

UNITED STATES TARIFF COMMISSION

**CERTAIN COTTON YARNS AND FABRICS:
LONE STAR TEXTILES, INC.
HALLETTSVILLE, TEX.**

**Report to the President
on Investigation No. TEA-F-17
Under Section 301(c)(1) of the Trade Expansion Act of 1962**



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UNITED STATES TARIFF COMMISSION

Glenn W. Sutton

Bruce E. Clubb

Will E. Leonard, Jr.

George M. Moore

J. Banks Young

Kenneth R. Mason, *Secretary*

Address all communications to
United States Tariff Commission
Washington, D. C. 20436

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that would result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission
March 19, 1971.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(1) of that Act in response to a firm's petition for determination of eligibility to apply for adjustment assistance.

On January 12, 1971, Lone Star Textiles, Inc., Hallettsville, Texas, filed a petition for a determination of its eligibility to apply for adjustment assistance. The Commission instituted an investigation (TEA-F-17) on February 2, 1971, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the cotton yarns and fabrics produced by the aforementioned firm, are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm.

Public notice of the receipt of the petition and the institution of the investigation was given by publication in the Federal Register of February 6, 1971 (36 F.R. 2583). No hearing was requested and none was held.

The information in this report was obtained principally from the petitioner, the Commission's files, and other Government agencies.

Finding of the Commission

On the basis of its investigation, the Commission 1/ unanimously finds that articles like or directly competitive with yarns and fabrics of the kind produced by Lone Star Textiles, Inc., are not, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm.

1/ Commissioner Young not participating.

Considerations Supporting the Commission's Finding

Lone Star Textiles, Inc., is a relatively small, specialized textile spinning and weaving company operating two plants--one located at Cuero, Tex., and the other at Mexia, Tex. Until 1968, the company's output consisted almost entirely of coarse cotton yarns, both for its own use and for sale, and fabrics of coarse cotton yarns, especially duck and osnaburg; the firm's sales of these articles declined sharply after 1966. The bulk of the firm's output in 1969 was comprised of acrylic sandbag fabrics for military use; this business, however, proved to be of a temporary nature. * * * The company filed a petition in bankruptcy in May 1970. Subsequently, it filed a petition with the Tariff Commission under section 301 of the Trade Expansion Act asking that it be found eligible to apply for adjustment assistance.

Section 301(c)(1) of the Trade Expansion Act of 1962 establishes four conditions to be satisfied if a firm is to be ruled eligible to apply for adjustment assistance. The four conditions are as follows:

- (1) Articles like or directly competitive with the yarn and fabrics produced by the petitioning firm are being imported in increased quantities;
- (2) The increased imports are in major part the result of concessions granted under trade agreements;
- (3) The petitioning firm is being seriously injured or threatened with serious injury; and
- (4) The increased imports resulting in major part from trade-agreement concessions have been the major factor causing or threatening to cause the serious injury.

In this case, the Commission has concluded that the fourth condition has not been met, namely, increased imports were not the major factor causing or threatening to cause serious injury to the petitioning firm.

The recent difficulties of Lone Star have been closely associated with sharp changes in the U.S. demand for fabrics for military uses. Total military purchases of duck and osnaburg (the major fabrics produced by the firm through 1968) declined from a peak of about 300 million square yards in 1967 to less than 10 million square yards in 1970. Lone Star was heavily committed to military production; most of the firm's output of duck and osnaburg in 1966 was sold for military uses. When the military demand dropped, beginning in 1967, the firm's sales of duck and osnaburg also declined sharply.

The decline in the military demand for cotton osnaburg was attributable to the substitution of manmade materials (acrylic and polypropylene) for cotton in the manufacture of sandbags for use in Viet-Nam. In 1968, Lone Star made a substantial investment to convert its machinery to spin acrylic staple and to weave sandbag fabrics of this material. Sales of acrylic sandbag fabrics accounted for the major part of the firm's total sales in 1969. When military purchases of acrylic sandbag fabrics were suddenly terminated in early 1970, the company was seriously affected. The loss of military business by the firm was in no way related to imports but rather to decreased demand for these articles; imported fabrics are not ordinarily used in articles for military consumption.

With regard to imports of duck and osnaburg fabrics and coarse cotton yarns, it is evident that any increase in the quantity imported has not been of such magnitude as to have been the major factor in causing injury to the firm. Although imports of such yarns and fabrics increased sharply from 1964 to 1966, this trend has not continued. Since 1966, * * * imports of yarn have declined and imports of fabrics have continued at about the same or somewhat lower level. When military demand abruptly declined, moreover, the company encountered severe competition from domestic suppliers of competing materials in attempting to regain former civilian markets. The number of U.S. establishments producing duck fabrics, for example, increased from 19 in 1963 to 29 in 1967, thus affording Lone Star with increased domestic competition.

We have concluded that concession-generated increased imports have not been the major factor in causing injury to the petitioner, and for this reason we have made a negative determination.

INFORMATION OBTAINED IN THE INVESTIGATION

Scope of the Investigation

The facilities of Lone Star Textiles, Inc., were geared to the production of coarse cotton yarns (coarser than No. 20) and plainwoven cotton fabrics using coarse cotton yarns. The Mexia Division plant at Mexia, Tex., was primarily a yarn mill making single and plied carded cotton yarns; the Guadalupe Division plant was primarily a spinning and weaving mill making cotton duck and osnaburg fabrics of coarse carded yarns. At times, in the past, small quantities of twill, drill, and sheetings were produced. Beginning in 1968, the company also produced acrylic (manmade fiber) sandbag materials to meet military requirements. Most of the production of this material occurred in calendar year 1969.

The company produced yarn for sale as well as for its own use in weaving fabrics. * * *

In the petition, the company listed cotton duck and osnaburg fabrics and cotton yarns as the imported and domestic articles covered by the petition. In an accompanying statement, the petitioner indicated that total imports of plainwoven cotton fabrics and, to some extent, all imports of textile products have contributed to the injury sustained by the company.

Description and Uses

The type of yarns produced by Lone Star Textiles are very coarse (coarser than No. 20) carded cotton yarns and are primarily for use in weaving the osnaburgs, ducks, and similar fabrics produced mainly at the Guadalupe Division of the company. The type of plied yarns (two or more yarns twisted together) produced by this firm are used in the production of the types of duck fabric purchased by the military. During times of military buildup, U.S. twisting capacity in the production of plied yarns is often strained and utilized to its limit. Much of the twisting capacity of the carpet industry, which was utilized during World War II for production of coarse plied yarns, has been lost owing to changing requirements of that industry, and the twistors required for the coarser yarns are of a wider gauge than those used in twisting finer yarns for the lightweight fabrics in greater demand for civilian use. Lone Star reported considerable quantities of singles yarn sold during the mid-1960's; virtually all of the plied yarn produced in that period was utilized in their own weaving operations.

"Duck" is a broad trade term used to denote a range of firm, heavy fabrics of a plain weave which have a wide range of uses. The term is thought to have been first applied to heavy sail fabrics.

Some types are known as canvas. In the statistical headnotes 1/ of the Tariff Schedules of the United States Annotated (TSUSA), duck is defined as--

Plain-woven fabrics made of carded yarns, not napped, woven with less than 8 harnesses and without the use of jacquard, lappet, or swivel attachments, the warp and/or filling of which consists of plied yarns or of 2 or more single yarns woven as one, having an average yarn number not over 15, weighing 5 ounces or more per square yard.

The average weight of duck fabrics produced in the United States is about 10 ounces per square yard. Duck is often classified by type based on whether the warp and/or filling yarns are single or plied yarns. Various terms have developed in the trade to designate certain common constructions or types; these include "flat duck," "army duck," "numbered duck," and so forth.

"Osnaburg" is sometimes known as coarse sheeting because it is of lower count and coarser yarns than other types of sheeting. It is defined in the TSUSA as a--

Plain-woven fabric of low construction (that is few yarns per inch), of coarse carded yarn made of short-staple, low-grade cotton, or of a mixture of such cotton and waste, not fancy or figured, and not napped, and having an average yarn number usually in the range between 3 and 10.

Osnaburgs are made of singles yarn, and the total count is usually less than 80 threads per square inch.

In recent years cotton duck has been used chiefly in tents, tarpaulins, awnings, machinery belts, shoes, backing for tufted carpets,

1/ Schedule 3, pt. 3, subpt. A.

and clothing (mainly industrial or hunting apparel), and to a lesser extent in bags (including military duffelbags), filtration fabrics, athletic equipment, plastic laminates, industrial hose, and automobiles. Military use accounts for a significant part of total duck consumption, especially during periods of active military engagements. Military orders for duck have been somewhat less during the period of the Viet-Nam conflict than during the Korean conflict or World War II.

Osnaburg is consumed in a variety of industrial uses. It is chiefly used in automobile interiors, industrial wiping cloths, saturated asphalt fabrics, luggage, upholstered furniture, and backing for tufted bath mats. Military procurement of osnaburg was especially high during the early part of the Viet-Nam conflict because of its use in sandbags, but it was later displaced by other materials.

U.S. Tariff Treatment

The original statutory rates of duty established in 1930 on cotton yarns of the types produced by Lone Star Textiles, Inc., remained unchanged until 1948 (table 1). For carded grey singles yarn, wholly of cotton, the original rate was 5 percent ad valorem plus three-tenths of 1 percent for each yarn number. In 1948, pursuant to a concession under the General Agreement on Tariffs and Trade (GATT), the increment increases for each yarn number were reduced to one-fourth of 1 percent. In 1956, the rates were further reduced under the GATT; the reductions took place in two stages with the final stage becoming effective on June 30, 1957. Under this concession, duties

were reduced to 4.5 percent ad valorem plus 0.225 percent for each number.

These rates remained in effect until reduced by about 28 percent under the sixth (Kennedy) round of tariff negotiations concluded on June 30, 1967. The reduction is being implemented in five annual stages, the final stage to become effective on January 1, 1972. At that time the rate will be 3.24 percent ad valorem plus 0.16 percent for each number.

The rate on plied cotton yarn of the types produced by Lone Star was originally 5 percent above the rate on singles grey yarn; it became 4.75 percent above in 1956 and 4.5 percent above in 1957. On January 1, 1972, at the conclusion of the five-stage reductions currently in process, the rate will become 3.25 percent above that for singles grey yarn.

The U.S. rates of duty on cotton fabrics of the types produced by Lone Star Textiles, Inc., were essentially unchanged from 1930 until the granting of concessions, originally negotiated with Japan under the GATT, effective September 10, 1955. ^{1/} The rates applicable before the reductions ranged from 11.75 to 15.25 percent ad valorem (yarn Nos. 5 to 15) on most unbleached fabrics such as ducks and osnaburgs. The lower rates resulting from the Japanese trade agreement in 1955 represented reductions on most cotton fabrics of about 26 percent from the 1930 rates. The resulting rates for unbleached fabrics

^{1/} The rates on fabrics of higher value than those generally sold by Lone Star Textiles, Inc., were reduced earlier (in 1939; they were bound in 1948).

in the yarn sizes produced by Lone Star ranged from 8.75 to 11.25 percent ad valorem. The rates on most cotton fabrics were further reduced by 24 percent in the Kennedy Round. The reduction is to occur in five annual stages which began January 1, 1968. The 1970 rates were about 37 percent less than the 1930 rates; they ranged from 7.49 to 9.63 percent ad valorem on unbleached fabric in the yarn number range indicated above. See table 1 for a rate history on articles of selected yarn numbers.

Shipments of cotton articles to the United States have been limited to some degree since 1957. During 1957-61, Japan voluntarily limited her exports of cotton products to the United States. Since October 1961, imports of cotton products from all countries have been subject to restraint under the short-term arrangement (October 1961-September 1962) and the current Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA) (October 1962 to the present). The major suppliers of cotton duck currently have specific limits on their exports of cotton duck to the United States pursuant to bilateral agreements under the LTA. The suppliers of osnaburg generally do not have specific limits on this fabric, but it is included in overall quotas for some broader fabric category such as sheetings. Similarly, most of the exporters of coarse cotton yarn now control their shipments of this yarn as part of an overall limitation on all cotton yarn pursuant to bilateral agreements under the LTA.

U.S. Consumption

Most coarse cotton fabrics of yarns in the range of Nos. 1-19, and particularly ducks and osnaburgs, find their greatest use in household or industrial uses and are little influenced by developments in the dress and casual apparel market. Consumption has been influenced by changes in market requirements and by competition from substitute materials such as manmade-fiber fabrics, plastics, and nonwoven materials. An example of adverse market change is the decline in use of pick sacks for harvesting the cotton crop, most of which is now mechanically harvested; this use formerly consumed as much as 8 million square yards of cotton duck annually. On the other hand, increased production of tents, automobiles, "canvas" shoes, and other important articles in which these fabrics are used has expanded potential markets. However, displacement by competing materials has reduced the importance of cotton fabrics in some of these markets. Coated nylon fabrics compete in tents and other uses; plastics, in industrial hose, luggage, shoes, and so forth; and nonwoven fabrics, in carpet backing, industrial clothing, filter fabrics, and the like. The estimated consumption of cotton fabrics in some of these major end uses is shown in the following table.

U.S. consumption of cotton fabrics, by items, 1960, 1964, and 1969

(In thousands of square yards)

Item	1960	1964	1969
Carpet backing-----	38,711	64,164	68,186
Auto uses-----	124,237	145,218	132,632
Awnings-----	24,700	21,948	11,064
Machinery belts-----	14,679	29,175	33,305
Wiping cloths-----	1/	35,808	43,803
Luggage-----	37,289	42,378	43,320
Saturated asphalt fabrics-----	13,095	15,524	16,808
Shoes-----	100,096	159,435	136,077
Tarpaulins-----	32,103	31,026	34,580
Tents-----	35,640	46,805	74,801

1/ Not available.

Military uses have, at times, accounted for a substantial part of the total consumption of cotton duck and osnaburg. Imported fabrics are not ordinarily used in military items. Peak consumption by the military in recent years was during 1966 and 1967 (table 2); military consumption accounted for as much as 11 percent of total duck consumption and 46 percent of osnaburg consumption. Consumption of duck and osnaburg by the military declined sharply after 1967--from about 300 million square yards in that year to less than 10 million square yards in 1970. Major uses for cotton duck by the military are in tents, tarpaulins, and special covers for machinery or equipment. Other uses are in certain clothing items, cots, and target cloth. By far the major use of osnaburg fabrics in 1966 and 1967 was in making sandbags. The consumption of cotton osnaburg in sandbags declined sharply in 1968, despite an increase in purchases of sandbags by the Department of Defense, because of displacement by polypropylene and acrylic materials. By 1969, these materials had entirely displaced cotton fabrics

for military sandbags. Regarding certain cotton fabrics and sandbags, it has been difficult for domestic manufacturers to anticipate actual military purchases, which sometimes differ widely from earlier forecasts of requirements made available to prospective suppliers by defense agencies.

U.S. Production

Yarns

Production of carded yarn during 1964-69 ranged between 2.8 billion and 3.3 billion pounds; production data for 1970 are not available. Although there are no official statistics, it is estimated that between 50 and 60 percent of production is of No. 20 and coarser yarns. During 1964-69, between 289 million and 402 million pounds of coarse yarn were used annually in the production of duck and osnaburg fabrics, representing between 17 and 23 percent of estimated production of such yarns. The remaining production of coarse yarns went into other coarse-yarn fabrics such as class A and B sheetings, drills, twills, sateens, corduroys, denims, and other industrial fabrics.

Fabrics

Annual U.S. production of cotton duck increased sharply from 1964 to 1966 and then declined slightly by 1969; production of osnaburg increased sharply from 1964 to 1967 and declined sharply by 1969 (table 3). The output of both duck and osnaburg was higher in 1969 than in 1964. Available data indicate production of both fabrics was sharply lower in 1970, probably at a level equal to or less than

output in 1964. U.S. production of duck declined from a peak of 370 million square yards in 1966 to 365 million square yards in 1969, and in the first 9 months of 1970 it was 211 million, a decline of 24 percent from the comparable period of 1969. Production of osnaburg declined from 504 million square yards in 1967 to 344 million in 1969, and in the first 9 months of 1970 it was 229 million, a decline of 10 percent from the comparable period of 1969.

The U.S. output of plied warp ducks declined after 1966, whereas the output of single warp ducks continued to increase through 1969; both declined sharply in 1970 (table 4).

According to data from the Census of Manufactures, nearly all duck production is located in the South, largely in Alabama, Georgia, South Carolina, and Texas. The number of establishments producing duck increased from 19 in 1963 to 29 in 1967, partly in response to military demand. This was accompanied by increases in the number of workers in these establishments, from about 8,000 to 13,000, and in the value of their shipments, from \$114 million to \$223 million. The number of establishments producing duck had earlier declined from 37 in 1954 to 19 in 1963. Comparable data are not available for osnaburg fabrics.

U.S. Imports

Yarns

U.S. imports of carded cotton yarn of Nos. 1-19 increased sharply during the mid-1960's, when there was a critical shortage of yarn resulting from the Viet-Nam buildup (table 5). Imports of 34.5 million pounds during 1966 represented three times the total of 11.5

million in 1965. They subsequently decreased to 8.4 million pounds in 1970. Over 80 percent of imports in each year of the 1964-70 period were singles, grey yarn, although imports of plied yarns in 1966 were about nine times those in 1964. Imports of plied yarns have since declined below the 1966 level, but they have remained well above that of 1965.

Mexico, Portugal, Brazil, the United Arab Republic, and Colombia have been the principal suppliers of coarse carded yarn in recent years, with imports from Mexico showing a large increase in 1966 to 14.2 million pounds from 844,000 pounds in 1965 (table 6). Although the imports from Mexico declined to 2.4 million pounds in 1970, that country was the leading supplier in that year on a quantity basis.

Most of the increase in imports in 1966 over 1965 was accounted for by Mexico, Portugal, and Brazil. Imports from Mexico were not controlled under the LTA during 1966; however, they have since been restricted under the terms of a bilateral agreement negotiated under the provisions of the LTA. Imports from the other principal suppliers of coarse yarn were under restrictions during that year, but because of critical shortages of yarn several countries (Brazil, Portugal, Israel, Colombia, and Spain) were granted special one-time allowances above their control levels. These special allowances have not been repeated since 1966. Imports of yarn (both carded and combed of all numbers) from all of these countries except Israel are currently restricted under the provisions of the LTA.

The foreign unit values of imports for the 1964-70 period for carded cotton singles yarn (Nos. 1-19) ranged between 39.6 and 42.0 cents per pound; for plied yarn it was between 43.4 cents and 48.9 cents per pound (table 7). The landed costs (after payment of duty, freight, and insurance) for singles carded yarn during this period are estimated to have ranged between 12 percent and 19 percent below the average annual wholesale prices in the domestic market for these types of yarn (54.5 cents to 57.8 cents); the corresponding comparison cannot be made for plied yarns because data on wholesale prices for these types are not available. The differences shown between the landed cost of imported singles carded yarn and domestic wholesale prices of that type of yarn would have to cover the importer's markup.

Fabrics

U.S. imports for consumption of duck and osnaburg fabrics increased sharply from 1964 to 1967 and have since fluctuated annually. The ratio of imports to consumption, however, followed an upward trend during 1964-70 and reached its highest level in 1970 (table 3). Imports as a percentage of consumption increased from 11.3 percent in 1964 to 21.0 percent in January-September 1970 for duck and from 2.7 percent to 6.5 percent for osnaburg in the same period. The category of ducks with the greatest increase in imports was fabrics of single warp and single filling, weighing under $7\frac{1}{2}$ ounces per square yard, and with an average yarn number of 10 to 19 (tables 8(a), (b), and (c)). Imports of this type accounted for 34 percent of duck imports in 1969, measured in square yards. Most other important types of duck imported

in 1969 were also single warp. Ply warp ducks of all types accounted for only 8 percent of total duck imports in 1969.

Hong Kong has been by far the leading supplier of duck and osnaburg fabrics in recent years. In 1969, Hong Kong supplied 44 percent of the total duck imports and 56 percent of the osnaburg imports (table 9). Other important suppliers are Korea, India, Pakistan, and Mexico for ducks and Mexico, Pakistan, and, more recently, Brazil for osnaburgs. Imports from Brazil of both ducks and osnaburgs increased sharply in 1970.

No specific limitations on the exports of cotton osnaburg fabrics to the United States are currently in effect under the LTA with respect to the leading suppliers of such fabrics. Although some of these countries have limitations on exports of sheeting fabrics (category 9); 1/ which include osnaburgs, these limitations are several times as large as their exports of osnaburgs. All the major suppliers of duck (part of category 26), however, have specific limitations on their exports of this fabric to the United States pursuant to bilateral agreements under article 4 of the LTA. The current annual agreement levels for major suppliers of duck are shown in the following table.

1/ Import data for textiles wholly of or in chief value of cotton have been grouped into 64 categories of products. These categories are used by the United States in administering the provisions of the LTA and in reporting trade activity in each group.

Effective dates of LTA bilaterals and agreement levels applicable
to duck shipments for major U.S. suppliers

(In thousands of square yards)		
Source	Effective date of agreement	Agreement level
Hong Kong-----	Oct. 1, 1970	40,598
Republic of Korea-----	Jan. 1, 1971	6,685
Pakistan-----	July 1, 1970	8,500
India-----	Oct. 1, 1970	7,300
Mexico-----	May 1, 1970	5,209
Brazil-----	Oct. 1, 1970	2,500

At times, the annual increase in imports of fabrics subject to control under the LTA may exceed the 5-percent limitation ordinarily provided for in bilateral agreements. For example, imports of duck from Brazil increased from about 1.0 million square yards in calendar year 1969 to 3.0 million in 1970. Limitations on the imports of duck from Brazil were first imposed under article 3 of the LTA in October 1963 at 0.5 million square yards for the next 12 months; the limitation had increased to 1.8 million for the year beginning June 9, 1970. In October 1970, a bilateral agreement was negotiated which included a limitation on duck of 2.5 million square yards for the 12-month period beginning October 1, 1970. Thus, during June-October 1970 Brazil was able to ship a quantity of goods nearly equal to the full annual limit imposed under article 3 of the LTA to the United States. Most bilaterals also include provisions for carryover of shortfalls from the previous year and swings from one category to another, which may allow limits on a single category to be exceeded.

The price of imported fabrics in the U.S. market is generally slightly below the price of domestic fabrics. Profit margins realized by both domestic producers and importers may vary considerably depending on current U.S. market conditions and the cost structure for individual firms. An average constructed wholesale price for imported fabrics may be obtained based on foreign unit values plus "usual" costs and markup. This calculation is shown in table 10. The average foreign unit value, based on imports in 1969, was 38.0 cents per pound for osnaburg, 39.3 cents for single filling duck, and 41.5 cents for double filling duck. The addition of duty, freight and insurance costs, and markup resulted in a constructed wholesale price of 52.8 cents per pound for osnaburg, 55.0 cents for single filling duck, and 58.3 cents for double filling duck; the comparable estimated wholesale prices of domestic goods were 55.4, 62.2, and 66.9 cents, respectively.

A similar calculation (at the 1969 and pre-trade-agreement rates of duty) for two specific fabrics is shown in the following table.

Constructed wholesale prices in 1969 of two imported fabrics and prices of similar domestic fabrics, at 1969 and 1930 rates of duty

(In cents per square yard)				
Item	Duck, Class C, (36 in., S.F., 10 oz., 76x28)		Osnaburg (40 in., 3.65 yd., 32x26)	
	1969 rate	1930 rate	1969 rate	1930 rate
Foreign price-----	25.0	25.0	12.0	12.0
Duty-----	2.1	3.4	1.0	1.5
Freight and insurance---	1.8	1.8	.8	.8
Landed cost-----	28.9	30.2	13.8	14.3
Markup-----	5.8	6.0	2.8	2.9
Constructed price-----	34.7	36.2	16.6	17.2
Domestic price-----	37.5	37.5	18.0	18.0

Lone Star Textiles, Inc.

Lone Star Textiles, Inc., is a relatively small, specialized textile spinning and weaving company * * *. Otto Goedecke, Inc., a firm incorporated in 1946 and doing business as a raw-cotton merchant, purchased the plants of Lone Star Textiles, Inc., in 1960-61 and a few years later gained a controlling interest in Red River Cotton Mills, Inc., with a plant in Bonham, Tex. Lone Star operated in two plants--one located at Cuero, Tex. (Guadalupe Division), and another at Mexia, Tex. (Mexia Division). The Guadalupe Division produced mainly duck and osnaburg fabrics and yarns used in these fabrics, while the Mexia Division produced primarily yarns in the range of 4s to 20s and had twisting capacity for making plied yarns. When the military demand for duck and osnaburg fabrics (and indirectly for yarn) declined sharply after 1967, the company was unable to make up this loss in the regular domestic market. They stated that many former customers had shifted to the use of imported fabrics. At considerable expense, the company altered most of its machinery at the Cuero plant to enable it to spin 3-inch acrylic staple used in the production of sandbag material for the Defense Supply Agency. Acrylic fabrics for sandbags * * * were sold by the company in 1969, but purchases were terminated early in 1970 (despite earlier projections of continued demand). After these developments, the company found itself unable to operate at a profit and filed a voluntary petition in bankruptcy under chapter XI of the Bankruptcy Act (11 U.S.C. 701 et seq.) on May 21, 1970; it was declared bankrupt on August 3.

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STATISTICAL APPENDIX

Table 1.--Selected cotton yarns and fabrics: U.S. rates of duty for specified years,
1930 to 1969

(In percent ad valorem)					
Description	1930	1948	1956	1967 ^{1/}	1969
Yarns, wholly of cotton:					
Not bleached, not combed, not plied, etc. (TSUS item 301.--):					
Number 5-----	6.5	^{2/} 6.25	^{3/} 5.9375	5.625	4.99
Number 15-----	9.5	^{2/} 8.75	^{3/} 8.3125	7.875	6.98
Bleached, combed, or plied, etc. (TSUS item 302.--):					
Number 5-----	11.5	^{2/} 11.25	^{3/} 10.6875	10.125	8.99
Number 15-----	14.5	^{2/} 13.75	^{3/} 13.0625	12.375	10.98
Fabrics, wholly of cotton, not fancy or figured:					
Not bleached or colored (TSUS item 320.--):					
Of yarn No. 5-----	11.75	11.75; ^{4/} (8.75)	^{5/} 8.75	8.75	7.91
Of yarn No. 15-----	15.25	15.25; ^{4/} (11.25)	^{5/} 11.25	11.25	10.17
Bleached but not colored (TSUS item 321.--):					
Of yarn No. 5-----	14.75	14.75; ^{4/} (11.25)	^{5/} 11.25	11.25	10.11
Of yarn No. 15-----	18.25	18.25; ^{4/} (13.75)	^{5/} 13.75	13.75	12.37

^{1/} Pre-Kennedy Round rates.

^{2/} Reflects reductions pursuant to concessions under the General Agreement on Tariffs and Trade (GATT), effective Jan. 1, 1948.

^{3/} Reflects first stage of 3-stage reductions (effective June 30, 1956) pursuant to concessions under the GATT; final stage effective June 30, 1958, resulted in the rates shown in the 1967 column.

^{4/} Rates applicable to certain cloths above stated values (70 cents per pound for unbleached; 80 cents per pound for bleached; and 90 cents per pound for printed, dyed, or colored fabrics). The reduced rates on higher valued fabrics resulted from a trade agreement with the United Kingdom in 1939 and were bound in the Geneva negotiations, effective Jan. 1, 1948.

^{5/} Concessions to Japan, effective September 1955, extended the 1948 GATT rates on higher priced fabrics to apply also to lower priced fabrics.

Table 2.--Cotton duck and osnaburg fabrics: Estimated consumption
by U.S. military forces, 1965-70

(In thousands of square yards)					
Year	Duck	Osnaburg		Total	
		For sandbags <u>1/</u>	Other		
1965-----	2,457	25,502	1,384	29,343	
1966-----	26,663	107,089	727	134,479	
1967-----	48,656	242,420	1,810	292,886	
1968-----	16,342	65,284	2,291	83,917	
1969-----	10,064	-	2,104	12,168	
1970-----	<u>2/</u> 5,500	-	<u>2/</u> 1,500	<u>2/</u> 7,000	

1/ Fiscal year ending June 30.

2/ Partly estimated.

Source: U.S. Department of Agriculture, Cotton Situation.

Table 3.--Cotton duck and osnaburg fabrics: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1964-69, and January-September 1969 and January-September 1970

(Quantity in thousands of square yards)					
Year	Production ^{1/}	Imports	Exports ^{2/}	Apparent consumption	Ratio (percent) of imports to consumption
Duck, unbleached					
1964-----	294,482	37,014	4,344	327,152	11.3
1965-----	317,253	49,278	4,182	362,349	13.6
1966-----	370,119	81,558	3,961	447,716	18.2
1967-----	366,762	82,258	3,992	445,028	18.5
1968-----	357,653	63,398	5,262	415,789	15.2
1969-----	365,168	82,599	4,952	442,815	18.7
Jan.-Sept.--					
1969-----	277,866	66,063	3,719	340,210	19.4
1970-----	210,775	55,030	3,343	262,462	21.0
Osnaburg, unbleached					
1964-----	304,680	8,412	3/	313,092	2.7
1965-----	357,601	11,864	3/	369,465	3.2
1966-----	426,246	19,761	3/	446,007	4.4
1967-----	504,000	23,429	3/	527,429	4.4
1968-----	376,658	16,319	3/	392,977	4.2
1969-----	344,471	21,337	3/	365,808	5.8
Jan.-Sept.--					
1969-----	254,565	15,662	3/	270,187	5.8
1970-----	228,876	15,956	3/	244,832	6.5

^{1/} Converted from linear yards to square yards using factors derived from data in U.S. Department of Commerce publication Current Industrial Reports, MQ-22T.1(68)-1 Supplement.

^{2/} Duck exports include bleached fabrics.

^{3/} Exports of osnaburg, believed to have been less than 1 percent of production, are not separately reported and have not been deducted in deriving apparent consumption.

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

Table 4.--Cotton duck and osnaburg fabrics: U.S. production, by types of fabric,
1964-69 and January-September 1970

(In thousands of linear yards)							
Fabric	1964 <u>1/</u>	1965 <u>1/</u>	1966	1967	1968	1969	Jan.-Sept. 1970
Duck and allied fabrics, including combed duck, total-----	233,716	247,854	284,707	277,850	270,949	274,562	157,295
Plied warp ducks, total--	90,411	98,382	110,088	102,670	91,744	84,026	57,725
Army-----	40,116	44,212	48,008	40,352	36,454	37,695	24,445
Numbered-----	15,444	16,914	18,659	25,569	24,909	17,363	13,148
Hose and belting-----	18,497	18,985	16,488	16,490	15,269	14,968	10,444
Filter twill, etc-----	2,500	2,620	2,673	2,518	1,677	2,092	1,718
Other plied-----	13,854	15,651	24,260	17,741	13,435	11,908	7,970
Single warp ducks, total-----	143,305	149,472	174,619	175,180	179,205	190,536	99,570
Single filled <u>2/</u> -----	95,782	99,576	97,931	106,287	96,209	104,484	55,590
Double filled <u>2/</u> -----	30,543	31,572	23,159	27,850	32,960	<u>3/</u> 30,753	14,732
Other-----	16,980	18,324	53,529	41,043	50,036	55,299	29,248
Osnaburgs, total-----	262,655	303,052	<u>1/</u> 355,205	<u>1/</u> 409,756	<u>1/</u> 301,326	273,390	180,217
Soft filled-----	39,504	42,853	45,000	50,000	65,369	58,511	42,168
Other-----	223,151	260,199	310,205	359,756	235,957	214,879	138,049

1/ Breakdown by type partly estimated.

2/ Enameling and ounce ducks only.

3/ Partly estimated.

Source: U.S. Department of Commerce, Current Industrial Reports, "Cotton Broadwoven Goods."

Table 5.--Carded yarn, wholly of cotton, Nos. 1-19: U.S. imports for consumption, by types, 1964-70

Type	1964	1965	1966	1967	1968	1969	1970
Quantity (1,000 pounds)							
Singles:							
Grey-----	8,771	10,302	29,102	15,264	16,323	9,677	6,662
Mercerized-----	64	19	80	1	-	8	10
Bleached or colored-----	471	593	1,021	722	644	280	221
Plied-----	475	595	4,265	1,882	1,930	1,313	1,490
Total-----	9,781	11,509	34,468	17,869	18,897	11,278	8,383
Value (1,000 dollars)							
Singles:							
Grey-----	3,494	4,110	12,033	5,942	6,493	3,994	2,663
Mercerized-----	29	9	38	1/	-	5	4
Bleached or colored-----	284	347	610	389	338	156	108
Plied-----	217	278	1,856	817	899	611	729
Total-----	4,024	4,744	14,537	7,149	7,730	4,766	3,504

1/ Less than \$500.

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

Table 6.--Carded yarn, wholly of cotton, Nos. 1-19: U.S. imports for consumption, by sources, 1964-70

Source	1964	1965	1966	1967	1968	1969	1970
Quantity (1,000 pounds)							
Portugal-----	4,254	3,516	6,789	2,901	4,569	2,851	2,297
Mexico-----	557	844	14,171	5,959	3,247	3,069	2,355
Brazil-----	1,121	3,169	7,051	4,168	1,861	2,245	2,178
United Arab Republic-----	-	-	14	2,225	2,197	1,592	932
Colombia-----	2,028	2,550	2,936	1,627	3,852	1,110	469
Italy-----	-	11	98	102	90	52	70
United Kingdom-----	1	-	9	-	-	2	56
Spain-----	934	941	1,716	394	2,437	291	-
Israel-----	337	200	729	210	366	63	-
All other-----	549	278	955	283	278	3	26
Total-----	9,781	11,509	34,468	17,869	18,897	11,278	8,383
Value (1,000 dollars)							
Portugal-----	1,840	1,580	3,078	1,300	1,989	1,325	1,076
Mexico-----	211	364	5,962	2,369	1,422	1,354	1,021
Brazil-----	385	1,139	2,687	1,444	665	772	723
United Arab Republic-----	-	-	7	906	894	651	380
Colombia-----	873	1,073	1,268	725	1,469	477	209
Italy-----	-	8	48	42	43	23	36
United Kingdom-----	1	-	3	-	-	1	24
Spain-----	361	378	694	152	979	131	-
Israel-----	145	88	333	89	149	29	-
All other-----	208	114	457	122	120	3	35
Total-----	4,024	4,744	14,537	7,149	7,730	4,766	3,504

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

Table 7.--Carded cotton yarn, Nos. 1-19, and unbleached duck and osnaburg fabrics:
U.S. imports for consumption, 1964-70

Description	1964	1965	1966	1967	1968	1969	1970
Singles yarn:							
Quantity-----1,000 pounds--	9,306	10,914	30,203	15,987	16,967	9,965	6,892
Value-----1,000 dollars--	3,804	4,466	12,681	6,331	6,831	4,155	2,775
Unit value---cents per pound--	40.9	40.9	42.0	39.6	40.3	41.7	40.3
Plied yarn:							
Quantity-----1,000 pounds--	475	595	4,265	1,882	1,930	1,313	1,490
Value-----1,000 dollars--	217	278	1,856	817	899	611	729
Unit value---cents per pound--	45.7	46.7	43.5	43.4	46.6	46.5	48.9
Total yarn:							
Quantity-----1,000 pounds--	9,781	11,509	34,468	17,869	18,897	11,278	8,382
Value-----1,000 dollars--	4,021	4,744	14,537	7,148	7,730	4,766	3,504
Duck:							
Quantity-----1,000 pounds--	20,183	26,731	42,126	44,239	33,471	42,701	41,541
1,000 square yards--	37,014	49,278	81,558	82,258	63,398	82,599	73,210
Value-----1,000 dollars--	8,268	11,091	17,844	19,382	13,952	17,715	17,325
Unit value---cents per pound--	40.9	41.4	42.3	43.8	41.6	41.4	41.7
cents per square yard--	22.3	22.5	21.8	23.5	22.0	21.4	23.7
Osnaburg:							
Quantity-----1,000 pounds--	2,779	3,658	6,443	7,721	5,143	7,000	6,592
1,000 square yards--	8,412	11,864	19,761	23,429	16,319	21,337	20,378
Value-----1,000 dollars--	1,024	1,394	2,623	3,135	1,966	2,661	2,582
Unit value---cents per pound--	36.8	38.1	40.7	40.6	38.2	38.0	39.2
cents per square yard--	12.1	11.7	13.2	13.3	12.0	12.4	12.7
Total, duck and osnaburg:							
Quantity-----1,000 pounds--	22,962	30,389	48,569	51,960	38,614	49,701	48,133
1,000 square yards--	45,426	61,142	101,319	105,687	79,717	103,936	93,588
Value-----1,000 dollars--	9,292	12,485	20,467	22,517	15,918	20,376	19,907

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

Table 8(a).--Countable cotton cloth: U.S. imports for consumption, selected fabrics, 1964-70

(In thousands of pounds)							
Fabric	1964	1965	1966	1967	1968	1969	1970
Total fabrics of yarn Nos. 1-19--	87,470	101,691	142,866	154,750	136,069	151,680	157,506
Duck and osnaburg, unbleached-----	22,962	30,389	48,569	51,960	38,614	49,701	48,133
Duck, unbleached:							
Single warp, single filling:							
Under 7½ ounces per sq. yd.:							
320.0001-----	17	-	170	649	239	167	120
320.1001-----	1,432	1,429	7,647	8,815	6,584	11,474	5,294
7½ ounces and over per sq. yd.:							
320.0002-----	5,783	5,125	8,291	8,745	7,007	9,923	15,974
320.1002-----	297	576	1,617	2,368	751	1,162	400
Single warp, ply filling:							
Under 7½ ounces per sq. yd.:							
320.0003-----	-	122	-	44	-	-	-
320.1003-----	1,949	880	1,409	2,253	1,182	3,165	3,589
7½ ounces and over per sq. yd.:							
320.0004-----	53	418	384	697	888	1,195	1,322
320.1004-----	8,182	13,617	16,394	12,739	11,910	10,368	9,840
Ply warp, single filling:							
320.0006-----	128	369	495	747	488	255	164
320.1006-----	117	218	214	280	254	302	121
Ply warp, ply filling:							
320.0008-----	643	747	1,598	2,125	990	1,525	1,409
320.1008-----	1,582	3,230	3,907	4,777	3,178	3,165	3,308
Osnaburg, unbleached:							
320.0036-----	2,363	2,539	4,837	6,275	4,659	6,331	5,848
320.1036-----	416	1,119	1,606	1,446	484	669	744
Other fabrics, of yarn Nos. 1-19-----	64,508	71,302	94,297	102,790	97,455	101,979	109,373

Table 8(b).--Countable cotton cloth: U.S. imports for consumption, selected fabrics, 1964-70

(In thousands of square yards)							
Fabric	1964	1965	1966	1967	1968	1969	1970
Total fabrics of yarn Nos. 1-19--	247,093	283,781	372,035	410,412	381,219	407,254	413,664
Duck and osnaburg, unbleached-----	45,426	61,142	101,319	105,687	79,717	103,936	93,588
Duck, unbleached:							
Single warp, single filling:							
Under 7½ ounces per sq. yd.:							
320.0001-----	30	-	423	973	435	324	224
320.1001-----	3,652	3,638	19,075	19,952	16,128	28,056	12,923
7½ ounces and over per sq. yd.:							
320.0002-----	8,927	7,747	12,348	13,038	9,792	14,745	22,801
320.1002-----	580	1,118	3,318	4,249	1,670	2,353	766
Single warp, ply filling:							
Under 7½ ounces per sq. yd.:							
320.0003-----	-	264	-	60	-	-	-
320.1003-----	4,081	1,952	3,223	4,974	2,631	6,933	7,915
7½ ounces and over per sq. yd.:							
320.0004-----	99	785	675	1,108	1,363	1,843	1,953
320.1004-----	16,813	27,776	33,783	26,566	25,008	21,561	20,620
Ply warp, single filling:							
320.0006-----	182	531	718	2,357	692	368	266
320.1006-----	136	249	357	284	448	376	147
Ply warp, ply filling:							
320.0008-----	536	988	2,156	2,644	931	1,540	1,282
320.1008-----	1,978	4,230	5,482	6,053	4,300	4,500	4,313
Osnaburg, unbleached:							
320.0036-----	6,662	7,352	13,461	17,822	13,886	18,197	17,064
320.1036-----	1,750	4,512	6,300	5,607	2,433	3,140	3,314
Other fabrics, of yarn Nos. 1-19-----	201,667	222,639	270,716	304,725	301,502	303,318	320,076

Table 8(c).--Countable cotton cloth: U.S. imports for consumption, selected fabrics, 1964-70

(In thousands of dollars)							
Fabric	1964	1965	1966	1967	1968	1969	1970
Total fabrics of yarn Nos. 1-19--	46,882	53,954	76,986	77,556	68,416	76,144	84,220
Duck and osnaburg, unbleached-----	9,292	12,485	20,467	22,517	15,918	20,376	19,907
Duck, unbleached:							
Single warp, single filling:							
Under 7½ ounces per sq. yd.:							
320.0001-----	7	-	87	251	93	65	52
320.1001-----	612	616	3,186	3,901	2,670	4,706	2,199
7½ ounces and over per sq. yd.:							
320.0002-----	2,133	1,905	3,056	3,387	2,590	3,681	6,040
320.1002-----	128	227	679	1,155	313	487	175
Single warp, ply filling:							
Under 7½ ounces per sq. yd.:							
320.0003-----	-	51	-	16	-	-	-
320.1003-----	805	388	617	993	500	1,350	1,614
7½ ounces and over per sq. yd.:							
320.0004-----	19	161	150	263	324	449	518
320.1004-----	3,311	5,592	6,826	5,391	4,931	4,319	4,236
Ply warp, single filling:							
320.0006-----	50	135	196	290	187	97	66
320.1006-----	61	91	100	136	119	158	64
Ply warp, ply filling:							
320.0008-----	347	348	884	1,070	491	688	661
320.1008-----	795	1,577	2,063	2,529	1,734	1,715	1,700
Osnaburg, unbleached:							
320.0036-----	854	934	1,966	2,507	1,754	2,385	2,249
320.1036-----	170	460	657	628	212	276	333
Other fabrics, of yarn Nos. 1-19-----	37,590	41,469	56,519	55,039	52,498	55,768	64,313

Table 9.--Cotton duck and osnaburg, unbleached, of average yarn
Nos. 1-19: U.S. imports for consumption, by principal sources,
1969 and 1970

Source	1969			1970		
	Duck	Osnaburg	Total	Duck	Osnaburg	Total
	Quantity (1,000 pounds)					
Hong Kong-----	19,428	4,223	23,651	19,579	4,139	23,718
Republic of Korea--	6,718	-	6,718	6,249	-	6,249
India-----	3,911	107	4,018	3,270	107	3,377
Mexico-----	2,475	965	3,440	2,768	522	3,290
Brazil-----	930	76	1,005	2,566	702	3,268
Pakistan-----	2,789	428	3,217	3,000	244	3,244
All other-----	6,450	1,200	7,650	4,110	877	4,987
Total-----	42,701	6,999	49,700	41,541	6,592	48,133
	Quantity (1,000 square yards)					
Hong Kong-----	36,486	11,927	48,413	31,648	12,173	43,821
Republic of Korea--	14,368	-	14,368	13,361	-	13,361
India-----	6,642	399	7,041	4,935	410	5,345
Mexico-----	5,770	2,984	8,753	6,464	1,583	8,047
Brazil-----	967	224	1,191	3,005	2,514	5,519
Pakistan-----	5,933	1,940	7,873	6,347	928	7,275
All other-----	12,432	3,864	16,296	7,450	2,770	10,220
Total-----	82,599	21,337	103,936	73,210	20,378	93,588
	Value (1,000 dollars)					
Hong Kong-----	7,822	1,577	9,399	7,950	1,622	9,572
Republic of Korea--	2,779	-	2,779	2,737	-	2,737
India-----	1,641	39	1,680	1,358	45	1,403
Mexico-----	1,024	407	1,431	1,158	222	1,380
Brazil-----	360	19	379	994	255	1,249
Pakistan-----	1,035	167	1,202	1,126	99	1,224
All other-----	3,053	452	3,505	2,002	340	2,343
Total-----	17,715	2,661	20,375	17,325	2,582	19,907

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

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

Table 10.--Constructed wholesale prices of imported cotton duck and osnaburg fabrics
and wholesale prices of similar domestic fabrics, 1969

(In cents per pound)

Item	Foreign unit value per pound, 1969	Duty, 1969 rate <u>1/</u>	Freight and insur- ance <u>2/</u>	Estimated landed cost	Mark- up <u>3/</u>	Estimated wholesale price	
						Import- ed <u>4/</u>	Domes- tic <u>5/</u>
Duck, single warp:							
Single filling-----	39.3	3.6	2.9	45.8	9.2	55.0	62.2
Double filling-----	41.5	4.2	2.9	48.6	9.7	58.3	66.9
Osnaburg-----	38.0	3.3	2.7	44.0	8.8	52.8	55.4

1/ Single filling duck, AYN 10 (9.04 percent); double filling duck, AYN 15 (10.17 percent); osnaburg AYN 8 (8.59 percent).

2/ Average cost estimated at 7 percent of foreign value.

3/ 20 percent of landed cost.

4/ Foreign unit value plus duty, freight and insurance costs, and allowance for markup.

5/ Average cloth values obtainable from 1 pound of raw cotton in 1969 as published by U.S. Department of Agriculture in Mill Margins Report. These are believed to be a reasonable approximation of the lower range of domestic fabric prices.

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