 percent on T-shirts.

The preferential rate of duty applicable to ornamented playsuits and the like that are products of the Philippine Republic was increased, effective January 1, 1962, from 4-1/4 percent ad valorem to 8-1/2 percent, pursuant to the trade agreement between the United States and the Philippine Republic, signed September 6, 1955. It is noteworthy that virtually all the fabric from which such articles have been made in recent years has been exported from the United States as a domestic product to be embroidered or otherwise manufactured in the Philippine Republic and then returned to the United States. 1/

Cost factors.--In recent years a differential in raw-cotton costs has favored foreign manufacturers over U.S. manufacturers for articles marketed in the United States. 2/ That differential is a function of many variables; hence, in a particular crop year it varies significantly from country to country, and in a particular country, from month to month. The support price for U.S. raw cotton, the quality and size of the U.S. supply, the tone of the U.S. market, the rate of the U.S. export subsidy, the supply of foreign cottons, variations in delivery costs of raw

---

1/ See footnote 1, table 13.
2/ See the section of this report on raw-cotton export programs.

cotton to individual mills, and trade regulations in the raw-cotton importing countries--all affect the size of the differential here under discussion.

The following tabulation, compiled from data contained in a study prepared for the Business and Defense Services Administration (BDSA) of the U.S. Department of Commerce, 1/ shows, for specified cotton fabrics produced in 1960 in the United States, Japan, and India, the cost of raw cotton per linear yard of fabric and the cost per pound of raw cotton consumed:

1/ U.S. Department of Commerce, Business and Defense Services Administration, Comparative Fabric Production Costs in the United States and Four Other Countries, 1961.

Description of fabric and country of production	Cost of raw cotton per linear yard of fabric		Cost per pound of raw cotton consumed 1/
	Amount	Percent of total production costs	
	U.S. cents		U.S. cents
Sheeting, in the gray, carded, 4.25 linear yards per pound, produced in--			
United States	8.40	57.5	33.42
Japan	7.81	68.6	31.07
India	5.60	49.6	22.28
Print cloth, in the gray, carded, 4.00 linear yards per pound, produced in--			
United States	8.71	47.3	32.62
Japan	8.23	56.6	30.82
India	7.00	41.9	26.21
Broadcloth, in the gray, combed, 3.65 linear yards per pound, produced in--			
United States	11.80	45.1	40.32
Japan	10.29	56.1	35.16
Gingham, in the gray, combed, 4.35 linear yards per pound, produced in--			
United States	10.33	30.8	39.55
Japan	9.05	40.9	34.64

1/ Computed by multiplying the number of linear yards per pound of fabric (shown in the stub) by the cost of raw cotton per linear yard of fabric (shown in col. 1) and then dividing by the USDA factor for the number of pounds of raw cotton required to manufacture 1 pound of the specified fabric. For sheeting, print cloth, and broadcloth, the USDA factor is 1.0682; for gingham, it is 1.1364.

The foregoing tabulation shows that for the selected fabrics the cost per pound of raw cotton consumed was higher in the United

States than in either Japan or India. The spread between raw-cotton costs in the United States and those in Japan ranged from about 1.8 cents per pound in the production of print cloth to about 5.2 cents per pound in the production of broadcloth. The differentials between raw-cotton costs in the United States and those in India were substantially larger--about 6.4 cents per pound and 11.1 cents per pound in the production of print cloth and sheeting, respectively. In India the producers of cotton fabrics, particularly producers of sheeting and other constructions using yarns of number 26 and coarser, have the advantage of domestically produced cotton (which is low cost), 1/ whereas in Japan the producers are entirely dependent on imports to meet their raw-cotton requirements. In 1960, prices paid for domestically produced cotton by U.S. producers of the selected cotton fabrics exceeded prices paid for both U.S. and foreign cottons by Japanese producers of similar fabrics. Costs of handling and transporting cotton to Japanese mills made the differential in raw-cotton costs favoring such mills over U.S. mills smaller than the U.S. export subsidy. This subsidy was 8 cents per pound in the period January through July 1960, and 6 cents per pound during the remainder of that year.

1/ In the production of print cloth and other constructions using yarns of number 30 and finer, higher priced imported cotton is required (Report from American Embassy, New Delhi, 1962).

Within a given country, the variation in the cost per pound of raw cotton consumed in the manufacture of the various fabrics, as shown in the tabulation, reflects differences in grade and staple length of cotton used. The aforementioned BDSA report states, however, that "there are not great differences in the quantities or qualities of cotton used in the manufacture of particular fabrics."

The importance of the cost of raw cotton as a factor governing U.S. imports of cotton articles varies considerably from article to article, depending on the share of the total cost of production accounted for by raw cotton. Raw cotton accounts for a substantially larger share of the total cost of production for yarn, for example, than it does for unbleached cotton cloth. Similarly, the cost of raw cotton represents a larger share of the total cost of producing cotton cloth than of producing wearing apparel. Column 2 of the tabulation shows the share of the total cost of producing each of the specified fabrics that was accounted for by raw cotton.

In the presence of a differential in the cost of raw cotton favoring foreign mills over domestic mills, the relative importance of such cost to the total costs of production, as just noted, appears to have been a significant factor affecting the composition of recent U.S. imports of cotton articles. Two-fifths of the increase from 1954 to 1960 in the cotton content of U.S. imports of cotton articles consisted of yarns and cloth (table 9). The percentage increase in imports of yarns was much greater than that of cloth. In 1960, moreover, yarn and cloth--principally in an unfinished condition--accounted for 57 percent of the total imports of cotton articles. The preponderance of such articles in the 1960 imports represented a decided change from the composition of imports in the years before Federal price-support programs for cotton were operative. In 1928-32, for example, when differentials in the cost of raw cotton generally favored U.S. mills, 1/ U.S. imports of cotton articles consisted primarily of finished articles and specialty items.

In addition to the cost of raw cotton, producers of cotton articles have other expenditures, such as those for labor, other materials, fuel, power, manufacturing overhead, administration, sales distribution, and taxes. While certain of these expense items are presently lower in some countries than in the United States, others are as high, or higher. After cotton, labor generally constitutes the most important component of cost. The aforementioned BDSA report (p. 24) states: "No other single element of cost compares in magnitude with cotton or labor costs for any of the [four] fabrics in any of the producing countries."

1/ In 1928/29 to 1932/33 the United States accounted for more than half of the world's production of raw cotton; in 1960/61 the U.S. share was 30 percent.

For three of the four fabrics (not including gingham), elements of cost other than labor and cotton costs account for no more than 20 percent of the total cost in the United States, and 27 percent in Japan. Such costs per linear yard of the three selected fabrics in the United States are 1/4 to 1/2 cent higher than those in Japan and 1/2 cent lower than those in India. With respect to gingham, for which dye costs add a significant amount to total costs, the combined elements of cost other than cotton and labor are almost 3 cents higher in the United States than in Japan. 1/ Through the spinning stage alone, the costs of production other than those for cotton and labor are 4 cents lower in the United States than in the United Kingdom. 2/

The existence of lower wage rates in foreign countries than in the United States is generally cited as the principal cause of increased U.S. imports. A comparison of unit labor costs in various countries, however, must take account of (1) hourly wage rates, (2) productivity per man-hour, and (3) fringe benefits (sometimes referred to as concealed wages). Frequently, low wage rates are accompanied by low man-hour productivity, so that for a particular article the labor cost per unit of product may be as high in foreign countries as it is in the United States, or even higher. In most of the countries that were important suppliers

1/ In the United States, labor is the largest component of the cost of producing gingham; it accounts for 36 percent of the total cost (BDSA, op. cit., p. 32).

2/ Ibid., p. 25.

of U.S. imports of cotton articles in 1960 and 1961, the productivity of labor engaged in the textile industries has risen in recent years primarily because of increased use of modern machinery.

The BDSA report on comparative costs in the production of fabric indicates (pp. 29-32) that in the manufacture of the specified fabrics (from raw cotton to gray cloth) the output per man-hour in 1960 was significantly higher in the United States than in Japan. For sheeting, the output per man-hour was twice as high in the United States as in Japan; and for print cloth, broadcloth, and gingham, the corresponding relationships were 3 times, 1-3/4 times, and more than 2-1/2 times, respectively. For the specified fabrics, however, the greater productivity in the United States was insufficient to offset the differential in wage rates favoring Japanese producers. For these fabrics, moreover, total labor costs (including fringe benefits) per linear yard, as well as total production costs, were higher in the United States than in Japan, as shown in the following tabulation (in cents per pound): 1/

1/ Ibid., p. 21.

Description	United States		Japan	
	Labor costs	Total costs	Labor costs	Total costs
Sheeting	3.9	14.6	1.7	11.4
Print cloth	5.6	18.4	2.5	14.6
Broadcloth	9.1	26.2	3.2	18.4
Gingham	12.0	33.6	4.6	22.1

Wage rates, as well as other elements of cost, have been rising in the countries that have been the principal suppliers of U.S. imports of cotton articles in recent years. In Spain, for example, as a result of collective bargaining concluded in December 1961 between employers and workers in the cotton-textile industry, 1/ the minimum wage for unskilled workers was nearly doubled and fringe benefits were significantly increased. In Japan, also as a result of collective bargaining, textile workers recently received a 30-percent wage increase. 2/

Cotton policies of foreign governments.--Various foreign countries also employ price-support and export-incentive programs to aid cotton growers, or subsidies to encourage the exportation of cotton manufactures. There follows a brief discussion of some of these policies as they affect the international trade in cotton articles. Information is included on the following suppliers of

1/ The agreement covered 3,000 cotton textile firms and about 145,000 workers, or practically the entire cotton textile industry (Report from American Embassy, Madrid, 1961).

2/ New York Times, Mar. 6, 1962.

U.S. imports of cotton articles: Hong Kong, India, Japan, Pakistan, Portugal, Spain, and the United Arab Republic.

Only two of the suppliers listed above--Hong Kong and Japan--do not have cotton-growing industries. Of the remaining five, 1/ the United Arab Republic is the only one that does not ordinarily import raw cotton; the others have imported some raw cotton in recent years. Trade in raw cotton is on an export basis in Pakistan, and on an import basis in India, Portugal, and Spain.

Each of the five cotton-growing countries mentioned above has government (or industry-wide) programs that affect the raw-cotton prices paid by domestic mills, as well as the prices of exported cotton articles. In the United Arab Republic (Egyptian Region), the Cotton Commission sets the prices of cotton considerably higher for local textile mills than for export markets. The domestic mills, in turn, are granted a subsidy--full details of which are not presently available--to enable them to export their products.

1/ Portugal's cotton-growing industry is located in its Overseas Territories in Africa.

In Spain, the mills buy local cotton at prices which are generally above those in foreign markets for comparable cottons. During 1961, Spanish mills that exported cotton textiles were issued certificates entitling them to import cotton in amounts equivalent to the stocks consumed in the production of their exports. Such imports, which were free of import taxes or other assessments, were limited to cotton from countries with which Spain had an overall export-trade balance and, therefore, came mostly from Brazil and Mexico. For purchases of cotton from other countries in 1961, mills in Spain were required to apply to the Cotton Textile Syndicate for import licenses; on receipt of such cotton the mills were assessed a levy payable to the Syndicate. This levy, which brought the prices of the imported cotton close to the prices of local cotton, was reportedly for the purpose of financing rebates to exporters of cotton textiles. In December 1961 the levy on U.S. cotton (including that shipped under Public Law 480) was equivalent to about 10.2 cents per pound. Total charges on such cotton--including an import tax of 1 percent ad valorem, a fiscal tax of 3 percent (both paid by the Syndicate), the levy paid by the mill, and other small fees--amounted to 45 to 50 percent of the c.i.f. price at the Spanish port of entry.

Information available for 1961 indicates that in Portugal the landed price of imported cotton (including the import duty) was lower than the delivered price of colonial cotton. Mills in Portugal, however, were required to use specified minimum proportions of colonial cotton. After the colonial cotton was allocated to mills, import quotas were determined on the basis of estimated total needs of the industry. Producers of cotton yarn and cloth were given so-called equalization payments on their exports; reportedly, such payments were designed to offset the burden of buying colonial cotton at prices above world-market prices.

In recent years the Government of India, as a means of controlling the prices of cotton fabrics needed for domestic consumption, has established both minimum and maximum prices for sales of Indian cotton to local mills. From time to time, however, raw-cotton prices to the mills have exceeded the established ceilings. Mill purchases of raw cotton, whether local or imported, are subject to quotas established by the Textile Commission on the basis of consumption in earlier years. Since 1959 the Indian Cotton Mills' Federation (ICMF), an industry organization, has collected a fee at the mill level on all imported cotton having a staple length of 1-1/16 inches or more. The funds thus accumulated were reportedly used to assist the mills in exporting cloth and yarn. In December 1961 the ICMF increased the fees on imported cotton from an equivalent of about 7 cents per pound to about 8 cents per pound on cotton having a staple length of 1-1/16 inches to 1-3/16 inches, and from 9 cents to nearly 11 cents on cotton having a staple length of 1-3/16 inches or more. At the same time, the ICMF began collecting from the mills a fee on Indian cotton equivalent to about a half cent per pound or less, depending on staple length.

In Pakistan, growers are provided cotton seed by the Government at nominal prices and both fertilizer and insecticides at subsidized rates. Under the Pakistani export-promotion programs of recent years, exporters of cotton yarn and cloth have been granted vouchers usable in the importation of specified machinery and parts, dyes, chemicals, and so forth. Beginning in January 1959 these vouchers had a face value equivalent to 20 percent of the value of the exports for which they were granted. They were freely negotiable, frequently were sold at premiums substantially above their face value, and functioned as an effective export-promotion tool. In January 1961, when the Pakistani Government decontrolled prices of cotton fabrics in the home market, it also ceased granting vouchers for exports of cotton yarns. Thereafter, domestic prices of cotton fabrics rose steadily; by June 1961 they were, depending on fabric construction, 10 to 80 percent above the corresponding controlled prices of December 1960. As a result of the higher prices, Pakistan's exports of cotton yarns and fabrics were significantly lower in 1961 than in the preceding year.

The cotton-textile industry in Hong Kong operates largely without Government programs to stimulate production and exports.

Manufacturing firms, however, benefit from low taxes on profits, duty-free imports of materials, and an increasing supply of labor.

Japan's export-control policy has been an important factor affecting the volume of U.S. imports of cotton articles in recent years. During 1955, U.S. imports of cotton articles from Japan rose to a level far above that reached in any preceding year. To forestall the possible imposition of import restrictions by the U.S. Government, the Japanese textile industry unilaterally imposed and enforced quotas on its 1956 exports to the United States of various types of cotton fabrics and articles. During 1956, because of rising Japanese exports to the United States of cotton articles that had not been subject to quota restrictions, resulting in an increasing number of complaints from U.S. producers, the U.S. Government and representatives from Japan devised a quota system covering Japanese exports of all categories of cotton articles. This so-called voluntary agreement established an overall quota equivalent to 235 million square yards of fabric annually for the 5-year period beginning in January 1957. Although the annual quota was revised several times, 1/ the agreement operated as an effective control of the volume of U.S. imports from Japan. However, during the 5-year

---

1/ The overall annual quota was increased only slightly; it was 5 percent larger in 1961 than in 1957.

period that the agreement was in effect (1957-61), U.S. imports of cotton articles from other sources increased substantially, as noted earlier in this report.

During the calendar year 1962 Japan's exports of cotton articles to the United States are subject to the provisions of the United States-Japanese Bilateral Textile Agreement concluded September 8, 1961, pursuant to the Geneva Cotton Textile Arrangements of July 1961 (see following section of this report). Under the new bilateral agreement, Japan's 1962 exports of cotton articles to the United States may not exceed the equivalent of 275 million square yards.

Geneva Cotton Textile Arrangements.--In June 1961, at the request of the United States, 1/ the Executive Secretariat of the General Agreement on Tariffs and Trade (GATT) called a meeting in Geneva of countries substantially interested in the importation and exportation of cotton articles. The meeting, held in July 1961, was attended by representatives of the following 16 countries: Australia, Austria, Canada, India, Japan, Pakistan, Portugal, Spain, Sweden, the United Kingdom (also representing Hong Kong), the United States, and five members of the European Economic Community (Belgium, France, Germany, Italy, and the Netherlands). In addition, representatives of the following 7 governments attended

1/ The U.S. request was based on point 6 of President Kennedy's seven-point program of assistance to the U.S. textile industry, announced on May 2, 1961.

as invited observers: Brazil, Denmark, Greece, Norway, Switzerland, Turkey, and the United Arab Republic. Several other governments were also represented on an informal basis.

At the July meeting the participants drew up a proposed text for Arrangements Regarding International Trade in Cotton Textiles (hereinafter, for convenience, referred to as the Geneva Arrangements). The proposed text included (1) a short-term arrangement designed to deal with trade problems relating to cotton textiles in the 12-month period beginning October 1, 1961, and (2) provision for creation of a Cotton Textile Committee to develop a long-term solution to the cotton textile problems. By January 16, 1962, all 16 governments that sent representatives to the July meeting, as well as 3 others that sent observers, had formally accepted the short-term arrangement. Accordingly, the short-term arrangement is presently in force. On February 9, 1962, negotiations for a long-term arrangement (for 5 years beginning October 1, 1962) were concluded on an ad referendum basis by representatives of the 19 governments that had already adhered to the short-term arrangement.

Both the short-term and long-term arrangements are designed to (1) assure exporting countries increasing access to markets where imports are presently restricted; (2) maintain orderly access to markets where restrictions are not at present maintained; (3) secure from exporting countries a measure of voluntary restraint in their export policy so as to avoid disruptive effects in import markets, and (4) vest authority in importing countries to restrict imports if such voluntary restraint by the exporting countries cannot be secured or is breached. 1/

The third purpose cited above is of particular interest to U.S. producers of cotton articles and growers of cotton. In September 1961, as stated in the preceding section of this

---

1/ The statutory authority pursuant to which the United States participated in the negotiation of the Geneva Arrangements (sec. 204 of the Agricultural Act of 1956; 7 U.S.C. 1854) permitted invocation of the import-restricting features of those arrangements only with respect to countries which are signatories thereto. Effective June 19, 1962, that statutory provision was amended to permit the President to restrict imports from countries which are not parties to such arrangements (76 Stat. 104). By Aug. 6, 1962, as a result of this additional authority, the United States had requested eight nonsignatory countries to restrain, until Sept. 30, 1962, their exports of certain cotton products to the United States.

Sec. 204, as amended, provides as follows:

> The President may, whenever he determines such action appropriate, negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries and the importation into the United States of any agricultural commodity or product manufactured therefrom or textiles or textile products, and the President is authorized to issue regulations governing the entry or withdrawal from warehouse of any such commodity, product, textiles, or textile products to carry out any such agreement. In addition, if a multilateral agreement has been or shall be concluded under the authority of this section among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue, in order to carry out such an agreement, regulations governing the entry or withdrawal from warehouse of the same articles which are the products of countries not parties to the agreement. Nothing herein shall affect the authority provided under section 22 of the Agricultural Adjustment Act (of 1933) as amended.

report, Japan and the United States concluded a bilateral agreement, pursuant to the provisions of the short-term arrangement, for limiting Japan's exports of cotton articles to the United States during 1962.

The responsibility of enforcing the rights and obligations of the United States under the Geneva Arrangements was assigned to the Interagency Textile Administrative Committee (composed of representatives of the Departments of Agriculture, Commerce, Labor, State, and Treasury) that was established pursuant to instructions from the President dated October 18, 1961. The President delegated to the Secretary of the Treasury authority to issue regulations governing the entry or withdrawal from warehouse of cotton textiles in accordance with recommendations of the aforementioned Committee. 1/

In his capacity as Chairman of the Cabinet Textile Advisory Committee, the Secretary of Commerce reported to the President that by August 6, 1962, "a total of 68 specific restraint actions have been taken involving 11 governments in 39 of the 64 categories provided for under the [short-term] Arrangement." 2/

1/ 27 F.R. 2795.
2/ Office of the White House Press Secretary, release dated Aug. 7, 1962.

U.S. Exports of Cotton Articles

Basis for statistical analysis

To measure the trends of U.S. exports of cotton articles, the USDA data, which express such exports in terms of their cotton content, have been used in the following discussion. These data were calculated in a manner similar to that followed for the import data (see section of this report on U.S. imports of cotton articles).

Recent trends

During the period 1954-61, U.S. annual exports of cotton articles (expressed in terms of their cotton content) declined by about 106,000 bales (51 million pounds), or by 18 percent (table 13). 1/ Such exports decreased steadily from 604,000 bales (290 million pounds) in 1954 to 530,000 bales (255 million pounds) in 1956, rose to 579,000 bales (278 million pounds) in 1957, then declined to 486,000 bales (233 million pounds) in 1960. In 1961, such exports were 498,000 bales (239 million pounds). In the first half of 1962, such exports were 237,000 bales (114 million pounds), compared with 259,000 bales (124 million pounds) in the corresponding period of 1961.

In 1954-59, U.S. annual exports of cotton articles exceeded U.S. annual imports of such articles by margins ranging from

---

1/ Throughout this section of the report, all data for exports of cotton articles are for calendar years and are given in terms of their cotton content.

504,000 bales (242 million pounds) in 1954 to 131,000 bales (63 million pounds) in 1959. In 1960, however, imports exceeded exports by some 40,000 bales (19 million pounds). In 1961, exports again exceeded imports--by 104,000 bales (50 million pounds). In the first half of 1962, imports were greater than exports by a margin of about 110,000 bales (53 million pounds).

Virtually all of the decrease in annual exports of cotton articles from 1954 to 1961 was accounted for by the decline in exports of yarn (including thread and twine) and cloth. Exports of certain articles manufactured beyond the cloth stage showed increases, but not nearly enough to offset the decline in exports of yarn and cloth.

Yarn.--U.S. annual exports of cotton yarn fell by more than 28,000 bales (13 million pounds), or by almost 62 percent, from 1954 to 1961 (col. 1, table 13). Such exports decreased from almost 45,000 bales (22 million pounds) in 1954 to less than 35,000 bales (18 million pounds) in 1956, rose to more than 45,000 bales (22 million pounds) in 1957, then declined steadily to about 25,000 bales (12 million pounds) in 1960, and to 17,000 bales (8 million pounds) in 1961. During the first 6 months of 1962, they totaled less than 9,000 bales (4 million pounds), some 400 bales (200,000 pounds) less than during the comparable period in 1961. In 1960 Canada received 43 percent of U.S. yarn exports, and in 1961, 55 percent.

Cloth.--U.S. annual exports of cotton cloth decreased from 436,000 bales (209 million pounds) in 1954 to 373,000 bales (179 million pounds) in 1956, rose to 410,000 bales (197 million pounds) in 1957, then steadily declined to 343,000 bales (165 million pounds) in 1960, but increased to 355,000 bales (171 million pounds) in 1961 (col. 4, table 13). 1/ Exports in 1961 were smaller by about 80,000 bales (39 million pounds), or about 18 percent, than those in 1954. U.S. exports of cotton cloth were 169,000 bales (81 million pounds) during the first half of 1962, compared with 190,000 bales (91 million pounds) during the first half of 1961. In 1960 and 1961, Canada was the principal foreign market. 2/

Manufactured articles.--U.S. annual exports of cotton articles manufactured beyond the cloth stage (cols. 5-12, table 13) were moderately stable throughout the 1954-60 period; they ranged from 103,000 bales (50 million pounds) in 1959 to 108,000 bales (52 million pounds) in 1957. In 1961, however, the total was 119,000 bales (57 million pounds), an amount about 12 percent larger than that of the corresponding exports in 1954. Exports of such articles during January-June 1962 amounted to 56,000 bales (27 million pounds), compared with 57,000 bales (nearly 27-1/2 million

---

1/ In 1961, exports of cloth accounted for about 71 percent of the total exports of cotton articles.

2/ In 1960, and again in 1961, the cotton content of U.S. cotton cloth exported to the Philippine Republic to be embroidered or otherwise manufactured there and returned to the United States was about 10,000 bales (5 million pounds).

pounds) during the comparable period in 1961. The following tabulation shows U.S. annual exports of these cotton articles in the period 1954-61 and January-June 1962:

Year	1,000 bales	1,000 pounds
1954	106	50,847
1955	106	50,714
1956	106	51,061
1957	108	51,985
1958	105	50,409
1959	103	49,603
1960	108	51,699
1961	119	57,033
1962 (January-June)	56	26,928

Increases in exports of certain categories, such as wearing apparel and industrial articles, were partially offset by decreases in other categories, such as certain household and clothing articles.

Wearing apparel other than knit.--U.S. annual exports of cotton wearing apparel other than knit rose irregularly from 16,000 bales (8 million pounds) in 1954 to 24,000 bales (11 million pounds) in 1960 and to 25,000 bales (12 million pounds) in 1961 (col. 10, table 13). Such exports during the first half of 1962 were 13,000 bales (6 million pounds), an amount slightly more than those during the first half of 1961. In both 1960 and 1961, overalls and other work clothing accounted for more than 30 percent of the total exports in this category. Chile, West Germany, France, and Canada were the chief countries of destination in 1960, and France, West Germany, Chile, and Canada were in 1961. Miscellaneous woven clothing accounted for about 25 percent of the total in both 1960 and 1961, with Canada being the primary market. The third largest item in both years was woven shirts, for which the Netherlands Antilles, Canada, Mexico, and Hong Kong were the main markets in 1960, and Mexico, Canada, and Hong Kong in 1961.

House furnishings. 1/--U.S. annual exports of house furnishings (cols. 5-8, table 13) decreased from 29,000 bales (14 million pounds) in 1954 to 24,000 bales (11 million pounds) in 1961, or by almost 20 percent as shown in the following tabulation:

Year	1,000 bales	1,000 pounds
1954	29	13,984
1955	27	12,746
1956	26	12,309
1957	26	12,626
1958	27	13,168
1959	27	12,959
1960	28	13,229
1961	24	11,377
1962 (January-June)	10	4,946

During the first half of 1962, they amounted to 10,000 bales (5 million pounds), compared with 11,000 bales (5 million pounds) during the first half of 1961.

1/ Includes blankets, quilts, spreads, pillowcases, sheets, towels, curtains, draperies, and other house furnishings.

Other household and clothing articles.--From 1954 to 1961, U.S. annual exports of other cotton household and clothing articles 1/ fluctuated from 39,000 bales (19 million pounds) in 1957 to 31,500 bales (15 million pounds) in 1960 (col. 11, table 13). Exports of such articles amounted to 32,000 bales (16 million pounds) in 1961. Between 1954 and 1961, they declined by 2,500 bales (1 million pounds), or by 7 percent. They were 16,000 bales (8 million pounds) during the first half of 1962, about the same as they were during the corresponding period of 1961.

Some of the principal articles in this category in 1960 and 1961 were miscellaneous canvas articles (15 percent and 9 percent of the total, respectively), nonelastic narrow fabrics (13 percent in each year), and finished knit fabrics in the piece (12 percent and 16 percent, respectively). Canada was the chief country of destination for all these articles in both years.

Industrial articles.--U.S. annual exports of cotton industrial articles increased by 15,000 bales (7 million pounds), or by almost 89 percent, from 1954 to 1961 (col. 12, table 13). Such exports amounted to about 17,000 bales (8 million pounds) in 1954, rose steadily to 20,000 bales (10 million pounds) in 1957, fell to 18,000 bales (8 million pounds) in 1958, then

---

1/ The category "other household and clothing articles" includes canvas articles, knit fabrics, braids, narrow fabrics, elastic webbing, waterproof garments, and laces and lace articles.

increased to 19,000 bales (9 million pounds) in 1960 and to 33,000 bales (16 million pounds) in 1961. During the first half of 1962, they were 14,000 bales (7 million pounds), or slightly less than those during the first half of 1961.

Bags and sacks 1/ accounted for 40 percent of the exports of industrial articles in 1960, and for 45 percent in 1961; Tunisia was the chief country of destination in 1960, and Morocco, in 1961. Fabrics coated or impregnated with resin or plastic accounted for 18 percent of the total in both 1960 and 1961; miscellaneous coated or impregnated fabrics accounted for 13 percent in 1960 and 18 percent in 1961; and miscellaneous rubber and rubberized fabrics and sheetings, 12 percent in 1960, and 6 percent in 1961. Canada was the chief export market for the foregoing articles in both 1960 and 1961, except that in 1961 miscellaneous coated and impregnated fabrics went chiefly to Indonesia.

1/ Not including used and reclaimed bags and sacks.

U.S. Consumption of Raw Cotton

Trend

In the decade 1930-39, annual mill consumption of raw cotton in the United States ranged from 5.1 million bales (in 1932) to 7.6 million bales (in 1937); the average annual consumption during the period 1935-39 was 6.8 million bales. 1/ U.S. annual consumption in the period 1946-61 varied irregularly but was substantially above the levels of prewar years; it averaged 8.6 million bales for the years 1957-61. Consumption in 1961 was 8.5 million bales, an amount somewhat smaller than that in 1959 and 1960, but larger than that in 1957 and 1958. The following tabulation shows the annual U.S. consumption of raw cotton during the period 1946-61: 2/

	1,000 bales		1,000 bales
1946-------	10,019	1954--------	8,598
1947-------	9,720	1955--------	9,130
1948-------	9,299	1956--------	9,089
1949-------	7,998	1957--------	8,459
1950-------	9,756	1958--------	8,056
1951-------	10,143	1959--------	9,034
1952-------	9,314	1960--------	8,740
1953-------	9,284	1961--------	8,517

1/ In this section of the report, the data are for calendar years; quantities are reported in bales of 500 pounds each, gross weight (equivalent to 480 pounds, net weight).
2/ Computed from the figures (expressed in millions of pounds) shown in col. 2 of table 14.

The years 1946-61 include two periods in which demand was stimulated by unusual factors. Annual mill consumption of raw cotton in the 1946-48 period reflected the pent-up demand following wartime scarcities; such consumption in the 1950-52 period reflected the increased demand resulting from the Korean incident. In both of these periods, U.S. annual exports of cotton textiles were at high levels. During the years 1953-61, average annual consumption of raw cotton was 8.8 million bales, and consumption in any year of this period did not deviate more than 8 percent from the average. Consumption in 1961--8.5 million bales--was only 3 percent below the average.

Competition with other materials

Whereas average annual consumption of raw cotton in 1953-61 was 28 percent above that in 1935-39, the corresponding increase for all fibers was 57 percent. Thus, it becomes apparent that cotton has not benefited as greatly as other fibers from the enlarged total market for textiles resulting from the increased population and the expanded incomes since World War II. On a weight basis (table 14), cotton's share of annual U.S. mill consumption of all fibers declined from 80 percent in the years immediately preceding World War II to 63 percent in 1961. Inasmuch as the yardage of fabrics produced from a pound of manmade fiber is, on the average, about 50 percent greater than the yardage of similar types produced from a pound of cotton, 1/ cotton's share of the market for the total output of U.S. textile mills (measured in yards) declined to an even greater extent than that indicated above.

Since 1946 there has been a substantial expansion in the combined annual consumption of the three principal groups of textile fibers--cotton, manmade fibers, and wool. The raw-cotton equivalent 2/ of aggregate annual consumption of manmade fibers and wool, added to the annual mill consumption of raw cotton, increased from 12.8 million bales in 1946 to 15.3 million bales in 1960. Thus, while the total market for these fibers has obviously expanded, the relative importance of cotton in that market has declined. The principal explanation for that decline in an expanding market for textile fibers is that manmade fibers have enjoyed a phenomenal increase in usage during the postwar years. In terms of actual weight, consumption of manmade fibers in 1960 was nearly double that in 1946;

1/ On the average, 1.5 pounds of cotton is required to produce the amount of fabric that may be produced from 1 pound of manmade fiber. The yardage of fabric obtained from a pound of rayon staple, although greater than that obtained from a pound of cotton, is smaller than that obtained from some of the other manmade fibers, such as nylon.

2/ The term "raw-cotton equivalent" is used in this section of the report to mean the amount of cotton that would have been required to make the yardage of fabric that was produced from fibers other than cotton.

when expressed in terms of raw-cotton equivalents, the increase was even more spectacular, as indicated by the following tabulation:

	1946	1960
Actual weight----million pounds--	954.3	1,878.1
Raw-cotton equivalent:		
Million pounds------------------	1,295.1	2,824.5
Million bales-------------------	2.7	5.9

During the 15-year period 1946-60, the raw-cotton equivalent of aggregate U.S. consumption of manmade fibers was approximately 68 million bales. The sum of the increments of annual consumption of manmade fibers in the period 1947-60 over consumption thereof in 1946 is 27 million bales of raw-cotton equivalent. Part of the increase in consumption of manmade fibers resulted from new or expanded markets for such materials, some of which were not suitable outlets for natural fibers primarily because of their physical characteristics. At least a third of the increase in the consumption of manmade fibers, however, probably represented a direct replacement of cotton. 1/ In the manufacture of tire cord alone, where manmade fibers have replaced cotton almost entirely, cotton growers have lost an outlet for more than 7 million bales during the period since World War II.

1/ This discussion does not take into account that foreign production and consumption of manmade fibers has also, to some degree, limited U.S. exports of raw cotton and cotton articles. The raw-cotton equivalent of production of manmade fibers outside the United States during 1960, which was 6-1/2 times production thereof in 1946, was 15.8 million bales.

In addition to the quantity of cotton displaced by manmade fibers, there has been displacement by other competing materials, such as paper and plastic. Although the aggregate displacement by these materials cannot be exactly determined, the total is known to be very large, as is indicated in the subsequent discussion of industrial uses of cotton.

Market shifts for cotton 1/

Reduction in industrial outlets for cotton.--The heaviest market losses for cotton since World War II have occurred in industrial uses, owing in large part to competition from manmade fibers, plastics, and paper. Immediately before the war, more than a third of the consumption of cotton in the United States was accounted for by industrial end uses. By 1960, less than a fifth of the total went into such uses. The heaviest losses were sustained in the tire cord and bag markets. In 1960 the production of cotton tire cord required only 70,000 bales of cotton. 2/ Cotton accounted for only 4 percent of all fibers used in tire cord in that year. Before World War II, the bag market used some 500,000 bales of cotton annually. This market shifted largely to paper and plastic; in recent years it has

---

1/ The statistical information on which this discussion on market shifts is based is taken from various editions of Cotton Counts Its Customers, National Cotton Council of America, Memphis, Tenn.

2/ This is less than 10 percent of the quantity of cotton required annually for tire cord in the years immediately after World War II.

consumed only about 150,000 bales of cotton annually. The use of cotton also declined in the manufacture of electrical insulation, hoses, laundry and drycleaning supplies, and machinery belts.

Increased use of cotton in apparel.--Total gains for cotton in the apparel market have exceeded the losses in industrial uses. Since the end of World War II, wearing apparel has accounted for a steadily increasing share of all cotton consumed--rising from 36 percent in 1947 to 53 percent in 1960. In terms of absolute quantities, the increase from 1947 to 1960 in the annual consumption of raw cotton by the apparel manufacturers was 1.7 million bales (63 percent). Not only has there been an increase in the quantity of cotton required for producing wearing apparel, but cotton provided a larger share of all textile fibers consumed in this end use in 1960 than in 1947--cotton's share being 62 percent in 1960, compared with 56 percent in 1947.

Household uses.--The proportion of annual U.S. cotton consumption accounted for by household uses varied only from 28 to 30 percent in the period 1939-60. However, cotton's share of the total household market for all fibers declined from 56 percent in 1947 to 48 percent in 1960.

Changes in end uses for cotton since World War II, expressed as a percentage of total cotton consumption, are summarized below:

	Wearing apparel	Household	Industrial
1948----------	38	29	33
1952----------	46	28	26
1956----------	49	30	21
1960----------	53	28	19

Efforts to retain and increase markets

By various methods the cotton trade has been making serious efforts to increase, or at least to retain, its share of the total domestic market for fibers. Promotional efforts to impress the consumer with cotton's natural advantages and to create fashion appeal and thereby combat the glamour of newer fibers, along with marked successes in developing wash-and-wear cottons, have probably contributed to the recent upsurge in the use of cotton by the apparel trade.

The efforts of the cotton trade to expand cotton consumption are directed toward several objectives. First, through promotional activities the trade is endeavoring to retain the position now held by cotton in various markets. Second, efforts have been made to attain new markets by an effective research program. Success in these efforts, however, also depends on the ability of growers to keep the cost of cotton to the mill both stable and competitive with that of manmade fibers. With regard to the price situation, the National Cotton Council made the following observation in 1955: 1/ "In fighting for increased consumption, U.S. cotton has much to gain from a lower price, but the gain

1/ National Cotton Council of America, Price and the Future of U.S. Cotton, Memphis, Tenn., pp. 39-40.

would be of a long-range nature * * *. What is needed is a price policy, founded upon steadily declining costs of production, which will make both our customers and our competitors believe that in future years the price of U.S. cotton (as compared to our competing materials) is likely to trend lower, and that the short-term fluctuations will be minimized."

Recent gains by rayon staple against cotton

During the 1950's, prices for raw cotton delivered to U.S. mills were about the same as the prices for rayon staple, or only slightly higher. 1/ However, many mills, for considerations other than price, continued to prefer cotton over rayon staple in that period. 2/ At the beginning of 1960 the price of cotton was more than 2 cents per pound above the price of rayon staple; the price difference widened during 1960 primarily because of reductions in rayon staple prices; beginning in February 1961 it widened still further because of the rise in cotton prices. From January 1960 to June 1962 the amount by which the price of cotton exceeded that of rayon staple increased 8-1/2 cents per pound; the average monthly prices of cotton delivered to the mill surpassed the corresponding prices of rayon staple by the amounts shown below (in cents per pound):

1/ The price comparisons discussed here relate to delivered prices per pound of Middling 1-1/16-inch cotton and first-quality rayon staple, unless otherwise stated.

2/ The cotton trade was then more concerned with the increasing competition from noncellulosic fibers than from rayon.

Month	1960	1961	1962
January	2.6	5.9	10.1
February	2.5	6.7	10.1
March	2.3	8.2	10.4
April	6.0	8.0	10.6
May	6.3	8.3	11.0
June	6.2	8.5	11.1
July	6.0	8.9	
August	5.2	9.3	
September	6.2	9.6	
October	5.8	9.7	
November	5.8	9.8	
December	5.8	9.9	

The increase in the price differential between cotton and rayon staple has been accompanied by a marked increase in the total consumption of rayon staple in U.S. mills having a cotton-spinning system. The following tabulation shows average daily consumption and total consumption of rayon staple in such mills, by months, January 1960 through June 1962 (in millions of pounds): 1/

Month	1960		1961		1962	
	Daily average	Total	Daily average	Total	Daily average	Total
January	1.5	30	1.3	26	1.8	1/ 44
February	1.5	30	1.3	26	1.9	38
March	1.4	1/ 35	1.4	1/ 34	1.9	38
April	1.4	29	1.5	30	1.9	1/ 47
May	1.4	28	1.5	30	1.9	38
June	1.4	1/ 34	1.5	1/ 38	1.9	38
July	1.3	25	1.4	28		
August	1.5	31	1.7	35		
September	1.2	1/ 31	1.6	1/ 41		
October	1.4	29	1.8	36		
November	1.4	28	1.8	1/ 44		
December	1.2	1/ 30	1.7	33		

1/ For a 5-week period; all other figures are based on 4-week periods.

1/ These figures also include data for acetate staple consumption, estimated to account for less than 15 percent of the totals shown. Four months during a calendar year (1 each quarter) are 5-week months for statistical reporting; the average daily consumption, therefore, is a better comparative statistic.

Consumption of rayon staple on the cotton-spinning system, on a daily-average basis, was substantially larger during each of the first 6 months of 1962 than during each of the corresponding months of any preceding year of record. A pound of rayon staple used on the cotton-spinning system is equivalent, in terms of quantity of yarn produced, to an average of 1.1 pounds of cotton. 1/ The daily average consumption of rayon staple on the cotton-spinning system was, in terms of the raw-cotton equivalent, about 4,000 bales during each of the months February-June of 1962, or approximately 1,000 bales more per day than during the corresponding 5 months of 1961.

During 1962/63, price support for cotton will continue at about the same level as during 1961/62. Hence, the current price disadvantage for cotton in competition with rayon may be expected to continue at least through 1962/63. The textile manufacturers do not ordinarily shift from one fiber to another in response to short-term price advantages, inasmuch as substitution of one fiber for another involves costly shutdowns of production while the machinery is being converted. The present price of cotton in relation to the prices of manmade fibers is encouraging additional shifting away from cotton. Experience indicates that once a mill has converted its equipment for the use of other fibers, considerable cost incentive is required to encourage it to return to cotton.

1/ While a pound of rayon staple yields more fabric, on the average, in terms of yardage, than a pound of cotton, it yields less fabric than a pound of some of the other manmade fibers.

APPENDIX A

Documents Relating to the Investigation

THE WHITE HOUSE
WASHINGTON

November 21, 1961

1961 NOV 21 PM 12 44

Dear Mr. Dorfman:

I have been advised by the Secretary of Agriculture that there is reason to believe that articles or materials wholly or in part of cotton are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the programs or operations undertaken by the Department of Agriculture with respect to cotton or products thereof, or to reduce substantially the amount of cotton processed in the United States from cotton or products thereof with respect to which such programs or operations are being undertaken.

The Tariff Commission is requested to make an immediate investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether a fee equivalent to the per pound export subsidy rate on the cotton content of imported articles and materials wholly or in part of cotton is necessary to prevent the imports of such articles from rendering or tending to render ineffective or materially interfering with the Department's programs for cotton and cotton products, or from reducing substantially the amount of products processed in the United States from cotton or products thereof, with respect to which such programs are being undertaken.

The Commission's investigation and report should be completed as soon as practicable.

A copy of the Secretary's letter is enclosed.

Sincerely,

Enclosure.

Honorable Ben D. Dorfman
Chairman
United States Tariff Commission
Washington, D. C.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

NOV 1 3 1961

1961 NOV 21 PM 12 44

The President
The White House
Washington 25, D. C.

Dear Mr. President:

This is to advise you that I have reason to believe that articles and materials wholly or in part of cotton are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the program or operations undertaken by the Department of Agriculture with respect to cotton or products thereof, or to reduce substantially the amount of products processed in the United States from cotton or products thereof with respect to which any such program or operation is being undertaken.

The programs and operations for upland and long-staple cotton being conducted by the Department of Agriculture include (1) price support programs, (2) acreage allotment and marketing quota programs, and (3) export subsidy programs for cotton and cotton products.

About 525,500 bales of cotton were used to manufacture cotton textiles imported into the United States in 1960. The quantity of such imports was at a record high in that year. Production of cotton abroad has increased steadily and sometimes sharply since 1950. Over the five years ending in 1960 imports of cotton textiles increased at an average annual rate equivalent to about 69,000 bales.

Since the end of World War II, aggregate mill consumption of cotton has tended to decline. Consumption per capita in the United States declined from an annual average of about 29.3 pounds in the 1946-55 period to about 23.9 pounds per person in 1956-60. The increase in cotton textile imports has importantly contributed to the decline in mill consumption of cotton. On a per capita basis, imports of cotton textiles increased from about the equivalent of 0.5 pounds per person in the United States in 1955 to approximately 1.4 pounds per person in 1960. From 1946 to 1955 the increase was from 0.1 to 0.5 pounds. The sharp rise in the per capita rate of imports of cotton textiles occurred during the period when export subsidies and export differentials were relatively large and were consistently paid. Consumption per capita of cotton by United States mills during the period

Growth Through Agricultural Progress

1956 to date declined by about 3.3 pounds. The increase in imports of cotton textiles was equivalent to about 0.9 pounds per person in the same period.

It is evident that imports of articles and materials wholly or in part of cotton will render or tend to render ineffective, or materially interfere with the Department's programs for cotton and products thereof, or will reduce substantially the amount of products processed in the United States from cotton. It is recommended, therefore, that you request the United States Tariff Commission to make an immediate investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether a fee on the cotton content of imported articles and materials wholly or in part of cotton, equivalent to the per pound export subsidy rate on cotton, is necessary to prevent the imports of such articles from rendering or tending to render ineffective or materially interfering with the Department's programs for cotton and cotton products, or from reducing substantially the amount of products processed in the United States from cotton or products thereof, with respect to which such programs are being undertaken.

The Commission's findings should be completed as soon as practicable.

Respectfully yours,

Orville L Freeman

UNITED STATES TARIFF COMMISSION

[22 - 25]

COTTON PRODUCTS

Notice of Investigation and Date of Hearing 1/

At the request of the President, by letter dated November 21, 1961, the United States Tariff Commission, on the 22d day of November 1961, instituted an investigation under section 22(a) of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether ARTICLES OR MATERIALS WHOLLY OR IN PART OF COTTON are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the programs or operations undertaken by the United States Department of Agriculture with respect to cotton or products thereof, or to reduce substantially the amount of any product 2/ processed in the United States from cotton or products thereof with respect to which such programs or operations are being undertaken.

Hearing. A public hearing in connection with this investigation will be held in the Tariff Commission's Hearing Room, Tariff Commission Building, 8th and E Streets, N.W., Washington, D.C., beginning at 10 a.m., E.S.T., on February 13, 1962. 3/ All parties will be given

1/ The original notice was issued November 22, 1961, and appeared in the Federal Register of November 28, 1961.

2/ To correct error, by notice of January 11, 1962 (Federal Register of January 12, 1962), the term "any product" was substituted for the word "cotton" which appeared in the original notice.

3/ The hearing was scheduled for March 13, 1962 in the original notice, and was advanced to February 13 by notice of November 28, 1961 (Federal Register of December 1, 1961).

opportunity to be present, to produce evidence, and to be heard at such hearing. Interested parties desiring to appear at the public hearing should notify the Secretary of the Tariff Commission, in writing, at its offices in Washington, D.C., at least five days in advance of the date set for the hearing.

By order of the Commission:

Donn N. Bent

Donn N. Bent
Secretary

Issued November 22, 1961
Amended November 28, 1961
January 11, 1962

APPENDIX B

Analysis of Legal Issues Arising in Connection With this Investigation

The President's failure to "agree" with the finding by the Secretary of Agriculture

At the hearing held in connection with this investigation, an issue was raised as to the legality of the investigation because of the alleged failure of the President to comply with one of the procedural requirements of the statute. Section 22(a) provides that whenever the Secretary of Agriculture has reason to believe that there is import interference with an agricultural program, he shall so advise the President, and, "if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission * * *." It was asserted that since the President failed to state explicitly, in his letter to the Tariff Commission directing the investigation, that he agreed with the Secretary's reason for belief, the investigation by the Commission was unlawful. The Chairman ruled, in effect, that since the President requested the Commission to make the investigation, the Commission must presume that the President agreed with the Secretary of Agriculture.

The Commission takes the position that in view of its special relationship with the President in the administration of section

22, it is not appropriate for the Commission to question the legality of a Presidential request for an investigation. It must presume that the President has met all the requirements of the statute.

<u>Interim recommendation of remedial action</u>

A preliminary motion in the nature of a suggestion was made at the hearing by counsel for domestic textile interests that, in view of the fact that the import fee mentioned in the President's letter to the Commission would be inadequate to remedy the adverse effects of imports of articles or materials wholly or in part of cotton, the Commission should submit an interim report to the President advising immediate imposition of this fee, to be followed by a final report recommending such additional remedial action as the investigation showed to be necessary.

The Commission has no statutory authority to recommend "interim" action pending the outcome of its investigation. Section 22 contemplates that the Commission's report and its recommendation, if any, be made only after the investigation has been completed; this is self-evident from the fact that the matter of recommending relief is contingent upon the Commission's finding that the circumstances warranting relief exist and that the quantum of relief necessary can be determined only after all the pertinent facts are weighed and evaluated. Furthermore, it is to be noted that section 22 provides a specific vehicle for "emergency" action by the President pending receipt of the Commission's report on its investigation:

> In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President.

In the light of the foregoing, it is clear that it would have been inappropriate for the Commission to recommend interim action, and that counsel's request for "interim" action should have been addressed to the Secretary of Agriculture.

The "processing clause" as an independent criterion for relief

Perhaps the most important legal issue raised at the hearing concerned the question of whether inclusion of the language "or to reduce substantially the amount of any product processed in the United States" in section 22(a) manifests a congressional intent that section 22 be available to protect against serious import competition the domestic industries utilizing agricultural commodities. The USDA spokesman contended that the above-quoted language establishes a criterion for action under section 22 which is distinct from and unrelated to the matter of interference with the Department's agricultural programs. Counsel for importers, on the other hand, contended that in order to invoke the remedial provision of section 22 the reduction in domestic processing must be accompanied by interference with an agricultural program.

For the reasons set forth in the following analysis, it is believed that the USDA position is not sound and that remedial action under section 22 based on a substantial reduction in the amount of cotton products processed from domestic cotton in the United States would be appropriate only if there is a causal relationship found between such reduction and material interference with USDA programs for cotton.

In treating with this matter of statutory interpretation, it is important to establish as a frame of reference the legislative context within which the language in question was developed.

Introduction.--For a number of years prior to 1933, a condition of severe disparity had existed between prices of farm products and other products. Even at the peak of the business cycle in 1929, the exchange value of farm products for industrial goods was only 91 percent of what it had been before World War I, and during the depression it declined greatly. By February 1933, the exchange value of farm products for industrial goods had fallen to 50 percent of the prewar average, and their exchange value for taxes and credit was even less. 1/

1/ USDA, Agricultural Adjustment Administration, Agricultural Adjustment: A Report of Administration of The Agricultural Adjustment Act May 1933 to February 1934, 1934, p. 1.

This problem existed with respect to all farm commodities, but was most severe in the export products, such as cotton, wheat, tobacco, and rice, where the disappearance or severe contraction of export demand had caused the buildup of huge surpluses. The pressure of these surpluses on the domestic market tended to upset the delicate balance of price-income relationship, depressing the income of farmers and thus curtailing their purchasing power for manufactured products and accelerating the industrial depression. 1/

Accordingly, in an effort to correct this serious economic maladjustment, the Agricultural Adjustment Act of 1933 was passed. In essence, this legislation attacked the problem through control of farm production and marketing, to bring supplies into line with demand at a price which would afford farmers a return commensurate with their income during the 5 prewar years.

The policy declared in section 2 of this act was as follows:

> (1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. * * *

1/ Ibid., pp. 5-7.

(2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the prewar period * * *.

The principal powers granted by Congress to effectuate the purposes of the act generally fell into two groups: (1) Those dealing with production control and benefit contracts and (2) those dealing with marketing agreements and licenses.

The powers in the first group enabled the Government to take measures to balance production of farm goods with effective demand for them, and thus bring about increased farm income and farm purchasing power with a sound economic base resting upon the laws of supply and demand. The primary method of accomplishing this objecting was by rental or benefit payments to farmers who voluntarily curtailed production of basic commodities, 1/ to be financed by means of a processing tax upon the first domestic processing of the commodities in question, whether domestic or imported.

The second group of powers contained in the act also were directed toward giving the producer of agricultural commodities

1/ Defined by sec. 11 of the act as wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products.

more nearly his fair share of the national income. The Government was authorized to license or to enter into marketing agreements with processors, associations of producers, and others engaged in the handling in interstate commerce of any agricultural commodity or product thereof. These powers were not limited to the seven basic commodities, as the production-control powers were, but related to all agricultural products.

In 1935 certain amendments 1/ were made to the Agricultural Adjustment Act, including, inter alia, the following:

(a) The Secretary of Agriculture was authorized to make payments in connection with the production of that part of any basic agricultural commodity which is required for domestic consumption (in addition to his power to make rental and benefit payments)--

> 1. To remove from the normal channels of trade and commerce quantities of any basic agricultural commodity or product thereof;
>
> 2. To expand domestic or foreign markets for any basic agricultural commodity or product thereof.

This amendment was explained during the course of floor debate in the House as being intended to authorize three methods of disposing of surpluses of the seven basic agricultural commodities: (1) Exportation at world prices, (2) diversion to relief channels, and (3) conversion into low-cost byproducts. 2/

1/ Act Aug. 24, 1935, ch. 641, 49 Stat. 750.
2/ 79 Cong. Rec. 9486.

(b) A section was added providing that an amount equal to 30 percent of the gross receipts from customs revenues of the immediately preceding calendar year be appropriated to a separate fund for use by the Secretary of Agriculture to--

1. Encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption;

2. Encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce; and

3. Finance adjustments in the quantity planted or produced for market of agricultural commodities.

The operations authorized by this section were not limited to the seven basic agricultural commodities, but could be carried out with respect to any farm commodity.

(c) A new section was added, providing for control of imports which might interfere with any of the Government's operations under the agricultural adjustment program. This provision, which has come to be known familiarly as "section 22" is the primary subject of concern in this memorandum.

The enactment of section 22. [1]--The new section--section 22--added to the Agricultural Adjustment Act in 1935 read, in pertinent part, as follows:

> SEC. 22. (a) Whenever the President has reason to believe that any one or more articles are being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which an adjustment program is in operation, under this title, he shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties and shall be conducted subject to such regulations as the President shall specify.
>
> (b) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such limitations on the total quantities of any article or articles which may be imported as he finds and declares shown by such investigation to be necessary to prescribe in order that the entry of such article or articles will not render or tend to render ineffective or materially interfere with any program or operation undertaken, or will not reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which an adjustment program is in operation, under this title * * *.

The section further provided for the time of taking effect of action thereunder by the President, the finality of the President's

1/ Act Aug. 24, 1935, ch. 641, sec. 31, 49 Stat. 773.

decision as to facts, and the mechanism for modifying action taken in the light of changed circumstances.

As introduced in the House of Representatives, the bill amending the Agricultural Adjustment Act contained a proposal substantially similar to the text of the section as ultimately enacted, 1/ which was sponsored by Congressman Gerald John Boileau at the request of a committee of farmers. In his opening remarks during floor debate on the measure, Congressman Boileau stated: 2/

> Let me say at the outset that this provision was written into the bill at the suggestion of a committee of midwestern farmers known as the "Northwest Farmers' Union Legislative Committee", representing the States of Montana, North Dakota, Minnesota, and Wisconsin. * * * I had the honor of having been asked by that committee to submit the amendment to your Committee on Agriculture. I wish to say that * * * this provision * * * will be of immeasurable benefit to those States that produce agricultural commodities that have, during the past few years, been suffering as the result of increased importations of those commodities from foreign lands.

The States represented by the "Northwest Farmers' Union Legislative Committee" were major dairying States, and the impetus, at least initially, for the enactment of section 22 was provided by

---

1/ The principal differences were that the House version of subsection (a) did not include substantial reduction of a product processed from farm commodities as an actionable matter and the House version of subsection (b) provided for the assessment of compensating taxes or the imposition of other "terms and conditions" as alternatives to the use of quotas.

2/ 79 Cong. Rec. 9467.

the acute competition between imported and domestic dairy products, as the remarks of Congressman Boileau [1/] quoted below indicate:

> During the past winter, just as soon as butter got near the parity price, they started shipping in boatloads of butter from foreign countries, which depreciated the price of our butter. It is impossible under the present circumstances to get prices above the world level and our 14-cent tariff. Just as soon as it gets above that price they start importing butter from foreign countries and it puts the price of our butter down. * * *

Dairy products were one of the seven "basic agricultural commodities" subject to both production control and marketing agreements under the Agricultural Adjustment Act, measures which were intended to bring supply and demand into phase at a level which would yield higher prices to farmers in the market place than they had previously received. It is readily apparent that this artificial increase in price might, as indeed it did, attract low-priced imports which would tend to take the market away from domestic producers unless they lowered their prices to be competitive. This, in turn, would tend to defeat the objective of the agricultural adjustment program to restore parity prices to American farmers.

Accordingly, section 22 was conceived as a means of assuring domestic producers of agricultural commodities a market for their products at parity prices. This fundamental purpose was explicitly

---

1/ 79 Cong. Rec. 9469.

recognized 1/ by the House Committee on Agriculture in its report on the bill:

> Efforts to restore agricultural prices in this country will not be wholly successful if competitive foreign imported articles are allowed to take the domestic market away from the domestic products. To obviate that danger and to provide the necessary flexibility in order that whatever restriction of imports is required may not be absolute and may be adjusted to meet the situations as they arise the bill (sec. 30) adds a new section to the Agricultural Adjustment Act (sec. 22) authorizing certain limitations on imports in connection with the agricultural adjustment program.
>
> * * * * * * *
>
> * * * Congress cannot now ascertain and provide specifically for the varieties of circumstances under which and the commodities the importation of which will endanger the effort to attain parity price. Accordingly, under limitations, it can confer the power to ascertain the requisite facts and provide what shall be done when they are found. * * *

Consistent with this objective, the test of interference contemplated by Congressman Boileau was whether imports were depressing the prices of domestic farm products: 2/

> The bill * * * sets up certain regulations to be followed which will result in the fixing of a quota or the imposition of a tax upon the imports of those commodities, <u>if the Tariff Commission finds that those imports or threatened imports actually are depressing the price of our domestically produced commodities</u>.
>
> * * * * * * *

1/ H. Rept. 1241, 74th Cong., 1st Sess. (1935), pp. 21-22.
2/ 79 Cong. Rec. 9467-68.

> I am satisfied that this provision of the bill will be of immeasurable benefit to many of the farmers in this country, particularly the dairy farmers, who have, during the past few months, suffered as a result of the importation of butter, which has depressed our price level and kept it below a fair exchange value. * * * /Emphasis added./

The criterion of the effect of imports upon prices for domestic farm products was reiterated by Congressman Boileau at a number of points during the course of the floor debate. At one point, in responding to a question concerning the scope of the measure, he said: 1/

> It provides for all commodities upon which there is a program in operation. It does not necessarily mean a processing-tax program. Any kind of a program carried out under the A.A.A. would be sufficient. For instance, in the case of butter, which is a basic commodity, there is no processing tax, but if the Agricultural Department should enter into a program of buying butter for the purpose of relieving bad conditions in the market, that would be a program put into effect under the provisions of this title, and in that case the President would be compelled, if he found that the importations of butter were affecting the price, to either put on a tax or impose a quota, or in some other way restrict the importation of that commodity. /Emphasis added./

It should be noted, however, that the impact of imports upon the price *per se* of agricultural commodities was not the test intended; that Congressman Boileau envisioned section 22 as being called into play only where the attainment of parity prices for farmers was being jeopardized is evidenced in his statement

1/ 79 Cong. Rec. 9468.

quoted below: 1/

> * * * if butter, for instance, is selling at 10 cents below parity, and we can prove that there have been millions of pounds of butter imported into this country since the first of the year, and if we can show that this importation of butter has caused the price of butter to be below parity, as I believe we can, then there is no discretion left in the President, because under those circumstances he shall cause this investigation to be made. [Emphasis added.]

From the foregoing, it is clear that section 22 was thought of as an adjunct to the agricultural adjustment program having the same primary objective as the Agricultural Adjustment Act itself--namely, the protection of the economic interests of the farmers of the United States. As stated by Congressman Boileau 2/--

> * * * it protects all of our farm commodities provided there are imports and provided the President has the right to believe that the importation of these commodities does depress our domestic price, in which case he puts this machinery into operation; and once he puts this machinery into operation then it is compulsory to levy this tax or to put into operation these various quotas to protect American farmers. [Emphasis added.]

It is likewise clear from collateral observations made by interested members of the House expressing the justification in their view of the proposed section 22, that direct protection of the farmers' economic interests was uppermost in their minds. For example, Congressman Marvin Jones, Chairman of the House Committee on Agriculture and nominal sponsor of the bill, stated: 3/

1/ Ibid.
2/ 79 Cong. Rec. 9468.
3/ 79 Cong. Rec. 9464.

> If it is logical and natural to say to a farmer what he may sell, the foreign producer who exports to this country should also be put on a like quota.

Congressman Fred Lewis Crawford, who approved of section 22 as a vital part of the adjustment program, made a similar comment: 1/

> A policy which permits the operation of a plan of reducing crops, retiring acreage, holding down production, and at the same time allows millions of tons of farm products to come into this country from other lands is one in which I cannot concur.

Also worthy of note is the fact that during floor debate on the bill the Agricultural Adjustment Administration, the agency charged with the overall administration of the program, viewed section 22 as a desirable alternative to the production control program--where stabilization operations might be undertaken--was reported to the House as follows: 2/

> The legal division and the officials of the Dairy Section of the Agricultural Adjustment Administration believe that /section 22/ will give the power which the dairymen now desire without the use of a production-control program, or a processing tax on butter fat or milk. They believe that it will be possible to reinforce a domestic butter buying program on the part of the Government to stabilize markets, by putting quotas or compensating taxes on imported foreign dairy products which compete with and tend to lower the domestic price level. The A.A.A. people believe that if they started a butter- and cheese-buying program to stabilize domestic prices, that the use of that particular section in the proposed amendment would provide them with a method of doing this without instituting a national production-control program or processing tax on dairy products.

1/ 79 Cong. Rec. 9499.
2/ 79 Cong. Rec. 9489.

The proposed section 22 passed the House in the form in which it had been introduced, but the Senate Committee on Agriculture and Forestry reported the bill to the Senate without this section. There was no comment made in the committee report 1/ concerning this omission, but during the floor debate Senator Ellison Durant Smith, the committee chairman, in response to a question concerning the reason for deleting it, stated: 2/

> I think the committee were opposed to that provision. Taken in connection with our hope of multilateral and general agreements with the nations of the earth as to our export business, it was too restrictive. There are too many quotas and too many restrictions to enable us to look forward to any healthy recovery of our export business.

Notwithstanding the position of Senator Smith and the Committee on Agriculture and Forestry, Senator Robert Marion La Follette offered a floor amendment to the bill to restore section 22. Senator La Follette's proposal was similar in wording and substance to the House provision and, with the exception of certain changes of a clerical nature made by the committee on conference, was the format of the section as ultimately enacted into law.

It is clear that Senator La Follete and Congressman Boileau were motivated by the same basic consideration; i.e., that it was the purpose of the agricultural-adjustment program to raise farm

---

1/ S. Rept. 1011, 74th Cong., 1st Sess. (1935).
2/ 79 Cong. Rec. 10934.

commodity prices, and therefore, to the extent that imports were causing a depression of the prices which the program sought to raise there was interference which should be dealt with by the President in the manner set forth in section 22. In introducing his amendment, Senator La Follete stated: 1/

> * * * We have embarked upon a program of endeavoring, by the Agricultural Adjustment Act, to lift the domestic prices of certain agricultural commodities named therein to the parity price, or fair-exchange-value price.
>
> <u>Mr. President, having adopted that policy, it would be not only futile but inconsistent for us to permit imports to be brought into this country to break the prices of the commodities which are affected by the Agricultural Adjustment Act, and which we are endeavoring to lift to the fair-exchange value or the parity price</u>.
>
> Every Senator in this Chamber who has given any consideration to the problems affecting agriculture must be aware of the enormous increase, especially in recent months, in imports of agricultural commodities into the United States. * * *
>
> * * * We know the facts, the case is on the record, and it is simply a question, as I see it, of whether the Senate and the Congress desire to place in the discretion of the President of the United States a power, after thorough investigation and finding of facts by the Tariff Commission, to remedy this situation and to protect the program which we are endeavoring to accomplish under the Agricultural Adjustment Act, to lift the prices of certain agricultural commodities in the United States.

1/ 79 Cong. Rec. 11497-98.

* * * * * * *

> Mr. President, unless some such amendment as this is adopted and written into the law, it seems to me perfectly obvious that on the one hand we will be endeavoring to lift the domestic prices of agricultural commodities under the Agricultural Adjustment Act and with the other hand we will be permitting imports to come into this country to such a degree as to destroy and defeat our entire efforts to give the farmer a parity price for his commodities. Therefore I hope that a majority of the Senate will find that this amendment appeals to their logic under all the circumstances. /Emphasis added./

Echoing this expression of philosophy and purpose, Senator Arthur Hendrick Vandenberg stated: 1/

> Mr. President, it seems to me the question now is not whether the general A.A.A. program and its philosophy of scarcity is good, bad, or indifferent. The question is whether, having embarked upon a program for increasing by artificial means the price to the American farmers, we shall consistently pursue that philosophy to a completely logical end. It seems to me the available figures make it perfectly obvious that unless the administration shall be armed with some such authority as /Senator La Follette/ proposes, it may become utterly impossible to reach the objective which is proposed by this scheme of things according to the theory of its own authors.
>
> * * * * * * *
>
> I submit, as a matter of elementary mathematics and elementary logic, that if we are going to rely upon the artificial effort to create parity prices for the American farmer by the process and method to which this legislation is dedicated, we must also be prepared to give the American farmer the full control of his own domestic market or the whole scheme is going to break down. I submit that on the face of the trend of these imports the scheme will break down unless we clothe these authorities with the power to cope with such a situation if, as, and when the facts demonstrate that an answer is necessary. * * *

1/ 79 Cong. Rec. 11500.

> All in the world the amendment of /Senator La Follette/ proposes to do is to provide * * * <u>if, as, and when this flow of imports continues, and it is demonstrated that it threatens to break down and does break down the parity price which we are trying to create</u> * * *, that there shall be an authority that can meet the situation, cope with it, rise above it, and protect the net result we are supposed to achieve. /Emphasis added./

At another point in the debate section 22 was likened to section 3(e) of the National Industrial Recovery Act, which provided, <u>inter alia</u>, as follows: 1/

> On his own motion, or if any labor organization, or any trade or industrial organization, association, or group, which has complied with the provisions of this title, shall make complaint to the President that any article or articles are being imported into the United States in substantial quantities or increasing ratio to domestic production of any competitive article or articles and on such terms or under such conditions as to render ineffective or seriously to endanger the maintenance of any code or agreement under this title, the President may cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this subsection, and if, after such investigation and such public notice and hearing as he shall specify, the President shall find the existence of such facts, he shall, in order to effectuate the policy of this title, direct that the article or articles concerned shall be permitted entry into the United States only upon such terms and conditions and subject to the payment of such fees and to such limitations in the total quantity which may be imported * * * as he shall find it necessary to prescribe in order that the entry thereof shall not render or tend to render ineffective any code or agreement made under this title. * * *

1/ Act June 16, 1933, ch. 90, title I, sec. 3(e), 48 Stat. 196.

Referring to this provision, Senator David Ignatius Walsh inquired: 1/

> * * * Is it not a fact that when we passed the N.R.A. Act we recognized there would be an increase in the cost of production and that a similar provision was embodied in the act to protect American industries against losing the domestic market by importations from foreign countries of commodities that would undersell those produced in this country at the increased price the law necessitated?

Senator La Follette answered in the affirmative and went on to say: 2/

> So far as I am concerned, I cannot see any logic in taking the position that, on the one hand, we are going to tax the American consumer for the purpose of raising the domestic price of agricultural commodities, 3/ and then in the same program, with an alarming increase of imports threatening to undermine and destroy us, we are not willing to grant discretionary power to the President of the United States and the Tariff Commission to take the same action to protect the program which we are willing to afford to American industry under the Industrial Recovery Act.

The Senate adopted the amendment by a vote of 60 to 17 and the conference committee accepted it with only minor changes in wording, none of which affected the substance of the provision. There was no discussion of the section in the conference report. 4/

1/ 79 Cong. Rec. 11501.

2/ 79 Cong. Rec. 11502.

3/ From the context of the floor debate it is apparent that the Senator was referring here to the processing tax levied on the first domestic processing of basic agricultural commodities as defined in the act, the proceeds of which were used for rental or benefit payments to farmers who curtailed production of these commodities. This tax was passed on to the ultimate consumer in the form of higher prices, just as the increased cost of production resulting from adherence to the industrial codes under the National Industrial Recovery Act was passed on to the consumer in the form of higher prices.

4/ H. Rept. 1757, 74th Cong., 1st sess. (1935).

From the foregoing legislative history, it is manifest that the agricultural legislation of the early 1930's was calculated to benefit the producers of agricultural commodities and that section 22 was conceived of solely as a vehicle for preserving the efficacy of the programs conducted to this end.

What, then, of the "or to reduce substantially" clause, which appears to be concerned only with the impact of imports upon the processors of agricultural commodities? The legislative history of this particular language in section 22 is not as definitive as one might wish in resolving such an important issue, but such legislative history as is available points to the conclusion that the processing clause was intended to complement the program-protection feature of section 22 rather than to provide a separate and alternative basis for action to restrict imports.

In order to place the discussion of this subject in proper perspective, it will be helpful to review briefly the legislative evolution of subsection (a) of section 22.

<u>Evolution of section 22(a)</u>.--As it passed the House, subsection (a) of section 22 read as follows:

> Whenever the President has reason to believe that any one or more articles are being imported or are likely to be imported into the United States under such conditions and in sufficient quantities to render ineffective or materially interfere with any program or operation undertaken under this title, he shall cause an immediate investigation to be made by the United States Tariff Commission * * *.

The Senate Committee on Agriculture and Forestry reported the bill out with the recommendation that section 22 be stricken. However, during the course of floor debate, Senator La Follette offered an amendment in the nature of a substitute for the House version of section 22 which provided, in subsection (a), that--

> Whenever the President has reason to believe that any one or more articles are being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken under this title, he shall cause an immediate investigation to be made by the United States Tariff Commission * * *.

At the suggestion of Senator Josiah William Bailey of North Carolina, this language was amended just prior to the Senate vote to read as follows:

> Whenever the President has reason to believe that any one or more articles is being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken under this title, <u>or to reduce or tend to reduce the amount of any commodity processed in the United States subject to this title</u>, he shall cause an immediate investigation to be made by the United States Tariff Commission * * *. /Emphasis added./

The Senate passed the provision in this form, but it was rewritten in conference, with the result that as finally enacted it read: 1/

1/ Act Aug. 24, 1935, ch. 641, sec. 31, 49 Stat. 773.

> Whenever the President has reason to believe that any one or more articles are being imported into the United States under such conditions and in sufficient quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which an adjustment program is in operation, under this title, he shall cause an immediate investigation to be made by the United States Tariff Commission * * *. /Emphasis added./

Substantively, the provision has remained in this form to the present time.

With the foregoing discussion as a point of reference, the legislative intent of Senator Bailey's amendment can now be meaningfully explored.

Legislative intent of the "Bailey amendment."--As noted above, Senator Bailey proposed his amendment just prior to the Senate vote on section 22. The only comment made at that time was the following: 1/

> Mr. BAILEY. Mr. President, I wish to offer an amendment to the amendment of the Senator from Wisconsin to cover a matter which has been omitted.
>
> Referring to the La Follette amendment * * * after the word "title", in line 5, section 22(a), * * * I wish to insert "or to reduce or tend to reduce the amount of any commodity processed in the United States subject to this title."
>
> I ask the Senator from Wisconsin if he will accept that as an amendment to his amendment?
>
> Mr. LA FOLLETTE. I will modify my amendment as proposed by the Senator from North Carolina, because I am in agreement with the proposition.

1/ 79 Cong. Rec. 11523.

This colloquy is uninstructive, and there was no helpful discussion of section 22 either in the conference report or in the floor debates in either House on adoption of the conference report. However, Senator Bailey was a participant in the general floor debate on section 22 (which preceded the offering of his amendment), and an indication of what was intended to be accomplished by his amendment can be obtained from a review of the remarks which he made at that time, to wit: 1/

> It would be fatal to us if * * * we should leave the door open to manufacturers or producers of raw material in other countries who pay no processing taxes to come in under the special legislation under which we are operating. That is not protective tariff. That is compensating American nationals as against our own operations.
>
> It is only for that reason that I support this sort of legislation. It is not analogous to the ordinary doctrine of protection. We are protecting our people against our own acts; and I do not see how we can avoid going the limit in doing that. Otherwise, we shall defeat our own acts. /Emphasis added./

One thing is clear from a reading of these remarks, namely, that Senator Bailey did not view section 22 as being protection-oriented.

Also implicit in the statement above is the fact that Senator Bailey viewed section 22 as an apt vehicle for remedial recourse in the event domestic processors of agricultural commodities found themselves in an untenable competitive position vis-a-vis imports by reason of the imposition of a processing tax, but that such

1/ 79 Cong. Rec. 11499.

recourse would not be "protection" per se. This concern over the impact of the processing tax was apparently predicated upon the following reasoning: (1) Unless the processor upon which such a tax was levied elected to absorb the expense (an unlikely choice), either it would have to be passed on to the consumer in the form of higher prices for the article involved or a compensatory reduction would have to be made in some other element of the cost of production, the most vulnerable being the wage component; (2) in the event the tax was passed on to the consumer, the price of the domestic article could conceivably be pushed above the price of competitive imported articles, the cost of production of which did not include the incremental expense of the processing tax; and (3) if, on the other hand, the processor chose to make up the cost of the tax by adjusting wage rates downward, such a course would have an adverse economic effect upon the workers in the plant. Senator Bailey alluded to this line of reasoning on at least three occasions during floor debate, and stressed that relief from such undesirable side effects of the agricultural adjustment program should be provided for.

Insofar as the cost argument was concerned, Senator Bailey made the following comment: 1/

1/ 79 Cong. Rec. 11499.

> We are engaged in a process of imposing domestic taxes tending to elevate the prices of our manufactured products, the primary objective not only being to elevate the price of the raw material but to pass on to the consumer the tax that elevates the price. We are engaged in that process here. It would be fatal to us if, pursuing that process, we should leave the door open to manufacturers or producers of raw material in other countries who pay no processing taxes to come in under the special legislation under which we are operating.

Also addressed to the cost argument was the following colloquy: 1/

> Mr. SMITH. Japan bought cotton in America, paid exactly the same price the American manufacturer paid, shipped it clear around the globe, converted it into a certain kind of cloth, shipped it back around the world, paid the tariff, and undersold the American manufacturer. If that be true, it is an indictment of the American manufacturer as being a knave or a fool.
>
> Mr. BAILEY. Mr. President, will the Senator permit me to remind him that Japan did not have to pay the processing tax?

With respect to the wage argument, Senator Bailey asked the following question: 2/

> Unless we enact legislation of the character which the Senator from Wisconsin has submitted, is there not a very grave and instant danger that the processing tax will be taken out of the pay envelopes of the workers in the cotton mills?

From the foregoing, it is reasonable to conclude that Senator Bailey conceived of his amendment merely as a vehicle for counteracting possible adverse effects of the processing tax. In this regard, it is significant that his proposal read "or to reduce or tend to reduce the quantity of any article <u>processed</u> * * *."

1/ 79 Cong. Rec. 11501.
2/ 79 Cong. Rec. 11502.

In view of the foregoing discussion, it is fair to conclude that Senator Bailey's amendment was not offered with the intention that it be a vehicle for the protection <u>per se</u> of domestic processors against adverse effects of import competition. That this view was shared by the Congress is implicit in the fact that section 22 was enacted soon after the Trade Agreements Act of 1934, which legislation was prompted in large measure by a desire on the part of the Congress to lay to rest the ghost of "protectionism" because of the adverse effect which such an approach to the problems of foreign trade had caused in the past. Thus, to argue that the "Bailey amendment" was intended to be a "protectionist" device would be tantamount to attributing to the Congress a gross inconsistency of legislative philosophy, an imputation which cannot in good conscience be made in the absence of clear and convincing evidence that such was indeed the intent. There certainly is no such evidence available in this instance.

So much for the original intent of the "Bailey amendment." However, in view of the fact that available evidence seems to point to the conclusion that this proposal was inspired as a means of coping with problems arising out of the imposition of a processing tax under the agricultural adjustment program, one further issue remains to be disposed of, namely, whether, in view of the fact that when the processing tax was declared unconstitutional in 1936 no move was made at that time or thereafter to delete the "Bailey amendment" language from section 22, it could be argued that there has been an implied legislative intent to make the "protective" interpretation that is possible from a literal reading of its terms the only test of its applicability.

Here again, there is no definitive legislative history to serve as a guide. However, it is instructive to consider the following points:

(1) It is well-settled that individual provisions in a statute must be read *in pari materia* with the statute as a whole;

(2) The provision here in question is part of section 22 of the Agricultural Adjustment Act, as amended;

(3) Section 22 was conceived as an aid in stabilizing the economy of U.S. agriculture by insuring that imports would not be allowed to interfere with the effective operation of the Government's various "adjustment" programs;

(4) This concept of the purpose of section 22 has been reiterated and reaffirmed in connection with various amendments and other legislative considerations of its operation; and committee reports, floor debate and testimony of Government officials charged with its administration are replete with clear and unconflicting statements to this effect; and therefore,

(5) The "processing" clause in section 22 should be a criterion for remedial action *only when the reduction in processing causes interference with a Government agricultural program*.

Thus, the fact that after the processing tax was declared unconstitutional in 1936 no move was made by the Congress to delete the "Bailey amendment" language from section 22 should not be regarded as a manifestation of legislative intent that a "protective" interpretation of the literal language should replace the program-oriented application previously intended for the provision. It is more reasonable to conclude that, if indeed there was any conscious and deliberate intention on the part of Congress to retain the "Bailey amendment" language notwithstanding the disappearance of the reason for its original enactment, the Congress viewed the provision as being consistent and compatible with the basic purpose of section 22 and therefore a harmless superfluity.

Conclusion.--To be sure, whenever an added burden on imports is proclaimed under section 22, domestic producers of the product involved receive a degree of "protection." However, it is clear from the legislative history of section 22 in general and the "Bailey amendment" in particular that any such "protection" is distinctly a secondary effect of the operation of section 22, an inevitable consequence of action by the Government to protect the effectiveness of its agricultural programs. Any other interpretation of the provision in question would clearly do violence to the settled principle of statutory construction that a part of a statute cannot be read in vacuo, but rather must be read in pari materia with the statute as a whole.

Therefore, it is fair to conclude that the "Bailey amendment" can and should be limited to cases where its utilization will prevent or remedy interference with the effective operation of a Government agricultural program.

Scope of the Commission's authority to select an appropriate remedy

The President, in his letter of November 21, 1961, to the Commission, requested--

> an immediate investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether a fee equivalent to the per pound export subsidy rate on the cotton content of imported articles and materials wholly or in part of cotton is necessary to prevent the imports of such articles from rendering or tending to render ineffective or materially interfering with the Department's programs for cotton and cotton products, or from reducing substantially the amount of products processed in the United States from cotton or products thereof, with respect to which such programs are being undertaken.

Counsel for certain interested parties in this investigation argued that the President's express reference to "a fee equivalent to the per pound export subsidy rate on the cotton content of imported articles and materials wholly or in part of cotton" limits the Commission to recommending only this remedy if the adverse conditions to which section 22 is addressed are found to exist. 1/

1/ Counsel purported to find support for this argument in the Commission's 1960 report on an investigation concerning articles containing cotton, wherein it was stated that "any investigation instituted by the Commission for the purposes of section 22(a) must be limited to the confines of the directive of the President." It must be borne in mind, however, that this statement was addressed to the scope of the investigation and not to the selection of remedy. In the President's letter requesting the 1960 proceeding, he had requested the Commission to determine whether imports of articles containing cotton were having, or were practically certain to have, the adverse consequences mentioned in sec. 22 with respect to the agricultural programs being conducted under one specific statute, and the Commission held to the ruling quoted above, that it was therefore precluded from going into the effect of the imports in question on programs being conducted pursuant to other provisions of law.

For the reasons set forth below, it is submitted that the Commission, in framing its recommendation to the President, is not limited to consideration of an import fee equivalent to the per-pound export-subsidy rate on cotton, since the President is without authority to specify in advance the remedy to be recommended by the Commission.

Section 22 makes it clear that the President's role at the outset of investigations thereunder is limited, essentially, to requesting the Tariff Commission to determine whether or not imports are materially interfering with an agricultural program. Subsection (a) of the said section 22 reads, in pertinent part, as follows:

> Whenever the Secretary of Agriculture has reason to believe that any article or articles are being * * * imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation * * * undertaken by the Department of Agriculture * * * with respect to any agricultural commodity or product thereof, * * * he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission * * * to determine such facts. /Emphasis added./

Thus, according to the plain language of the statute, once the Secretary of Agriculture and the President concur that there is reason to believe an agricultural program is being interfered with by imports, the President is obliged to refer the matter to the Tariff Commission for a detailed investigation of the facts.

Subsection (b) of section 22 then goes on to spell out the relief which may be granted and the conditions precedent thereto, as follows:

> If, on the basis of such investigation and <u>report to him of findings and recommendations made in connection therewith</u>, the President finds the existence of such facts, he shall by proclamation impose such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles * * * <u>as he finds and declares shown by such investigation to be necessary</u> * * *. /Emphasis added./

The legislative intent manifest from this provision is that the Commission, after the factual investigation requested by the President, would report its findings to the President together with its independent recommendations for relief within the statutory framework. This procedural scheme is highlighted by the report of the Senate Finance Committee on the 1939 amendment to section 22, which added import fees as an available remedial action thereunder. This report stated: 1/

> * * * the bill amends section 22 so as to permit the President, <u>upon the recommendation of the United States Tariff Commission</u>, to impose either an importation fee or an importation quota, whichever under the circumstances is determined to be better adapted for the protection of any particular farm program. /Emphasis added./

From the foregoing, it is clear beyond peradventure that at the outset of a section 22 investigation the Congress gave the President power only to set the investigation of facts in motion, not to specify

1/ S. Rept. 1043, 76th Cong., 1st Sess. (1939), p. 2.

the remedy which he wishes the Commission to recommend, and that the Congress intended the selection of remedy to be made after the investigation has been completed, with the Tariff Commission free to make such recommendations as it sees fit in the light of the facts developed. 1/ It should be borne in mind in this connection that the power of the President under section 22 is the exercise of a delegated legislative function, and that powers which are not incidental to the Presidential office, but are delegated to the President by the Congress, must be exercised in strict conformity with the statutory terms of the delegation. 2/

It is significant that the executive department has also interpreted the legislative mandate of section 22 in accordance with the above exposition thereof. Executive Order 7233 of November 23, 1935 (19 CFR 204.7) in which the President promulgated regulations in aid of his powers under section 22, contained the following provision: 3/

> (4) Reports:
> (a) After the completion of its investigation the Tariff Commission shall make findings of fact, which shall include a statement of the steps taken in the investigation, and it shall transmit to the President a report of such findings and its recommendations based thereon * * *. /Emphasis added./

1/ See H.R. Rept. No. 1241, 74th Cong., 1st Sess. (1935), pp. 21-22.

2/ United States v. Guy W. Capps, Inc., 204 F.2d 655 (4th Cir. 1953), affirmed on other grounds, 348 U.S. 296 (1955).

3/ As a matter of passing interest, it should be noted that section 22(a) authorizes the President to promulgate regulations only with respect to the investigation (fact-finding) of the Commission.

Apart from purely legal considerations, the weight of logic lies in the direction indicated. The essential purpose of section 22 investigations is to determine whether imports are materially interfering with an agricultural program, and if so, which of the possible remedies is best adapted to correct the situation. If the President could, in his request for an investigation, limit the scope of the Commission's recommendations to a specified remedy, administrative chaos could result. Using the instant investigation as an example, suppose the Commission were to find that imports of cotton products are materially interfering with the USDA cotton programs, and that, all things considered, an import fee equivalent to the per-pound export-subsidy rate would not correct the situation. Can it reasonably be argued that if the facts developed during the investigation had convinced the Commission that some different fee or a quota *would* accomplish the desired relief, the Commission would nevertheless be foreclosed from recommending this form of remedy? Merely to pose the question demonstrates the inconsistency of such a position, for if this were true the underlying objective of the statute and the implementing Executive Order would be frustrated: there would be a finding of material interference, but the President would be deprived of the Commission's expert judgment concerning the remedy best calculated to correct the situation.

Pursuing this line of reasoning, it is also possible that either an import fee or a quota would be effective, but that each remedy would have certain distinct advantages and/or drawbacks inherent in its application. Under these circumstances, the Commission certainly must be free to report fully its findings and recommendations to the President if its statutory duty is to be faithfully discharged.

Accordingly, the conclusion is inescapable that the portion of the President's letter to the Commission dealing with the question of remedy must be regarded merely as precatory in nature, and that there is no basis, either in law or in logic, for construing it as a binding limitation upon the Commission's freedom of choice in recommending what it believes to be the most effective remedy.

APPENDIX C

List of "Schedule A" Classifications Which USDA Recommended, as a Minimum, Be Made Subject to Restriction Pursuant to This Investigation

Schedule A, Group 2

RUBBER AND ALLIED GUMS AND MANUFACTURES

2032 000 - Rubber soled footwear with fabric uppers
2061 000 - Friction or insulating tape
2061 400 - Printers rubberized blanketing, etc.
2067 610 - Belts and belting for machinery, valued less than 40¢ per pound
2067 710 - Belts and belting for machinery, valued 40¢ and over per pound

Schedule A, Group 3

TEXTILES

(A) Cotton Semimanufactures

Those cotton semimanufactures covered by Schedule A commodity numbers 3011 000 to and including 3021 400.

(B) Cotton Manufactures

All cotton manufactures beginning with commodity number 3030 000 and concluding with 3230 800, with the exception of the following groups of commodity numbers:

1. Those described as being of chief value of vegetable fiber other than cotton
   3078 030; 3086 740; 3090 120; 3090 820; 3090 920;
   3110 020; 3110 120; 3112 570; 3112 670; 3112 780;
   3200 020; 3220 140; 3226 120; 3230 360; 1/
   3230 432; 3230 452; 3230 462.

2. Those listed as being dutiable by similitude (par. 1559) to cotton
   3113 957; 3114 045; and 3230 720.

3. The last number in the manufactures schedule, number 3230 800, since this is a provision for an additional duty on the long staple content of articles otherwise dutiable under other paragraphs and Schedule A numbers of the cotton manufactures classification.

1/ This commodity number was added subsequent to the hearing by the spokesman of the USDA.

(C) Miscellaneous Textile Products

Also the following items from the miscellaneous textile products schedule:

3903 300 - Hat braids, etc., chief value of cotton
3967 305 - Brassieres, chief value of cotton
3967 310 - Body supporting garments other than brassieres, etc.
3967 330 - Other brassieres, etc.
3967 340 - Other body supporting garments, etc.
3967 510 - Elastic fabric in part of India rubber, chief value of cotton
3968 010 - Mixed fabric 17% of wool but chief value of cotton
3969 010 - Tire fabric, chief value of cotton
3970 010 - Tracing cloth, chief value of cotton
3971 000 - Filled or coated cotton cloths
3971 110 - Waterproof cloth, chief value of cotton
3971 210 - Same, in part of India rubber
3971 430 - Window hollands and oil cloth - chief value of cotton

Schedule A, Group 9

ATHLETIC AND SPORTING GOODS

9439 950 - Badminton nets in chief value of cotton

APPENDIX D. STATISTICAL TABLES

Table 1.--Raw cotton: 1/ Acreage allotment, acreage harvested, production, and yield per acre harvested, in the United States, crop years 1928/29 and 1938/39 to 1962/63

Crop year Aug. 1-July 31	Acreage allotment	Acreage harvested	Production	Yield per acre harvested
	Million acres	Million acres	Million bales 2/	Pounds
1928/29	3/	42.4	14.6	163
1938/39	27.5	24.2	11.7	236
1939/40	27.9	23.8	11.6	238
1940/41	27.5	23.9	12.3	253
1941/42	27.4	22.2	10.5	232
1942/43	27.3	22.6	12.4	272
1943/44	27.2	21.6	11.1	254
1944/45	3/	19.6	11.8	299
1945/46	3/	17.0	8.8	254
1946/47	3/	17.6	8.5	235
1947/48	3/	21.3	11.6	267
1948/49	3/	22.9	14.6	311
1949/50	3/	27.4	15.9	282
1950/51	21.0	17.8	9.9	269
1951/52	3/	26.9	15.1	269
1952/53	3/	25.9	15.0	280
1953/54	3/	24.3	16.3	324
1954/55	21.4	19.3	13.6	341
1955/56	18.2	16.9	14.5	417
1956/57	17.4	15.6	13.2	409
1957/58	17.7	13.6	10.9	388
1958/59	17.6	11.8	11.4	466
1959/60	4/ 17.4	15.1	14.5	461
1960/61	4/ 17.6	15.3	14.3	446
1961/62	18.5	5/ 15.6	5/ 14.3	5/ 438
1962/63	18.2	5/ 15.7	5/ 15.0	5/ 461

1/ The exclusion of data for extra-long-staple cotton before 1954/55 and its inclusion in that year and since does not significantly affect the totals shown, for production of this type of cotton has never exceeded 100,000 bales.

2/ Running bales of approximately 500 pounds.

3/ No acreage restriction program.

4/ Includes acreage added by the "choice B" program, which allowed farmers to receive a lower price support than that under "choice A" in exchange for an increase of up to 40 percent above their allotted Upland cotton acreage.

5/ Estimated by the U.S. Department of Agriculture, Statistical Reporting Service, Crop Reporting Board.

Source: Acreage allotment 1938/39 to 1943/44 from Interdepartmental Technical Committee on Cotton (1945), later years from announcements by the U.S. Department of Agriculture; acreage harvested and yield per acre compiled from official statistics of the U.S. Department of Agriculture; production compiled from official statistics of the U.S. Department of Commerce (except as noted).

Table 2.--U.S. supply and distribution of Upland cotton and extra-long-staple cotton, crop years 1954/55 to 1961/62

(In thousands of bales 1/)

Crop year Aug. 1-July 31	Supply: Carryover beginning of crop year	Supply: Production plus imports	Supply: Total	Distribution: Carryover end of crop year	Distribution: Disappearance 2/	Distribution: Consumption	Distribution: Exports
	Upland cotton 3/						
1954/55	9,570	13,597	23,167	11,028	12,139	8,730	3,446
1955/56	11,028	14,690	25,718	14,399	11,319	9,017	2,194
1956/57	14,399	13,021	27,420	11,269	16,151	8,614	7,539
1957/58	11,269	10,937	22,206	8,615	13,591	7,874	5,707
1958/59	8,615	11,394	20,009	8,733	11,276	8,562	2,767
1959/60	8,733	14,533	23,266	7,404	15,862	8,888	7,184
1960/61 4/	7,404	14,421	21,825	7,093	14,732	8,148	6,633
1961/62 4/	7,093	14,460	21,553	7,760	5/ 13,793	8,804	4,987
	Extra-long-staple cotton						
1954/55	158	139	297	177	120	112	6/
1955/56	177	127	304	130	174	124	20
1956/57	130	7/ 94	224	53	171	114	58
1957/58	8/ 103	124	227	122	105	99	10
1958/59	122	167	289	152	137	109	24
1959/60	152	152	304	155	149	137	4
1960/61 4/	155	152	307	135	172	147	8
1961/62 4/	135	147	282	90	185	175	5/ 10

1/ Running bales of approximately 500 pounds, except that foreign cotton imported and consumed is reported in bales of 500 pounds, gross weight.

2/ Disappearance equals total supply minus carryover at the end of the crop year. It covers consumption, domestic exports, and cotton burned or otherwise destroyed or unaccounted for. For unexplained reasons, disappearance of cotton in some years is slightly less than the total of consumption plus exports.

3/ Includes some harsh Asiatic cotton from India.

4/ Preliminary.

5/ Estimated by the U.S. Tariff Commission.

6/ Less than 500 bales.

7/ Not including approximately 47 thousand bales of foreign cotton, chiefly from Egypt, which was charged against the 1956/57 import quota and thereby technically became "imports for consumption." However, this cotton was made a part of the national strategic materials stockpile. Legislation in 1962 provided that this cotton, as well as all stockpile cotton of foreign origin, be released and sold only for export.

8/ Includes 50 thousand bales of American-Egyptian cotton released from the national strategic materials stockpile and offered for sale by the Commodity Credit Corporation. On Aug. 1, 1962, about 6 thousand bales of this cotton remained unsold, most of which was of excellent quality.

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

Table 3.--Raw cotton, Upland type: Support levels, and, for specified qualities, loan rates and average U.S. spot market prices, crop years 1946/47 to 1962/63

Crop year Aug. 1-July 31	Support level in relation to parity 1/	Loan rate			Average U.S. spot market price		
		Middling 7/8 in.	Middling 15/16 in.	Middling 1-in.	Middling 7/8 in.	Middling 15/16 in.	Middling 1-in.
	Percent	Cents per pound 2/	Cents per pound 2/	Cents per pound 2/	Cents per pound 2/	Cents per pound 2/	Cents per pound 2/
1946/47	92.5	22.83	24.38	24.68	33.33	34.82	35.07
1947/48	92.5	26.49	27.94	28.19	32.38	34.58	35.44
1948/49	92.5	28.79	30.74	31.49	30.04	32.15	32.71
1949/50	90.0	27.23	29.43	30.03	30.30	31.83	32.65
1950/51	90.0	27.90	29.45	30.25	41.35	42.58	43.23
1951/52	90.0	30.46	31.71	32.36	38.36	39.42	39.94
1952/53	90.0	30.91	31.96	32.41	32.53	34.52	35.32
1953/54	90.0	30.80	32.70	33.50	31.97	33.55	34.36
1954/55	90.0	31.58	33.23	34.03	31.99	33.88	35.02
1955/56	90.0	31.70	33.50	34.55	32.09	34.38	35.45
1956/57	82.5	29.34	31.59	32.74	30.00	32.35	33.53
1957/58	78.0	28.81	31.16	32.31	30.54	32.93	34.39
1958/59	81.0	31.23	33.63	35.08	30.84	32.96	34.47
1959/60	3/ 80.0	4/ 30.40	4/ 32.60	4/ 34.10	28.55	30.26	31.93
1960/61	5/ 75.0	6/ 28.97	6/ 30.77	6/ 32.42	28.16	29.43	30.96
1961/62	82.0	30.14	31.49	33.04	7/ 31.38	7/ 32.39	7/ 33.64
1962/63	82.0	30.17	31.22	32.47	8/	8/	8/

1/ Also represents the ratio of the basic loan rate to the parity price. Beginning in 1961/62, the basic loan rate applied to the average quality of the crop; in earlier crop years it had applied to Middling 7/8-inch cotton.

2/ Gross weight. The loan rates are expressed in terms of rates for average location. If average U.S. spot market prices were expressed as prices for average location, they would be lower than shown (between 0.10 and 0.30 cent per pound lower, depending on the marketing year).

3/ Ratio of basic "choice A" purchase price to parity price (see footnote 4); ratio of basic "choice B" loan rate to parity price was 65.0 percent.

4/ The prices shown are the Commodity Credit Corporation (CCC) purchase prices for 1959 "choice A" cotton; they are several cents higher than CCC loan rates for 1959 "choice B" cotton. For example, the loan rate for 1959 "choice B" cotton of Middling 1-inch quality was 28.40 cents per pound.

5/ Ratio of basic "choice A" purchase price to parity price (see footnote 6); ratio of basic "choice B" loan rate to parity price was 60.0 percent.

6/ The prices shown are the CCC purchase prices for 1960 "choice A" cotton; they are several cents higher than the CCC loan rates for 1960 "choice B" cotton. For example, the loan rate for 1960 "choice B" cotton of Middling 1-inch quality was 26.63 cents per pound.

7/ Aug. 1, 1961 to June 30, 1962.

8/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 4.--Raw cotton, Upland type, Strict Middling (SM) grade, 1-1/16-inch (or 1-1/32-inch) staple length: Average spot market price at Memphis, Tenn., and quotations at Liverpool, England, for cotton grown in the United States and in specified foreign countries, annual averages, crop years 1951/52 to 1960/61, and monthly averages, August 1960-June 1962

(In cents per pound)

Crop year Aug. 1-July 31	Average spot market price, Memphis, Tenn., (SM 1-1/16 inch) 1/	Average quotations at Liverpool, England 2/				
		United States (Memphis territory growth) (SM 1-1/16 inch)	Mexico (Matamoros growth)		Syria (SM 1-1/16 inch)	Nicaragua (SM 1-1/16 inch)
			SM 1-1/32 inch	SM 1-1/16 inch		
1951/52	41.59	46.16	3/	43.67	49.69	3/
1952/53	36.66	41.14	3/	39.66	4/ 37.96	3/
1953/54	35.70	39.62	3/	38.01	38.54	3/
1954/55	37.59	40.68	3/	39.10	38.24	3/
1955/56	37.97	39.75	35.03	3/	34.76	3/
1956/57	36.58	33.35	32.63	3/	32.41	3/
1957/58	37.66	35.80	33.81	3/	33.65	32.28
1958/59	37.71	32.70	28.97	3/	28.85	27.63
1959/60	34.84	29.75	28.91	3/	29.43	28.43
1960/61	33.52	31.08	30.07	30.36	30.82	29.81
1960/61:						
August	33.27	30.03	29.35	29.64	29.86	28.57
September	33.04	30.28	29.73	30.02	29.90	29.08
October	32.60	30.48	29.89	30.19	29.89	29.38
November	32.38	30.61	29.87	30.17	30.27	30.02
December	32.75	30.75	29.89	30.16	30.69	29.93
January	32.80	30.73	29.81	30.10	30.98	30.15
February	33.34	31.29	30.48	30.77	31.52	30.49
March	33.94	32.07	30.32	30.61	31.85	30.40
April	34.25	32.11	30.22	30.51	32.06	30.05
May	34.37	32.36	30.46	30.76	31.46	30.01
June	34.50	31.67	30.39	30.68	30.65	29.79
July	35.01	30.59	30.38	30.65	30.70	29.89
1961/62:						
August	35.26	30.55	30.24	30.47	30.32	30.17
September	35.50	30.82	30.30	30.56	30.58	30.41
October	35.63	31.00	30.41	30.68	30.25	30.15
November	35.65	31.16	29.85	30.13	30.50	29.59
December	35.65	31.22	29.69	29.96	30.43	29.58
January	35.70	31.27	29.64	29.93	30.81	29.86
February	36.00	31.56	29.78	30.08	31.27	30.12
March	36.10	31.56	29.83	30.09	31.37	29.85
April	36.48	32.36	29.69	29.92	31.50	29.97
May	36.51	32.22	29.66	29.93	30.61	30.00
June	36.75	30.52	29.52	29.81	30.15	29.81

1/ Prices for Upland cotton in U.S. spot markets are based on gross weight. Freight and handling charges must be added to these prices to arrive at approximate delivered costs. These charges from Memphis to Liverpool, plus the amount for converting gross weight to net weight, were recently estimated at about 6 cents per pound. Prices of cotton delivered to mills in the Carolinas are about 2 cents higher than the average spot prices at Memphis.

2/ Net weight, c.i.f. Liverpool; averages were computed on the basis of the weekly quotations.

3/ Not available.

4/ Average for 11 months.

Source: U.S. spot market prices from statistics of the U.S. Department of Agriculture; price quotations at Liverpool from the International Cotton Advisory Committee.

Table 5.--Raw cotton: U.S. exports under specified U.S. Government programs, 1/ and total exports, years beginning July 1, 1952/53 to 1961/62

(In millions of running bales)

Year beginning July 1	Exports under specified U.S. Government programs								Other exports 4/	Total exports
	Mutual secu-rity 2/	Export-Import Bank loans 2/	Public Law 480				USDA export subsidy 3/	Total		
			Title I 2/	Title II	Title III (barter) 2/	Total				
1952/53	1.1	0.3	-	-	-	-	-	1.4	1.6	3.0
1953/54	1.0	.6	-	-	-	-	-	1.6	2.0	3.6
1954/55	1.2	.3	0.1	5/	5/	0.2	-	1.7	1.9	3.6
1955/56	6/ .7	6/ .4	.5	5/	0.1	.6	7/ 0.1	1.8	7/ .3	2.1
1956/57	6/ .9	6/ .4	1.4	5/	1.0	2.4	3.5	7.2	.1	7.3
1957/58	.7	.8	.9	5/	.5	1.4	2.8	8/ 5.7	5/	5.7
1958/59	.8	.4	.6	5/	.4	1.0	.9	8/ 3.1	5/	3.1
1959/60	.4	.3	.7	5/	.1	.8	5.1	8/ 6.6	5/	6.6
1960/61	.3	.3	1.3	5/	.1	1.4	5.0	8/ 7.0	5/	7.0
1961/62 9/	.1	.5	1.0	5/	5/	1.1	3.3	8/ 5.0	5/	5.0

1/ Exports under the mutual security program, Export-Import Bank loans, and Public Law 480 are estimated from authorizations.

2/ Since Aug. 1, 1956, these exports were also subsidized under either the USDA competitive-bid programs, which operated from Aug. 1, 1956, through July 31, 1959, or the USDA payment-in-kind programs, which have operated continuously since Aug. 1, 1958.

3/ Actual quantities covered by USDA export subsidies were greater than the amounts shown here; as noted in footnotes 2 and 6, considerable quantities of the exports reported in the preceding columns of this table were also subsidized. See footnote 8.

4/ Consist of exports without U.S. Government assistance. Since Aug. 1, 1956, they have been entirely of extra-long-staple cotton. In the period 1957/58 to 1961/62, however, small amounts of extra-long-staple cotton were exported under Public Law 480.

5/ Less than 50,000 bales.

6/ Part of these exports were subsidized under the USDA competitive-bid program that was in effect Jan. 1-Nov. 1, 1956.

7/ Estimated.

8/ Represents the total exports subsidized under the USDA programs described in footnote 2, including those also under the specified foreign-assistance programs.

9/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 6.--Raw cotton: 1/ Total exports from free-world countries and exports from the United States, 5-year averages, crop years 1929/30 to 1938/39 and 1950/51 to 1959/60, annual, crop years 1955/56 to 1961/62

Period (crop year Aug.1-July 31)	Total free world	United States	Ratio, United States to total free world
	1,000 bales 2/	1,000 bales 3/	Percent
5-year average:			
1929/30 to 1933/34	12,888	7,622	59.1
1934/35 to 1938/39	12,448	5,027	40.4
1950/51 to 1954/55	11,025	3,977	36.1
1955/56 to 1959/60	13,012	5,100	39.2
Annual:			
1955/56	11,511	2,215	19.2
1956/57	14,268	7,598	53.3
1957/58	12,606	5,717	45.4
1958/59	11,439	2,789	24.4
1959/60	15,237	7,182	47.1
1960/61	14,985	6,632	44.3
1961/62 4/	13,900	5,000	36.0

1/ Includes all types of cotton.
2/ Bales of 500 pounds (gross weight).
3/ Running bales of approximately 500 pounds.
4/ Estimated.

Source: International Cotton Advisory Committee.

Table 7.--Raw cotton, total: Stocks held by the Commodity Credit Corporation (CCC), stocks held by private interests, and total stocks in the United States, Aug. 1 of 1946-62

(In thousands of running bales)

Date	CCC stocks 1/	Private stocks 2/	Total stocks 2/
Aug. 1--			
1946	786	6,540	7,326
1947	55	2,475	2,530
1948	41	3,039	3,080
1949	3,819	1,468	5,287
1950	3,540	3,306	6,846
1951	79	2,199	2,278
1952	285	2,504	2,789
1953	2,000	3,605	5,605
1954	7,035	2,693	9,728
1955	8,133	3,072	11,205
1956	9,857	4,672	14,529
1957	5,184	6,139	11,323
1958	2,923	5,814	8,737
1959	7,042	1,843	8,885
1960	5,041	2,519	7,560
1961 3/	1,509	5,655	7,164
1962 4/	4,700	3,000	7,700

1/ Includes cotton on which loans were still outstanding.

2/ Represents stocks owned by mills, merchants, growers, etc. In addition to stocks of U.S. Upland and extra-long-staple cottons, includes cotton of foreign origin.

3/ Preliminary.

4/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 8.--Unfinished cotton cloth and raw cotton: Average prices in the United States of 20 selected domestic cloth constructions, average cost of cotton to selected mill points, and mill margins, by months, crop years 1954/55 to 1961/62

(In cents)

Crop year Aug. 1- July 31	August	September	October	November	December	January	February	March	April	May	June	July	Average
						Unfinished cotton cloth 1/							
1954/55	60.75	60.98	61.48	61.13	61.24	62.19	62.42	62.04	61.47	61.27	61.58	61.89	61.54
1955/56	62.35	62.86	63.71	64.40	65.30	65.49	65.46	64.88	64.33	63.96	63.33	62.51	64.05
1956/57	61.78	61.74	63.21	62.93	62.54	62.00	61.11	60.52	60.18	59.74	59.52	59.42	61.22
1957/58	58.18	57.82	57.18	56.82	57.18	57.19	56.98	56.70	56.27	55.68	55.37	55.62	56.75
1958/59	55.80	55.82	55.96	56.78	57.58	57.89	59.11	60.09	60.59	61.04	61.54	61.95	58.68
1959/60	62.29	62.64	63.14	63.79	64.45	64.87	64.92	64.64	64.15	63.79	63.87	63.48	63.84
1960/61	62.86	61.90	60.64	59.98	58.61	58.06	57.78	57.64	57.46	57.54	57.60	57.88	59.00
1961/62 2/	58.78	59.78	60.32	60.45	60.54	60.63	60.76	61.07	61.23	61.19	61.24	61.29	60.61
						Raw cotton 3/							
1954/55	35.88	36.47	36.36	35.90	36.25	36.29	36.41	35.65	35.78	36.54	36.61	36.48	36.22
1955/56	36.29	35.30	35.33	36.07	35.78	36.32	37.12	37.05	36.69	36.76	36.85	35.72	36.27
1956/57	33.93	33.93	34.09	34.35	34.43	34.79	35.07	34.70	34.68	34.71	34.74	34.75	34.51
1957/58	34.54	34.24	34.75	36.15	36.13	35.58	35.42	35.22	35.20	35.46	35.55	35.66	35.33
1958/59	35.14	35.23	35.46	35.23	34.46	34.96	35.06	35.22	35.52	35.54	35.57	35.54	35.24
1959/60	34.25	33.50	32.82	33.09	33.70	33.69	33.45	33.29	33.46	33.53	33.48	33.36	33.47
1960/61	32.52	32.25	32.05	31.99	32.00	32.01	32.41	33.32	33.46	33.86	34.09	34.45	32.87
1961/62 2/	34.84	35.16	35.35	35.46	35.58	35.78	35.82	35.98	35.85	36.13	36.34	36.19	35.71
						Mill margin 4/							
1954/55	24.87	24.51	25.12	25.23	24.99	25.90	26.01	26.39	25.69	24.73	24.97	25.41	25.32
1955/56	26.06	27.56	28.38	28.33	29.52	29.17	28.34	27.83	27.64	27.20	26.48	26.79	27.78
1956/57	27.85	27.81	29.12	28.58	28.11	27.21	26.04	25.82	25.50	25.03	24.78	24.67	26.71
1957/58	23.64	23.58	22.43	20.67	21.05	21.61	21.56	21.48	21.07	20.22	19.82	19.96	21.42
1958/59	20.66	20.59	20.50	21.55	23.12	22.93	24.05	24.87	25.07	25.50	25.97	26.41	23.44
1959/60	28.04	29.14	30.32	30.70	30.75	31.18	31.47	31.35	30.69	30.26	30.39	30.12	30.37
1960/61	30.34	29.65	28.59	27.99	26.61	26.05	25.37	24.32	24.00	23.68	23.51	23.43	26.13
1961/62 2/	23.94	24.62	24.97	24.99	24.96	24.85	24.94	25.09	25.38	25.06	24.90	25.10	24.90

1/ Average wholesale value of the quantities of 20 selected constructions obtainable from 1 pound of cotton.
2/ Preliminary estimates of the USDA based on trade reports.
3/ Average price per pound delivered to selected mill points for the qualities of cotton assumed to be used in the selected constructions.
4/ Difference between average wholesale value of cloth obtainable from 1 pound of cotton and the average cost of the raw cotton used.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 9.--Cotton articles: U.S. imports for consumption, 5-year averages, calendar years 1920-39 and 1945-49, annual, calendar years 1950-61, and January-June 1962

(In terms of cotton content, i.e., the amount of the cotton actually embodied in the articles plus the amount "wasted" in processing.

Period (calendar years)	Yarn	Sewing thread, crochet thread, knitting yarn	Cloth 1/	Pile fabrics and manufactures 2/	Table damask and manufactures	Bedclothes and towels 3/	Gloves, hosiery, and handkerchiefs	Other wearing apparel 4/	Lace fabrics and articles 5/	Household and clothing articles 6/	Miscellaneous articles 7/	Floor coverings	Total, all articles: Weight	Total, all articles: Bales
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 bales 8/
5-year average:														
1920-24	6,320	772	30,004	341	724	1,424	2,155	1,521	4,013	2,009	503	67	49,852	103.9
1925-29	3,587	466	18,517	1,350	367	2,389	3,006	1,972	3,837	4,123	788	869	41,271	86.0
1930-34	1,777	309	9,402	715	393	2,073	2,813	1,375	2,863	3,050	745	1,936	27,451	57.2
1935-39	2,040	254	22,310	1,614	1,649	4,275	3,398	2,146	2,596	5,341	1,241	8,015	54,880	114.3
1945-49	1,004	147	9,295	81	736	83	398	699	1,892	804	409	1,549	17,146	35.7
Annual:														
1950	1,377	298	11,346	1,095	4,960	1,282	857	4,637	6,156	1,734	2,281	4,030	40,053	83.4
1951	1,656	309	12,757	1,631	4,288	1,071	816	1,726	4,839	1,409	1,684	1,759	33,945	70.7
1952	282	202	5,975	975	4,532	2,512	3,150	1,593	4,910	1,847	2,063	4,375	32,426	67.5
1953	224	254	16,338	393	4,892	2,780	1,363	1,602	3,990	2,318	4,279	6,123	44,556	92.8
1954	270	246	19,751	151	4,787	3,398	1,379	4,896	2,424	1,825	5,288	4,064	48,479	101.0
1955	161	191	34,053	4,584	5,511	9,518	1,765	19,502	2,779	2,307	3,328	3,259	86,958	181.2
1956	213	239	46,328	5,140	5,674	6,624	2,124	30,798	2,044	4,368	1,552	2,890	107,994	225.0
1957	183	243	32,671	2,662	4,589	6,873	2,255	33,198	2,164	5,509	1,315	3,904	95,566	199.1
1958	953	254	37,336	2,656	4,797	6,724	2,451	45,259	1,781	6,313	1,265	2,415	112,204	233.8
1959	1,569	206	66,533	3,046	4,868	6,993	2,463	72,203	1,906	8,952	1,522	2,675	172,936	360.3
1960 9/	17,206	189	127,263	1,745	4,334	7,713	2,562	73,727	1,749	10,795	2,913	2,060	252,256	525.5
1961 9/	15,801	241	80,696	3,362	4,182	8,752	2,267	58,472	1,688	11,620	1,004	1,297	189,382	394.5
1962 (January-June) 9/	19,385	149	80,583	1.750	1,594	7,689	1,091	45,134	1,044	6.354	417	832	166,522	346.9

1/ Principally countable cloth wholly of cotton; also includes tapestry and upholstery fabrics, tire cord fabrics, and countable cloths in chief value of cotton but containing other fibers.
2/ Includes velvets and velveteens, corduroys, plushes and chenilles, and manufactures thereof.
3/ Includes blankets, quilts, bedspreads, sheets, and pillowcases.
4/ Includes knit and woven underwear and outerwear (collars and cuffs, shirts, coats, vests, robes, pajamas, and ornamented wearing apparel).
5/ Includes nets and nettings, veils and veilings, edgings, embroideries, etc., and lace window curtains.
6/ Includes braids (except hat braids), tubing, labels, lacings, wicking, loom harness, table and bureau covers, polishing and dust cloths, fabrics with fast edges, cords and tassels, garters, suspenders and braces, and miscellaneous articles.
7/ Includes belts and belting, fish nets and netting, and coated, filled, or waterproof fabrics.
8/ Bales of 480 pounds net weight (500 pounds gross weight).
9/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 10.--U.S. imports for consumption of cotton articles, 1/ by principal sources, calendar years 1958-60, and the imports of raw cotton into specified foreign countries from all sources and from the United States, crop years 1957/58 to 1959/60

Country	U.S. imports of cotton articles			Foreign country's imports of raw cotton, crop year Aug. 1-July 31									Ratio of U.S. imports of cotton articles to foreign country's imports of raw cotton from the United States 2/		
				1957/58			1958/59			1959/60					
	1958	1959	1960	From all sources	From United States: Quantity	From United States: Percent of total	From all sources	From United States: Quantity	From United States: Percent of total	From all sources	From United States: Quantity	From United States: Percent of total	1958	1959	1960
	1,000 bales 3/	1,000 bales 3/	1,000 bales 3/	1,000 bales 3/	1,000 bales 3/		1,000 bales 3/	1,000 bales 3/		1,000 bales 3/	1,000 bales 3/		Percent	Percent	Percent
Total, all countries	234	360	526	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/
Japan	146	143	130	2,404	1,054	44	2,536	649	26	3,290	1,615	49	14	22	8
Hong Kong	31	94	132	268	122	46	301	119	40	345	196	57	25	79	67
European Economic Community	34	46	61	4,151	1,913	46	3,787	818	22	5,253	2,209	42	2	6	3
Italy	14	16	18	815	559	69	776	289	37	1,177	572	49	3	6	3
France	1	7	18	1,194	336	28	1,091	265	24	1,509	684	45	5/	3	3
Belgium-Luxembourg	12	14	14	368	194	53	374	74	20	466	194	42	6	19	7
West Germany	5	7	8	1,459	727	50	1,227	167	14	1,699	575	34	1	4	1
Netherlands	2	2	3	315	97	31	319	23	7	402	184	46	2	9	2
Portugal	1	2	34	205	27	13	228	12	5	232	12	5	4	17	283
Egypt	1	1	28	6/	6/	6/	6/	6/	6/	6/	6/	6/	6/	6/	6/
India	2	15	28	350	120	34	392	72	18	734	291	40	2	21	10
Spain	-	5	28	271	194	72	459	322	70	95	39	41	-	2	72
Formosa (Taiwan)	-	6	13	120	7/ 106	88	180	7/ 178	99	210	7/ 203	97	-	3	6
Korea	4	8	12	189	189	100	229	229	100	301	301	100	2	3	4
Philippines	5	6	10	50	7/ 50	100	90	7/ 90	100	155	7/ 155	100	10	7	6
Pakistan	-	5	9	6/	6/	6/	6/	6/	6/	6/	6/	6/	6/	6/	6/
United Kingdom	7	8	6	1,449	816	56	1,133	272	24	1,401	583	42	1	3	1
Switzerland	2	3	4	194	76	39	138	15	11	204	90	44	3	20	4
All other	1	18	31	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/

1/ In terms of cotton content, i.e., the amount of the cotton actually embodied in the articles plus the amount "wasted" in processing.
2/ U.S. imports of cotton articles during a specified calendar year are compared with the foreign country's imports of raw cotton from the United States during the crop year beginning Aug. 1 of the preceding calendar year in order to take into account the approximate time required to process the raw cotton into finished articles and to ship such articles to the United States.
3/ Bales of 500 pounds each, gross weight.
4/ Not readily available.
5/ Less than 0.5 percent.
6/ Producing country and net exporter of raw cotton.
7/ Estimated by the U.S. Tariff Commission.

Source: U.S. imports of cotton articles compiled from calculations made by the U.S. Department of Agriculture; imports of raw cotton into foreign countries compiled from statistics of the International Cotton Advisory Committee, except as noted.

Table 11.--Specified cotton articles: U.S. imports for consumption, calendar years 1954-61, and January-June 1962

(In thousands of pounds of cotton content, i.e., the amount of the cotton actually embodied in the articles plus the amount "wasted" in processing 1/)

Calendar Year	Rubber-soled footwear with fabric uppers	Belts and belting for machinery, in chief value of cotton, valued 40 cents and over per pound	Badminton nets in chief value of cotton 2/	Friction and insulating tape, in chief value of cotton	Printers' rubberized blanketing, and molded cotton and rubber packing, in chief value of cotton	Total 3/
1954	8	4/ 234	114	20	18	394
1955	22	4/ 285	197	60	24	588
1956	82	4/ 568	249	84	26	1,009
1957	194	4/ 704	170	39	30	1,136
1958	617	4/ 534	412	154	30	1,746
1959	2,397	1,061	548	353	58	4,416
1960 5/	5,735	1,608	581	387	57	8,367
1961 5/	5,410	1,867	382	290	46	7,996
1962 (January-June) 5/	2,844	1,352	310	288	29	4,822

1/ Computed on the basis of conversion factors determined by the National Cotton Council of America, except as noted.
2/ Conversion factor estimated by the U.S. Tariff Commission.
3/ Because of rounding, figures may not add to the totals shown.
4/ Estimated by the U.S. Tariff Commission.
5/ Preliminary.

Source: Computed from official statistics of the U.S. Department of Commerce.

Table 12.--Raw cotton, Upland type: U.S. exports of domestic merchandise, by principal markets, calendar years 1954-61

Country	1954	1955	1956	1957	1958	1959	1960 1/	1961 1/
	Quantity (1,000 bales 2/)							
Total, all countries	4,158	2,482	4,500	6,894	4,572	3,672	7,526	6,386
Japan	931	647	1,130	1,441	883	829	1,749	1,687
United Kingdom	481	220	496	914	456	275	549	388
Italy	292	126	343	633	413	271	576	473
France	562	192	311	280	443	234	693	500
Korea	123	143	191	161	236	217	234	258
West Germany	458	184	440	951	342	207	567	397
Formosa (Taiwan)	96	131	100	146	143	202	157	202
Hong Kong	11	3	68	110	134	182	217	206
Spain	106	217	163	88	283	145	219	172
Canada	279	198	201	291	189	139	323	337
India	193	14	143	207	63	91	629	407
Belgium and Luxembourg	85	25	170	288	93	84	266	131
Netherlands	113	51	127	179	80	77	238	156
Switzerland	36	14	72	91	38	46	109	103
Austria	23	12	31	53	39	15	31	41
Pakistan	-	14	3/	31	9	5	3/	1
Portugal	-	10	39	62	19	4	25	25
All other countries	369	281	475	968	709	649	944	902
	Value (1,000 dollars)							
Total, all countries	779,732	468,690	700,004	1,038,200	647,566	444,216	978,483	872,779
Japan	173,959	120,304	177,571	215,657	117,370	91,321	215,147	219,060
United Kingdom	90,903	41,650	74,126	137,386	62,502	32,978	70,932	52,651
Italy	56,510	24,592	54,999	97,239	59,074	32,056	76,652	65,417
France	105,757	36,617	49,818	44,490	65,022	28,819	93,531	71,060
Korea	20,354	24,692	26,478	22,227	32,456	26,383	27,692	35,512
West Germany	86,614	35,403	67,969	143,810	48,681	25,306	75,785	55,349
Formosa (Taiwan)	15,401	22,172	12,746	18,745	17,169	20,379	17,498	26,085
Hong Kong	1,979	434	8,810	12,672	13,038	16,165	23,703	24,176
Spain	21,065	45,640	29,118	14,543	46,564	21,729	30,556	24,770
Canada	50,032	36,329	28,961	42,117	28,181	19,310	44,867	47,603
India	37,587	2,892	25,497	36,781	11,366	15,121	88,374	60,149
Belgium and Luxembourg	15,784	4,731	24,493	41,876	12,192	8,382	34,494	18,634
Netherlands	21,493	9,853	18,920	27,634	11,778	9,894	32,429	22,351
Switzerland	7,096	2,827	11,751	14,438	5,542	5,798	15,346	14,757
Austria	4,566	2,444	5,196	8,557	6,048	1,708	4,424	6,464
Pakistan	-	2,638	50	5,265	1,616	1,207	13	242
Portugal	-	2,053	5,616	9,428	2,776	603	3,405	3,696
All other countries	70,632	53,419	77,885	145,335	106,191	87,057	123,635	124,803

1/ Preliminary.
2/ Running bales of approximately 500 pounds.
3/ Less than 500 bales.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 13.--Cotton articles: U.S. exports of domestic merchandise, 5-year averages, calendar years 1920-39 and 1945-49, annual, calendar years 1950-61, and January-June 1962

(In terms of cotton content, i.e., the amount of the cotton actually embodied in the articles plus the amount "wasted" in processing)

Period (calendar years)	Yarn	Sewing thread, crochet thread, darning and embroidery cotton	Twine and cordage	Cloth 1/	House furnishings				Wearing apparel		Other household and clothing articles 5/	Industrial articles 6/	Total, all articles	
					Blankets	Quilts, spreads, pillowcases, and sheets	Towels	Other 2/	Knit 3/	Other 4/			Weight	Bales
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 bales 7/
5-year averages:														
1920-24	18,103	1,623	3,656	166,550	2,477	282	1,033	-	13,254	7,880	22,016	4,570	241,443	503.0
1925-29	29,222	1,030	5,107	166,332	1,651	671	2,629	-	8,553	5,565	15,538	13,300	249,599	520.0
1930-34	15,346	731	3,054	109,069	886	422	1,149	-	2,063	3,221	6,877	8,229	151,048	314.7
1935-39	9,094	918	3,314	91,029	1,659	616	857	64	1,218	3,752	6,230	10,039	128,788	268.3
1945-49	39,403	4,139	6,186	323,065	2,751	6,078	6,000	1,208	7,111	11,565	28,939	16,700	453,145	944.1
Annual:														
1950	20,648	3,710	3,525	189,719	2,245	2,113	2,272	643	3,360	6,089	14,643	9,699	258,666	538.8
1951	35,912	4,360	4,918	291,132	2,156	2,545	3,229	841	4,508	7,186	18,353	13,495	388,635	809.7
1952	25,923	2,997	4,321	252,743	3,142	3,627	5,075	1,450	4,159	6,960	16,059	11,429	337,885	703.9
1953	19,587	3,506	5,169	213,648	1,995	4,187	5,662	2,224	3,954	7,927	14,150	9,214	291,223	606.7
1954	21,625	3,452	5,206	209,051	1,826	4,588	5,569	2,001	4,159	7,648	16,777	8,279	290,181	604.5
1955	18,031	3,272	4,564	186,218	1,822	3,633	5,651	1,640	3,297	7,259	18,234	9,178	262,799	547.5
1956	17,614	2,525	4,095	179,264	1,622	3,386	5,827	1,474	2,994	8,372	17,999	9,387	254,559	530.4
1957	22,466	2,275	4,342	196,911	1,586	3,293	6,321	1,426	2,676	8,326	18,796	9,561	277,979	579.1
1958	14,684	2,316	3,210	179,465	1,221	4,348	5,974	1,625	3,041	8,849	16,855	8,496	250,084	521.0
1959	14,567	2,044	2,872	167,345	968	5,225	5,171	1,595	2,539	9,289	15,998	8,818	236,431	492.5
1960 8/	12,151	2,075	2,418	164,929	911	5,479	5,015	1,824	3,017	11,322	15,134	8,997	233,272	486.0
1961 8/	8,326	1,565	1,705	170,551	914	5,065	3,872	1,526	2,669	11,786	15,580	15,622	239,181	498.3
1962 (January-June) 8/	4,138	828	893	81,186	457	2,242	1,496	751	1,283	6,286	7,838	6,575	113,973	237.4

1/ Principally countable cloth wholly of cotton; includes fabrics and tire cord, and cloth for export to the Philippines to be embroidered or otherwise manufactured and returned to the United States; also includes tapestry and upholstery fabrics, table damask, pile fabrics, and remnants.
2/ Includes curtains and draperies, and house furnishings not elsewhere specified.
3/ Includes gloves and mitts of woven fabric.
4/ Includes underwear and outerwear of woven fabric, handkerchiefs, and wearing apparel containing mixed fibers (corsets, brassieres, and girdles; garters, armbands, and suspenders; neckties and cravats).
5/ Includes canvas articles and manufactures, knit fabric in the piece, braids and narrow fabrics, elastic webbing, waterproof garments, and laces and lace articles.
6/ Includes rubberized fabrics, bags, and industrial belts and belting.
7/ Bales of 480 pounds net weight (500 pounds gross weight).
8/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 14.--U.S. population, and mill consumption of fibers, by kinds, 5-year averages, calendar years 1930-39, annual, calendar years 1946-61

Period (calendar years)	Population July 1	Mill consumption									
		Cotton		Wool		Manmade fibers		Flax and silk		Total fibers	
		Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita
	Million	Million pounds	Pounds	Million pounds	Pounds	Million pounds	Pounds	Million pounds	Pounds	Million pounds	Pounds
5-year averages:											
1930-34	124.8	2,689.1	21.5	270.2	2.2	171.6	1.4	85.1	0.7	3,216.0	25.8
1935-39	129.0	3,284.1	25.5	377.1	2.9	351.9	2.7	74.9	.6	4,088.0	31.7
Annual:											
1946	141.4	4,809.1	34.0	737.5	5.2	954.3	6.7	26.1	.2	6,527.0	46.2
1947	144.1	4,665.6	32.4	698.2	4.8	1,057.9	7.3	12.0	.1	6,433.7	44.6
1948	146.6	4,463.5	30.4	693.1	4.7	1,239.7	8.5	12.9	.1	6,409.2	43.7
1949	149.2	3,839.1	25.7	500.4	3.4	1,101.9	7.4	10.1	.1	5,451.5	36.5
1950	151.7	4,682.7	30.9	634.8	4.2	1,518.4	10.0	21.3	.1	6,857.2	45.2
1951	154.4	4,868.6	31.5	484.2	3.1	1,478.6	9.6	18.3	.1	6,849.7	44.4
1952	157.0	4,470.9	28.5	466.4	3.0	1,490.2	9.5	19.3	.1	6,446.8	41.1
1953	159.6	4,456.1	27.9	494.0	3.1	1,523.7	9.5	15.4	.1	6,489.2	40.7
1954	162.4	4,127.3	25.4	384.1	2.4	1,508.3	9.3	15.5	.1	6,035.2	37.2
1955	165.3	4,382.4	26.5	413.8	2.5	1,902.5	11.5	19.0	.1	6,717.7	40.6
1956	168.2	4,362.6	25.9	440.8	2.6	1,727.4	10.3	20.6	.1	6,551.4	39.0
1957	171.2	4,060.4	23.7	368.8	2.2	1,792.6	10.5	15.5	.1	6,237.3	36.4
1958	174.1	3,866.9	22.2	331.1	1.9	1,764.1	10.1	9.4	.1	5,971.4	34.3
1959	177.3	4,336.5	24.5	431.2	2.4	2,064.8	11.6	11.8	.1	6,844.3	38.6
1960 1/	180.7	4,195.0	23.2	406.9	2.3	1,878.1	10.4	11.7	.1	6,494.6	35.9
1961 1/	183.6	4,088.2	22.3	409.9	2.2	2,008.9	10.9	12.7	.1	6,533.2	35.6

1/ Preliminary.

Source: Compiled from official statistics of the U.S. Department of Agriculture.