The Consumers' Side of the Tariff

The Argument Against the Higher Duties as Given from the Angle of the User of Technical and Non-Edible Oils

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PERSONS claiming to represent dairy, livestock and general farming interests, are appearing before the Ways and Means Committee at Washington and asking for a straight 45 percent ad valorem tariff on vegetable oils and fats. What can the dairyman, the livestockman or the general farmer hope to gain by such a plan? Before rushing blindly into a tariff program of this kind affecting oils and fats, farmers and farm leaders would do well to consider the following facts:

A tariff on vegetable oils and fats cannot be of material benefit to livestock producers or growers of grains and feed crops. The prices of those crops consumed mostly by livestock tend, in the long run, to follow livestock prices. Tariffs on livestock may help, but certainly there is no reason to expect any enhancement of livestock and grain prices by placing duties on vegetable oils and fats. Furthermore, so long as we continue to export a large proportion of our lard—717,000,000 pounds in 1927—the foreign price of lard must determine our home price and tariffs can not help. Some advocates of high tariffs on vegetable oils argue that by making oil prices higher the cost of lard substitutes would be increased and this would raise the price of lard. It must be self evident, however, that the price of lard determines the price of lard substitute rather than the reverse. Lard substitutes are priced just enough under the price of lard to make them attractive to the buyer. If the price of vegetable oils going into the manufacture of lard substitutes were to be raised by any artificial condition, the possible margin of profit would be reduced and some lard substitute producers driven out of business, but this could have no effect in raising lard prices. Lard prices would still be set by the foreign markets which take our large exportable surpluses.

In the case of dairy products the situation is a little different. We do not have an exportable surplus of butter. Butter prices are now receiving the full benefit of the tariff. Butter substitute prices follow along just far enough below butter prices to appeal to a certain percentage of consumers. By making vegetable oil prices higher, the present differences in price between butter and butter substitute would be reduced and some present consumers of the cheaper product might be willing to pay the prices demanded for butter and this increased butter consumption might have a slight tendency to raise butter prices. But this effect would be small even if a tariff on oils could be made fully effective.

Dairy Interests Riding for a Fall

DAIRY interests are riding for a fall if they think it will be possible to persuade our government to withdraw the free trade principle from our island possessions, for many reasons too numerous to discuss here. Such action so harshly demanded by some of the farm representatives would ruin the Philippine trade and would precipitate the demand for Philippine independence, a move that could not be made at this time without great loss to large American investments in the Philippines. Sometimes spokesmen at Washington claiming to represent dairy interests, shift the basis of their argument and say that they are interested principally in encouraging the home production of vegetable oils here in the United States.

Several fairly obvious points must be considered in this connection.

First: Cottonseed oil production would not be increased by this means (even assuming that Philippine oils were excluded). No farmer grows cotton for the cottonseed oil. This is purely a by-product. Any slight increase in the price received for a bale of cotton because of a higher price for oil, would not be noticeable to the average farmer and would be no incentive to increase cotton planting. Besides, the effort today in cotton and government cooperative circles is to discourage increased cotton acreage. Cotton cooperatives would like to see cotton acreage reduced rather than increased because there is too much cotton lint produced.

Second: Soya bean oil is the oil usually mentioned by farm leaders when questioned as to just where increased home production is to take place. But it must not be forgotten that every time a ton of soya bean oil is produced, 7.2 tons of oil cake are also produced. Soya beans yield only 10.25 per cent oil and 73.63 per cent goes into cake. Unless a satisfactory market can be found for this cake the production of soya beans cannot expand extensively. This finding of a satisfactory market for soya bean cake would be difficult because soya bean cake and meal would be in competition with the products of every farmer who grows feeds. It would be in direct competition with the southern farmer's cottonseed meal. It would be in direct competition also with bran, alfalfa meal, flaxseed meal, and all the other high protein feeds.

Flaxseed is often mentioned as a farm product that could be more extensively grown because of the demand for linseed oil required in paints. Granting that this be true, linseed oil and soya bean oil are classed as "drying oils" and cannot be replaced by such oils as cocoanut oil, palm oil, palm kernel oil, etc. Linseed oil and soya bean oil are adequately protected by the proposed tariffs, but as already pointed out, the chances for important expansion in the production of soya beans for use by oil mills would have exceedingly hard sleddoing because of the cake marketing problem.

Third: Since we do not at present grow enough vegetable oils in the United States mainland to supply the demand even for edible oils used in butter substitutes and lard substitute, the stand taken by farm leaders is equivalent to a demand that manufacturers of soap, varnish, tin plate, and other industrial users be forced to use oils now being used for the higher edible purposes. In other words, some of these farm leaders are demanding that higher prices be paid for oils for industrial uses (in an effort to raise prices on edible oils) even though farmers of the United States are not producing the oils needed for these industrial uses.

For illustration: Varnish manufacturers use China wood oil principally. This oil cannot be used in foods; it has a poisonous effect when taken into the stomach. Being forced to pay a 45 per cent duty on China wood oil would have no other effect than to raise the retail price of varnish by perhaps 50 per cent. Producers of the newer cellulose lacquers may be interested in getting this duty on China wood oil in order to plague their rivals, but why should dairy and farm interests help in this raid?

What the Oils Tariff Would Cost

THE farmer is a consumer as well as a producer. He needs to weigh carefully the relative benefits and disadvantages of any proposed tariff. Some agricultural tariffs are of undoubted benefit. The tariff on dairy products is one of the most notable of this class. Other tariffs are merely useless. But the proposed indiscriminate tariff of 45 per cent ad valorem on all vegetable oils and fats, is worse than useless. It would work a positive injury to nearly all classes of farmers and would fail utterly to accomplish any material benefits for its chief backers — spokesmen claiming to represent the dairy groups.

Imported inedible oils and fats enter into a surprisingly large number of articles of common use and are required in a large number of industries. In addition to the better known uses such as for soaps, paints, varnish, linoleum, etc., large quantities are used by tanners in finishing leather; by textile mills both in finishing and in washing fabrics and by steel mills for finishing tin plate. Every leather belt and every piece of harness requires dressing with oil mixtures; much machinery, including automobiles, is lubricated by vegetable oils; and the priest burns imported rape seed oil in his sanctuary lamp.

The increase in prices of manufactured articles that would be necessary if an effective tariff were imposed on inedible vegetable oils would vary, of course, according to the percentage of oil contained. A 45 per cent ad valorem tariff would cause a 50 per cent increase in the selling price of many kinds of soap for instance.

Fish oil producers on the Atlantic coast are working under the farm banner to get a high tariff on vegetable oils. They see a chance to force paint makers, tanners, and soap manufacturers to use fish oil at higher prices. That is good business for the fish oil people, perhaps, but where does the farmer get off who must buy the higher priced paints, harness and other leather articles, soaps, and numerous other products?

Denaturation?

AFTER long and careful study of the equities of the case the industrial users of oils and fats propose a solution which should be acceptable to all sincere and legitimate farm representatives. This solution has the added merit of being very simple and easy to apply. Users of oils for industrial purposes propose that all questions as to interchangeability of oils (a badly misunderstood expression) be removed, so far as imported oils are concerned, by denaturizing. That is, all oils that are to be brought in for industrial purposes would be required to be treated, under Federal supervision, with a substance that will render them unfit for food. This plan of denaturizing low grade olive oils to keep them from going into

(*Turn to Page* 43)