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Cattle and Beef Imports

Mike Mansfield 1903-2001

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Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the Record at this point a statement presented by me before the U.S. Tariff Commission on the subject of cattle and beef imports, also a statement presented by Robert Barthelmes, president of the Montana Stock Growers Association, before the Senate Committee on Finance on March 17, 1964, also a letter from Dr. R. W. Gustafson, president of the Montana Veterinary Medical Association, on March 17, 1964; also a letter from W. Bell, of Glasgow, in behalf of the Montana Chamber of Commerce.

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There being no objection, the statements and letter were ordered to be printed in the Record, as follows:

STATEMENT OF SENATOR MIKE MANSFIELD, DEMOCRAT, OF MONTANA, BEFORE U.S. TARIFF COMMISSION, MAY 1, 1964

CATTLE AND BEEF IMPORTS

Mr. President, I think all know that the livestock industry is confronted with a very difficult economic situation. The price of cattle, beef, veal, mutton and lamb at the marketplace has been down for some time and despite optimistic predictions there has been no relief. It is a most serious matter and the livestock industry cannot continue to hold up under these depressed conditions.

Unfortunately, it is the small operator who is being hit first and the hardest.

There are a number of theories and proposals on how best to help the industry. The time for action is now and the Tariff Commission can be of great service by making a very thorough and expeditious study of the situation and then make its recommendations known to the Congress and the President. Based on information currently available I can see no other result than a recommendation in behalf of some immediate protection for the cattle industry.

I believe that the administration, the Congress, and all concerned are trying their best to aid the domestic industry. The administration has entered into voluntary agreements with the major exporters of beef to the United States. Both the Departments of Defense and the Department of Agriculture have announced purchase programs which will reduce quantities of beef from the market. The administration announced on April 7 that Australia had voluntarily agreed to reduce its imports by 170 million pounds or 29 percent of 1963, and New Zealand 50 million pounds or 22 percent under its 1963 imports. This comes to a total of 220 million pounds less in 1964 than in 1963, or a 27-percent reduction.

Under the bill I introduced seeking to establish a quota over a year ago, which I followed, Agriculture officials of the national and Montana cattlemen's groups and met with their approval, the total amount of beef imports to be reduced to 27 percent to New Zealand would have amounted to 337 million pounds, or a 33-percent reduction. While the goals were tripped, nevertheless, I think substantial progress has been made in the reduction of imports of beef by Australia and New Zealand by 27 percent for 1964 and it is my intention to pursue this so that further reductions are made.

The Secretary of Defense has also placed orders for 36 million pounds of beef for our overseas bases, plus 18 million pounds of beef to be put in cold storage. Furthermore, the Secretary of Defense is also offering $20 million for the purchase of beef for school lunch programs and other projects.

In addition, Gale McGee, of Wyoming is investigating chain stores practices to find out the reasons for the situation prevailing wherein the cattlemen get lower prices and the consumer receives none of the benefits. Prices paid to producers—since 1947—dropped 13.8 percent, and prices paid by consumers rose 26 percent (U.S.D.A.). Chains can manipulate prices they charge by charging the farmers for fattening their cattle, by drawing on their own feedlots until their withdrawal from the market has depressed prices, then they can resume purchasing while prices are down. The power to depress prices to producers and inflate prices to consumers was inherent in the arrangement 44 years ago when the courts required the major meat packers to get out of the retail business. If it is against the public interest for processors to retail meat, why is it not the same for retailers to process meat?

On April 14, the President notified me that Secretary McNamara had ordered an additional 14 million pounds of beef for use at overseas bases. As of this date, the picture was as follows: The Defense Department, for overseas use, had purchased 50 million pounds of beef plus 18 million pounds to be put in cold storage. The Department of Agriculture had purchased $200 million worth of beef for school lunch programs and other programs. The New Zealand Government had agreed to reduce its imports about a total of 220 million pounds less in 1964 than in 1963 or a 27-percent reduction in 1964 imports under 1963. There are all steps in the right direction, but they are not enough and the cattlemen wants, needs, and deserves something on a more permanent basis.

The livestock industry wants import quotas. I have sponsored legislation in the form of an amendment to the House-passed bill which would impose such quotas based on an average of Imports over the past 5 years. This approach is now being thoroughly reviewed by the Senate Finance Committee and hearings will be resumed as soon as the pending legislation is disposed of. It is my belief that the Finance Committee will report out favorable legislation and then, if my reasoning is right, it will be introduced in the House and make its Finance Committee for consideration and then if agreement is reached go to both Houses for final consideration. Import quotas would provide needed protection and free restrictions under which the industry can plan and develop its own marketing procedures. The voluntary agreements are not restrictive enough and the purchase programs are short term in nature. I believe the imposition of reasonable import quotas is not only realistic and valuable. May I say, incidentally, that the National Association on its own initiative did bring in approximately Australia some months ago to try to work out a voluntary agreement but was unsuccessful. What I am saying at present is that before coming to the Congress for assistance the industry, itself, in line with their longstanding traditions, tried to do something on their own.

In supporting the import quota proposal, I am well aware that this is not the only problem and solution to the domestic industry. There are other issues such as changes in marketing practices and vertical integration of the industry. These are not important, but if handled now and it appears to me that the quickest way of providing long-term protection is through the import quota system.

During recent months there has been a great deal of talk about the Kennedy round of GATT negotiations and the sensitivity over any action that might be harmful to the United States. I am certain that our friends and allies are conscious of their own domestic needs, as we should be, and have taken steps to provide reasonable protection where necessary. I believe that the United States has fewer trade barriers to foreign imports of cattle and beef than any other nation. I do not believe that an import quota based on a high 5-year average is unreasonable. The United States has become the largest importer of beef and veal in the world. The United States offers higher prices, lower tariffs, and fewer restrictions than any of the major meat importing nations. These factors are being taken advantage of by those who export meats.

I would most respectfully suggest that some method be considered, preferably by the Department of Agriculture Association and the Montana Stockgrowers' Association, which would allow importers to import around 6 percent rather than in excess of 11 percent of the total, as was the case last year, and to do this, a ratio based on the years 1959 to 1963 be adopted. I would most respectfully bring to the attention of the Commission that the only protection offered the livestock producers in the country is a flat 3 cents per pound tariff, as soon as the pending legislation is disposed of. It is my belief that the Finance Committee will report out favorable legislation and then, if my reasoning is right, it will be introduced in the House and make its Finance Committee for consideration and then if agreement is reached go to both Houses for final consideration. Import quotas would provide needed protection and free restrictions under which the industry can plan and develop its own marketing procedures. The voluntary agreements are not restrictive enough and the purchase programs are short term in nature. I believe the imposition of reasonable import quotas is not only realistic and valuable. May I say, incidentally, that the National Association on its own initiative did bring in approximately Australia some months ago to try to work out a voluntary agreement but was unsuccessful. What I am saying at present is that before coming to the Congress for assistance the industry, itself, in line with their longstanding traditions, tried to do something on their own.

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and, that you may recall, was reduced from 6 cents per pound in 1948.

In the face of higher rails of beef to the United States are Australia and New Zealand. I am informed that Australia prohibits imports of beef and veal and lamb and pork products and hog products from the United States under a health restriction. I would urge that an agreement be reached with the Australian Government regarding health inspections and health inspection be looked into from this end as far as the imports of meat are concerned.

It is interesting to note that the Australian Government has the authority to make a determination of what is proper and improper and control other countries has restrictions differing in degree, and that composition would bear all these factors in mind in any recommendations to the Finance Committee, which that committee has requested receive by June 30, and also, in its response to the White House, which is also vitally interested in this matter.

On Monday, I talked with the Department of Agriculture and we made it clear that predictions for the cattle market are not good. On Friday of last week, the price for choice steers at Chicago was between $20.90 and $22, as low as it has been since 1937. The feedlot situation has not improved. The number of animals per head per pound is considerably above last year. As of April 1, there was approximately 16 percent more of this cattle at these feedlots than at the same time a year ago. This means that there will be a considerable impact on the market. I know of no one who can predict that there will be a substantial improvement in the market price until early fall, if then. Admittedly, it now appears that the import situation will not be as bad this year. The most recent information from the Department of Agriculture indicates that imports from Australia and New Zealand are down and are likely to remain down during the year. Certainly, we are finding some attractive competitive markets. We have no guarantee that this will continue, however. In the beef market situation, we cannot afford to have imports at these high levels. The combination of import with these factors can be disastrous.

Again, I wish to stress the need for early action, and the U.S. Tariff Commission can do a great service for the economy of the Nation by making expeditious recommendations in behalf of relief for the livestock industry.

Mr. Chairman, I ask that several items be incorporated at the conclusion of my remarks, a statement prepared by Robert Barthelemy, president, Montana Stock Growers Association, which states most concisely and explicitly the situation as it exists in the State of Montana and is, in my opinion, an extremely sound exposition of the situation which confronts Montana and the Nation's cattlemen. Bob Barthelemy is a man who depends for his livelihood on his cattle spread and a member of both the Montana Stock Growers Association with clarity, with a deep understanding, and with a thorough knowledge of the situation. May I say in this respect that my interest is in the stockgrowers who raise cattle for a living not in those who are the oil merchants and others who invest in cattle ranches as sidelines to their main means of livelihood.

I also ask that the letter from Dr. R. W. Gustafson, president, Montana AVMA, to which I previously referred be incorporated at the conclusion of my remarks.

[From the Montana Stockgrower, April 1964]

YOUR PRESIDENT'S TREATY ON IMPORTS

(Statement presented to U.S. Senate Finance Committee March 17, 1964, by Robert Barthelemy, MSOGA President.)

My name is Bob Barthelemy, I am president of Montana's 5,000-member stockgrowers association. It is comprised mostly of small ranchers, many of whom are members of the American National Cattlemen's Association. It is an organization of cattlemen who believe in their way of life and the protection as their own. They are willing to stand freely in honorizing their obligations to society and country.

This is the fourth time in 5 months that I have carried my cudgel to Washington on the matter of multiquality beef imports. It is an absolute sincerity that I speak for them for it is under conditions of utmost urgency that they be heard. Their business is in a serious state of affairs, their actual living being jeopardized, and their future destined adversely by this uncontrolled reason.

To allow an industry of prideful history, ambitious, responsible, and faithful patriotism to fall due to encouraged, promoted, and subsidized imports is an injustice of major proportions.

I am one of six children born to parents who homesteaded a 160 acre tract of land 10 miles from the Missouri River in southeastern Montana. It was through the grace of a cow that we were raised there. Our family was always required in our house a one-room rural school. I attended high school but graduated from no college. I operated a ranch that raised cattle, and my wife, married to a ranch-raised girl, and we have four children. We do our own work, operate within our personal means, and we try to help our neighbors when I am away. We are proud of our way of life, grateful to those who made it, and have a desperate and hopeful will to retain it.

It should not have been necessary for me to come here for the cause should not be. My place is home, being the head of our household, providing for my family. I am here however, here for my industry, and here for all people whose living depends upon us. I am here for a cause that is proper and just, just as our Bill of Rights is proper, and just as our Constitution is proper. I am here to help pierce the cloud that hangs over this industry and its rightful status in our free enterprise system. I beg of you to judge our cause on its merits, as the law in its worth to our country, but most of all its worth to the United States of America.

Last year, 1963, we imported into this country more beef and veal in live equivalent (3,500,000 head) than all the cattle on all the ranches in all the states, and all the ranches of my State. These imports, as cattle, would have used more feed and more grass than consumed within the boundaries of Montana, and would have serviced the beef-consuming needs of our entire Nation for one-twelfth of a year, a complete month.

Consider, if you will, that this volume of imports, and it is capable, could completely replace Montana's livestock production. This could mean that our industry's labor force would be unhealthy. Machinery and equipment would not be purchased nor used, its insurance and taxes would not be paid, its contribution to our taxes would fall, its feed requirements would not be raised, and its overall quality and worth to our communities would suffer. The amount of imports, in other words, unloaded in the United States last year could conceivably absorb all Montana and the nation's livestock industry.

This should certainly and in a revealing sense the importance of this product on our business nationally.

Our market last year, largely due to cheaply produced, low quality imports, dropped more than 27 percent. On average this amounted to 28.9 cents per pound. This has cost our ranchers, cattlemen, packers, and processors nearly a quarter of a billion dollars. We have lost over $250 million in taxes last year so consequently received $28 million less in taxes than the previous year. Compound this as to its effect on our ranchers, cattlemen, packers, and processors and the resulting devasting. This is produced at a ratio of 230 to 1 on overseas land costs against domestic costs. It is produced in volume. The effect on our packers and our processors and the processors here in this country. Australia has cut per capita consumption 20 pounds to meet export abilities, and Argentina packers have asked their governments to declare two meatless days a week on their consumers to meet shipments to the United States. Foreign suppliers have more liberties than we do on our own market.

The continued level of present imports threatens a dark future on the sky over the American cattle industry. On February 17, the U.S. Department of State announced the signing of voluntary agreements with our two major suppliers. This agreement with our two suppliers to the United States has guaranteed the same high base which is so injurious to us now. It provided not only for increased imports, but also for increased use of our markets for the future. Montana wonder at the word voluntary. Under the terms of agreement, the cattle industry was refused in their willingness to furnish council for the negotiating team, and apparently the big trust the Congress was not extended a warrants view. We are becoming alarmed at the indifferent some of us, particularly the Administration's representatives in these halls of authority. Congress is the guardian of our people and Nation. If it is bypassed, our greatest arm of Government is not the function it was meant to be.

With significant timing the Department of Agriculture announced its intention to purchase surplus beef to service school lunch and other needs. This is well and good, but to use the program to dull the edge of a "will" by Congress to pass required and constitutional legislation is a blow far below the belt. Our market has been critically low for many months. Why, then, was this easy to believe that this government and ill-advised that the American taxpayer in such a deal would be required to balance, in order apparently the big trust the Congress was not down but enjoying great prosperity. In reality for our Government to buy beef to maintain the food aid program is a wasteful and inefficient sound. It taxes one's intellect to find the reason for such a move without perspective.

Great Britain knows what it is to face a loss of food from destroyed import routes. They have been there and gone without. They are building a food processing island, protecting it against excessive imported stabilization holds. The streets are empty, the public. Thanks to a Congress-passed checkoff bill, this selling idea was legally appropriated. "Shame on those who would like to again concentrate on this avenue of retrieve. It cannot, however, recoup the cost to the United States of $110 used to promote consumption of a foreign
Statement of William R. MacKay, Second Vice President of the Montana Stockgrowers Association, to the U.S. Tariff Commission on the Competitions Between Domestic and Foreign Beef as It Affects the Cattle Industry in the State of Montana

I appear before the Commission as vice president of the Montana Stockgrowers Association. In our state we have 10,000 cattle producing members and of the cattle industry in our State. I own and operate 150 head of cattle. I am a member of the Montana cattle producing association running 400 head of cows and have served Carbon County as State senator since 1959 and as represen­
tative of the cattle producing association.

The Commission has the responsibility of advising the Senate Finance Committee con­cerning the conditions of competition be­tween domestic and imported beef and beef products. On behalf of the members of my organization and of the people of our State I ask the Commission to take into consider­ation the serious effect that past and present levels of imports have had on the values and market prices and the serious implications on a major industry if they continue in the future.

Montana has twice as many cows as people—so anything that affects the values of these turn grass from the native ranges, which cover two-thirds of our State, into a merchantable product in foreign countries is a concern to Montanans.

Imports have grown in the last few years until in 1965 they amounted to enough beef to feed our entire State for a year at the going per capita consumption rate—almost 30 times the population of our State. These excessive amounts of beef at a time when our own production is high and our prices at a 7-year low, present a problem that has never existed before. Fed cattle are below the cost of production and if present conditions continue, prices of feeder cattle and even dressed cattle will drop below the cost of production.

The fact that imports continue at high levels and even increase as our domestic prices decrease would indicate that your Commission's investigation will show clearly that the cost of production of those taking over a sizable share of our market are con­siderably lower than ours. In other words, we cannot compete when our investment and costs are considered.

Montana has increased its efficiency and its productivity by the quality of her beef cattle and beef to meet the needs of our Nation's consumers. Our cow herd alone has doubled since 1960 and prices today are lower than they were at that time. This means it will not be possible to continue present prices of cattle and compete with competition from imports which are permitted to enter at values below our cost of production. If we are to keep the large in­vestment in land, machinery, improvements and livestock, we refer you to a special sum­mary of the costs and returns to Montana farms and ranches prepared by Clarence W. Jensen, professor, Department of Agricultural Eco­nomics, Montana State College, Bozeman, Mont. This demonstrates the close margin on which we are now operating—$20 per 100-pound cost of production and average return of $18.50 per 100 pounds.

We can meet the vagaries of weather and, given times to adjust to the ups and downs of a normal domestic market. But we have no way of getting at the competition from excess foreign imports. If we are times when a controlled level of imports can serve a purpose, but when they reach the pro­portions of the past few years—equal to twice or more the total production of our State which ranks 10th in the United States in the number of cattle, the effects on our economy is obvious.

By USDA appraisals, the value per head of our cattle dropped 15 percent from January 1, 1969 to January of this year—from an average of all beef cattle of $173 to $148; a drop of $27 per head and our inventory was 2,500,000 head. This would amount to $72,500,000—a substantial, and lasting rem­edy...

Sincerely yours,

W. Q. Guinnaupson, President, Montana AVMA.
Losses to Montana cattle producers are of concern to everyone in the State. We cannot progress, cannot even hold our own, with such serious effects from a situation over which we have no control. When cattle producers do not receive fair returns on the heavy investments they have made in land and livestock, the rest of us cannot expect our businesses to prosper. The tax burden to maintain schools and government falls on fewer and fewer people. Every trade area in our State is hit by this situation.

Today, at least half of our cattle are sold at local livestock auction markets throughout the State. It is a good system, and it has been estimated that each $1 million dollars of livestock sold through one of these markets is equal to an industrial plant with a payroll of 160 persons. Ordinarily, our local markets do a business of about $200 million a year. It is easy to figure that our local communities suffer a direct and heavy loss in this one field alone.

Many more examples could be given you of the effects on our business, on our trade and employment. But we are sure that the Commission, with its experience in this field, can accurately determine what has happened, as well as foresee what will happen unless something is done. Thank you for the opportunity of appearing before you today.

Local Montana chambers of commerce endorsing Mr. Bell's statement are: Baker Chamber of Commerce, Beaverhead Chamber of Commerce, Billings Chamber of Commerce, Butte Chamber of Commerce, Glasgow Chamber of Commerce, Glendive Chamber of Commerce, Great Falls Chamber of Commerce, Havre Chamber of Commerce, Helena Chamber of Commerce, Kalispell Chamber of Commerce, Roundup Chamber of Commerce, Shelby Chamber of Commerce, and Sidney Chamber of Commerce.