

UNITED STATES TARIFF COMMISSION

PIANOS (EXCEPT GRANDS)

Report to the President
on Investigation No. TEA-IR-9-71
Section 351(d)(1) of the Trade Expansion Act of 1962



TC Publication 363
Washington, D. C.
February, 1971

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REPORT TO THE PRESIDENT

U.S. Tariff Commission
February 19, 1971.

To the President:

This report is made pursuant to section 351(d)(1) of the Trade Expansion Act of 1962 (76 Stat. 900), which provides that--

So long as any increase in, or imposition of, any duty or other import restriction pursuant to this section or pursuant to section 7 of the Trade Agreements Extension Act of 1951 remains in effect, the Tariff Commission shall keep under review developments with respect to the industry concerned, and shall make annual reports to the President concerning such developments.

Introduction

On December 23, 1969, following an investigation in response to a petition on behalf of the domestic industry, the Commission found (Commissioners Thunberg and Newsom dissenting and Chairman Sutton not participating) that--

pianos (including player pianos, whether or not with keyboards), provided for in item 725.02 of the Tariff Schedules of the United States (TSUS)

were, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to threaten to cause serious injury to the domestic industry producing like or directly competitive products. 1/

In response to the Commission's finding, effective February 21, 1970, the President suspended for 3 years the Kennedy Round

1/ U.S. Tariff Commission, Pianos and Parts Thereof: Report to the President on Investigation No. TEA-I-14 Under Section 301(b)(1) of the Trade Expansion Act of 1962, TC Publication 309, 1969 (processed).

tariff reductions on pianos, except grand pianos, at the second stage rate--13.5 percent ad valorem. The President also announced that he had authorized adjustment assistance for firms and workers in the domestic piano industry to help them adjust to the impact of import competition.

So long as a higher rate of duty remains in effect for upright pianos than that provided for under the Kennedy Round trade agreement, the Commission is required, under the provisions of section 351(d)(1) of the Trade Expansion Act of 1962, to make an annual report on developments with respect to the piano industry. This report is confined principally to developments that have occurred since those described in the Commission's report of December 23, 1969.

For the purpose of this report, pianos other than grand pianos (hereinafter called upright pianos) are discussed under three general categories: Spinets (37 inches high and under); consoles (38 inches through 43 inches high); and studio uprights (44 inches high and over).

U.S. Tariff Treatment

Upright pianos (including player pianos, whether or not with keyboards) are currently dutiable at the escape-clause rate of 13.5 percent ad valorem provided for in item 924.00 of part 2 of the appendix to the TSUS. This rate is presently scheduled to remain in effect until February 21, 1973, at which time the staging of duty reductions to carry out a U.S. trade-agreement concession granted at the Kennedy Round negotiations will be reinstated. Had there been no escape

action, upright pianos currently would be dutiable at 10 percent ad valorem under item 725.01 (formerly item 725.02) of the TSUS. Upright pianos imported from designated Communist-dominated or Communist-controlled countries are currently dutiable under item 725.01 at 40 percent ad valorem.

The modified escape-action rate of duty currently applicable to imports of pianos, except grand pianos, as well as the trade-agreement rate scheduled to become effective on and after February 21, 1973, is as follows: 1/

Description	Modified	Trade-agreement rate	
	escape-	and effective date	
	action	Rate	Date
	rate		
	Percent ad	Percent ad	
	valorem	valorem	
Pianos (including			
player pianos,			
whether or not with			
keyboards), except			
grand pianos-----	13.5	11.5	Feb. 21, 1973
		10	Jan. 1, 1974
		8.5	Jan. 1, 1975

1/ Presidential Proclamation No. 3964 (35 F.R. 38).

The current trade-agreement rate of duty applicable to grand pianos provided for in item 725.03 of the TSUS is 10 percent ad valorem; the rate applicable to such pianos is scheduled for a final Kennedy Round reduction to 8.5 percent ad valorem, effective January 1, 1972.

Recent Developments

The trend of U.S. consumption of pianos of all types has been downward since 1966. The U.S. market for pianos has been adversely affected in recent years by a number of factors, such as the development of television and stereophonic equipment, which provides alternative forms of recreation within the home; the rise of automobile ownership, which increases the mobility of consumers and provides access to entertainment outside the home; and the growing interest in band and other musical instruments and in many other kinds of recreation. Expenditures for pianos have not kept pace with total personal consumption expenditures in recent years. According to the trade, the slower growth in the economy during 1970 also affected consumption of pianos. During the period January-October 1970, apparent U.S. consumption of pianos was about 9 percent smaller than in the corresponding period of 1969; U.S. producers' shipments (domestic sales) were 6 percent smaller, and U.S. imports, 28 percent smaller. Trade sources indicate this situation continued for the remainder of 1970.

Since the Commission's report of December 23, 1969, three domestic firms have discontinued the production of pianos. Two of the three firms continue to market pianos which are produced for them under their own brand name by other producers. One firm operating two plants at the time of the previous report consolidated its operations in one plant in 1970, and another firm operating four plants closed one of them. As mentioned in the Commission's previous report, about 80 percent of the Ivers & Pond (Aeolian) plant in Memphis, Tenn., was destroyed by fire on August 15, 1969, at a loss of about \$5 million.

The plant was rebuilt in 1970 and is expected to be in full production in March 1971.

Wholesale prices of most best selling models of upright pianos, both of domestic and of Japanese manufacture, were raised in 1970; the increases ranged between 2 and 11 percent. In nearly all of the individual domestic plants producing pianos, the number of production workers employed and the number of man-hours worked were lower during the first 10 months of 1970 than in the corresponding period of 1969.

The President, in his proclamation of February 21, 1970, authorized firms and workers in the domestic piano industry to apply for adjustment assistance under the provisions of the Trade Expansion Act of 1962, to help them adjust to the impact of import competition. Of the 15 firms which currently constitute the domestic piano industry, five have petitioned the Department of Commerce for adjustment assistance. Two firms have been certified eligible to apply for adjustment assistance, requests by two other firms are pending, and a request by one firm has been denied. Workers in six establishments have petitioned the Department of Labor for adjustment assistance. Approximately 1,000 workers in five establishments producing pianos have been certified eligible for adjustment assistance; a petition by employees in one plant (about 30 workers) has been denied.

U.S. Consumption

Apparent U.S. consumption of pianos declined materially in 1970, continuing its recent downward trend. The U.S. consumption of pianos of all types increased from 159,000 units in 1958 to 247,000 units in 1966 and then declined to about 210,000 units in 1969 (table 1). In the first 10 months of 1970, apparent consumption (156,000 units) was about 9 percent less than in the corresponding period of 1969 (172,000 units). Imports supplied only 1.2 percent of the U.S. consumption of pianos in 1958, but they furnished 13.8 percent in 1969; the import share declined to 10.8 percent during the period January-October 1970. During the first 10 months of 1970, U.S. producers' shipments (domestic sales) declined by 6 percent and U.S. imports, by about 28 percent, compared with the corresponding period of 1969.

The following tabulation shows U.S. producers' domestic sales, U.S. imports, and apparent U.S. consumption of upright pianos for 1969 (the earliest year for which reliable data are available), January-October 1969, and January-October 1970:

Period	U.S. producers' domestic sales	U.S. imports	Apparent consumption	Ratio of imports to consumption
	Number	Number	Number	Percent
1969-----	174,683	22,142	196,825	11.2
January-October--				
1969-----	143,357	17,713	161,070	11.0
1970-----	134,747	13,143	147,890	8.9

U.S. Producers

In 1970, 15 firms operating 19 plants produced pianos in the United States; 18 firms operating 24 plants had manufactured pianos in 1968. The distribution of the 19 plants that were operating in 1970, by States, was as follows:

<u>State</u>	<u>Number of plants</u>	<u>State</u>	<u>Number of plants</u>
New York-----	4	Mississippi-----	2
Michigan-----	3	Arkansas-----	1
North Carolina-----	3	Ohio-----	1
Illinois-----	2	Tennessee-----	1
Indiana-----	2		

All 15 firms produced upright pianos, and eight produced grand pianos.

Three of the 15 firms--The Wurlitzer Co., Baldwin Piano & Organ Co., and Aeolian Corp.--accounted for 54 percent of the number of domestically produced upright pianos sold in the United States in 1969, and 51 percent in the period January-October 1970. Four other firms--Kimball Piano & Organ Co., Everett Piano Co., Story & Clark Piano Co., and Kohler & Campbell, Inc.--accounted for 34 percent of the number sold in 1969 and 37 percent in the period January-October 1970.

U.S. Production and Sales

Sales of pianos by the U.S. producers declined in 1970, continuing the downward trend that had begun in 1966. In 1964, sales (excluding exports) of pianos by the U.S. producers amounted to about 220,000 units, valued at \$97.3 million. Sales increased to about 236,000 units, valued at \$109.8 million, in 1966, but then declined each year and were 181,000 units, valued at \$93.4 million, in 1969 (table 2). In January-October 1970, domestic producers' sales (139,000 units) were about 6

percent less than in the corresponding period of 1969 (148,000 units).

Domestic producers' sales (excluding exports) of upright pianos amounted to about 214,000 units, valued at \$88 million, in 1964. The trend of such sales was upward through 1966, when they approximated 229,000 units, with a value of \$98.4 million. They then declined to about 175,000 units, valued at \$81.5 million, in 1969. The decline from the peak year (1966) to 1969 in terms of quantity and value was 24 percent and 17 percent, respectively. Sales of domestic upright pianos during the period January-October 1970 continued to decline; they were about 6 percent less in both quantity and value than in the corresponding period of 1969.

The composition of sales (excluding exports) of domestic pianos, by types, in 1969 and January-October 1970 was as follows:

Type	Percent of unit sales	
	1969	January-October 1970
Total-----	100	100
Uprights, total-----	97	97
Spinets-----	47	45
Consoles-----	38	40
Studio-----	10	10
Players-----	2	2
Grands-----	3	3

U.S. exports of pianos, mostly uprights, account for a small portion of domestic producers' shipments (table 1). In the period 1958-70, exports ranged between 1,000 and 2,000 units a year; the average value of annual exports during this period was about \$820,000,

and the average unit value was about \$500. About one-third of the domestic firms producing pianos sell to foreign countries; principal markets for such exports are Canada and Mexico.

U.S. Imports

U.S. imports of pianos reversed their long-term upward trend in 1970, declining materially in the first 10 months of the year compared with the corresponding period of 1969 (table 3). During the late 1950's and throughout the 1960's, imports of pianos had increased substantially; entries in 1969--29,000 units--supplied nearly 14 percent of apparent U.S. consumption, while imports in 1958--less than 2,000 units--had accounted for 1 percent of consumption. In 1968 and 1969, imports of pianos increased in quantity by 16 to 17 percent compared with the previous year.

In 1970, however, entries of pianos into the United States declined. U.S. imports of all pianos totaled 16,924 units in January-October 1970, compared with 23,658 units in the corresponding period of 1969--representing a decline of 28 percent. Between those two periods, imports of upright pianos declined from 17,713 to 13,143 units (by 26 percent) and imports of grand pianos, from 5,945 to 3,781 units (36 percent).

In the 22-month period ending October 1970, Japan accounted for about 94 percent of the quantity and 89 percent of the value of all

pianos imported. In 1969 about 76 percent of the 29,000 pianos imported were uprights, of which virtually all were of Japanese manufacture; in January-October 1970, about 78 percent of the total of 17,000 units imported were uprights, nearly all from Japan. 1/

Two importers probably accounted for all the U.S. imports of Japanese-made uprights--Yamaha International Corp. of Montebello, Calif., and Kawai Piano (America) Corp. of Harbor City, Calif.; 2/ they are sales affiliates of Japan's two leading manufacturers of pianos and other musical instruments--Nippon Gakki Co., Ltd., and Kawai Musical Instruments Co., Ltd. In 1969, 83 percent of the number and 61 percent of the value of the U.S. sales made by these two importers were of uprights. In terms of both number and value, spinets accounted for about 9 percent; consoles (most of which are sold for household use), for about 62 percent; and studio uprights (which are sold mostly in the institutional market), for about 28 percent.

1/ In terms of value, uprights accounted for 63 percent of total imports in 1969 and 56 percent of the total in the first 10 months of 1970.

2/ The number of pianos--uprights and grands--reportedly imported by these two concerns in the period January 1969 through October 1970 was equivalent to about 91 percent of the total recorded in the official U.S. import statistics.

Employment

Employment of production and related workers in the U.S. piano manufacturing industry averaged about 4,025 persons during the first 10 months of 1970, compared with about 4,250 persons in 1969 and 4,700 in 1968. In 1969 and January-October 1970, three firms, 1/ which employed more than 600 workers each, accounted for about 63 percent of the total number of workers employed by 14 firms in the industry; four firms, which employed between 200 and 400 each, accounted for about 27 percent; and seven firms, which employed fewer than 200 workers each (only one of which employed more than 100 workers), accounted for about 10 percent. The average number of production workers employed by firms in these groups for each of the years 1968 and 1969 and January-October 1970 is shown below:

	<u>1968</u>	<u>1969</u>	<u>Jan.-Oct.</u> <u>1970</u>
Three firms-----	2,991	<u>1/</u> 2,666	<u>1/</u> 2,490
Four firms-----	1,124	<u>2/</u> 1,097	<u>2/</u> 1,091
Seven firms-----	556	490	444
Total----- <u>3/</u>	<u>4,671</u>	<u>4,253</u>	<u>4,025</u>

1/ Production workers accounted for about 78 percent of the total number of persons employed.

2/ Production workers accounted for about 85 percent of the total number of persons employed.

3/ Excludes data for Grinnell Bros. and Lowrey Piano Co.

In nearly all of the individual domestic plants producing pianos, the number of production workers employed and the number of man-hours worked were lower during the first 10 months of 1970 than in the corresponding period of 1969.

1/ Each of these firms operates more than one plant and two are large producers of grand pianos.

Average hourly wages paid, including payments for holidays, sick leave, and vacations, and the low-high range of these payments, based on data reported for 17 plants, for 1969, January-October 1969, and January-October 1970, were as follows:

	<u>1969</u>	<u>January-October</u>	
		<u>1969</u>	<u>1970</u>
Low-----	\$1.94	\$1.94	\$2.11
High-----	3.74	3.70	4.02
Average-----	2.79	2.75	2.87

Average hourly wages paid in the first 10 months of 1970 to workers in Southern States--Arkansas, Mississippi, Tennessee, and North Carolina--ranged from \$2.11 to \$2.58; wages paid in Midwestern States--Illinois, Indiana, Ohio, and Michigan--ranged from \$2.21 to \$4.02; payments in New York State ranged from \$2.68 to \$3.53.

Prices

During 1970, wholesale prices in the United States of most best selling models of upright pianos, both of domestic and of Japanese manufacture, were raised. The increases, most of which became effective during the second half of 1970, ranged widely--from about 2 percent to about 11 percent.

Statistical Appendix

Table 1.--Pianos: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent U.S. consumption, specified periods 1958 to 1970

Period	U.S. producers' shipments ^{1/}	U.S. imports ^{2/}	Exports	Apparent consumption ^{3/}	Ratio (percent) of imports to consumption
Quantity (number)					
1958-----	159,000	1,882	1,486	159,000	1.2
1960-----	198,000	4,926	1,726	201,000	2.4
1962-----	203,000	5,282	1,092	207,000	2.5
1964-----	220,161	6,866	1,616	227,000	3.0
1965-----	232,809	7,636	1,644	240,000	3.2
1966-----	235,811	10,812	1,627	247,000	4.4
1967-----	211,138	15,661	1,866	227,000	6.9
1968-----	201,902	24,832	2,049	227,000	10.9
1969-----	180,737	29,059	1,704	210,000	13.8
January-October--					
1969-----	148,272	23,658	1,511	172,000	13.8
1970-----	139,115	16,924	1,116	156,000	10.8
Value (1,000 dollars)					
1958-----	<u>4/</u>	<u>4/</u>	705	<u>4/</u>	<u>4/</u>
1960-----	<u>4/</u>	<u>4/</u>	804	<u>4/</u>	<u>4/</u>
1962-----	<u>4/</u>	<u>4/</u>	659	<u>4/</u>	<u>4/</u>
1964-----	97,334	3,892	806	101,226	3.8
1965-----	104,479	4,626	837	109,105	4.2
1966-----	109,789	6,765	841	116,554	5.8
1967-----	101,388	9,845	897	111,233	8.8
1968-----	99,899	13,236	902	113,135	11.7
1969-----	93,434	16,693	846	110,127	15.2
January-October--					
1969-----	76,128	13,605	728	89,733	15.2
1970-----	71,258	10,811	760	82,069	13.2

^{1/} U.S. producers' domestic sales, except for 1958, 1960, and 1962.

^{2/} Data for 1958-68 include harpsichords, clavichords, and other keyboard stringed instruments; imports of such instruments have been negligible. The values shown are estimated wholesale values in the U.S. market, i.e., market values in foreign countries as reported in official U.S. import statistics plus U.S. import duty and estimated freight, insurance, and importers' markup.

^{3/} Producers' domestic sales plus imports, except for 1958, 1960, and 1962.

4/ Not available.

Source: U.S. producers' shipments compiled from data furnished the U.S. Tariff Commission by domestic producers; import and export data compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Pianos: Domestic producers' sales in the United States, by types, 1964-69, January-October 1969, and January-October 1970

Period	Uprights				Total	Grands	Total, upright and grand pianos ^{1/}
	Players	Spinets	Consoles	Studio			
	Quantity (number)						
1964--	3,740	87,511	101,667	21,157	214,075	6,086	220,161
1965--	3,460	102,677	97,958	22,377	226,472	6,337	232,809
1966--	4,146	100,200	98,947	25,806	229,099	6,712	235,811
1967--	4,254	85,058	92,721	22,780	204,813	6,325	211,138
1968--	3,306	83,006	88,357	20,875	195,544	6,358	201,902
1969--	2,935	85,722	67,800	18,226	174,683	6,054	180,737
January-October--							
1969--	2,244	70,881	55,120	15,112	143,357	4,915	148,272
1970--	2,214	63,009	55,869	13,655	134,747	4,368	139,115
	Value (1,000 dollars) ^{2/}						
1964--	3,067	34,219	41,132	9,570	87,988	9,346	97,334
1965--	2,880	38,635	42,237	10,274	94,027	10,452	104,479
1966--	3,573	38,446	44,047	12,357	98,425	11,364	109,789
1967--	3,535	34,016	41,842	11,183	90,577	10,811	101,388
1968--	2,668	33,835	40,812	10,539	87,852	12,047	99,899
1969--	2,329	35,433	34,000	9,697	81,458	11,975	93,434
January-October--							
1969--	1,782	29,010	27,601	8,027	66,420	9,707	76,128
1970--	1,820	25,804	27,455	7,343	62,422	8,835	71,258
	Average unit value ^{3/}						
1964--	\$820	\$391	\$405	\$452	\$411	\$1,536	\$442
1965--	832	376	431	459	415	1,649	447
1966--	862	384	445	479	430	1,693	466
1967--	831	400	451	491	442	1,709	480
1968--	807	408	462	505	449	1,895	495
1969--	794	413	501	532	466	1,978	517
January-October--							
1969--	794	409	501	531	463	1,975	513
1970--	822	410	491	538	463	2,023	512

^{1/} Because of rounding, value figures may not add to the totals shown.
^{2/} Net sales value (exclusive of benches), i.e., gross sales value f.o.b. plant, less discounts and other allowances.
^{3/} Computed from unrounded figures.

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

Table 3.--Pianos (including player pianos): U.S. imports for consumption, by types and principal sources, specified years 1964 to 1969, January-October 1969, and January-October 1970

Country	1964		1966		1967		1968		1969		January-October 1969		January-October 1970	
	Uprights	Grands	Uprights	Grands	Uprights	Grands	Uprights	Grands	Uprights	Grands	Total	Uprights	Grands	Total
	Quantity (number)													
Ireland	4,696	9,263	14,308	23,369	20,993	6,315	27,308	16,831	5,508	22,339	12,285	3,488	15,773	
United Kingdom	383	160	312	435	622	127	749	452	51	503	349	28	377	
West Germany	1,250	607	520	436	267	160	427	213	128	341	296	61	357	
Other	205	350	253	333	163	177	340	136	141	277	52	166	218	
Total	332	432	268	259	97	138	235	81	117	198	161	38	199	
Total	6,866	10,812	15,661	24,832	22,142	6,917	29,059	17,713	5,945	23,658	13,143	3,781	16,924	
	Value (1,000 dollars)													
Ireland	1,634	3,360	5,202	7,367	6,149	3,379	9,529	4,932	2,861	7,793	3,573	2,615	6,189	
United Kingdom	85	33	79	128	174	53	227	131	26	157	106	17	123	
West Germany	306	284	258	177	108	89	197	87	70	157	116	33	149	
Other	228	281	341	431	206	321	527	172	257	429	52	331	383	
Total	170	255	252	277	66	151	218	61	125	186	81	80	161	
Total	2,424	4,213	6,132	8,380	6,704	3,993	10,697	5,384	3,338	8,721	3,928	3,076	7,004	

1/ Data for 1964-68 include harpsichords, clavichords, and other keyboard stringed instruments; imports of such instruments have been negligible.

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

Note.--Because of rounding, figures may not add to the totals shown.

