Of What Benefit a Higher Tariff?

Would It Really Aid the Farmer and Oil Crusher? Is Denaturation a Way to Solve the Problem?

By John B. Gordon

PERSONS claiming to represent dairy, livestock and general farming interests, have appeared before the Ways and Means Committee at Washington and asked for a straight 45 per cent ad valorem tariff on vegetable oils and fats. We should produce our own vegetable oil supply, these men say. Cotton seed oil and soya bean oil are the two sources which they claim could be greatly expanded to make up for the billion pound shortage that would result from shutting out the oils we now import.

WILL a duty of 45 per cent really help the American crusher and refiner of vegetable oils, and the producer of other fatty substances? Mr. Gordon believes that it will *not*. He sees in it a boomerang. As Washington representative of the Bureau of Raw Materials for American Vegetable Oils and Fats Industries, he is unalterably opposed to the higher tariff because it will "hamstring" large users of non-edible oils and fats, chiefly the soap industry. As a former instructor in economics at an agricultural college, he sees the proposed duties as economically unsound, and "loaded with dynamite" for the cotton farmer and cotton oil crusher. His views are those most strongly opposed to the new tariff proposals.—The Editor.

Nothing but harm could come from any attempt to get the cotton farmer to produce enough more seed to make up any considerable part of the vegetable oil shortage that would result if imported oils are shut out, even if these oils could be substituted for with cotton seed oil which is not the case.

Farmers do not grow cotton for seed. Seed is a by-product. Even if the vegetable oil tariffs were to increase by one or two cents per pound the oil made from the seed which is not required for planting, would scarcely be noticeable in the income from an acre of cotton. It would, in fact, amount to only 15.1 cents per acre, figured at one cent per pound on the average acre yields in the United States in 1927.

Nothing short of artificial stimulation by propaganda would induce farmers to plant more cotton to secure more seed for oil. Such propaganda would be exceedingly injurious to the South. The whole urge in the South today is to *reduce* the acreage of cotton, rather than increase it, so as to bring better prices for cotton lint. The state legislature of Texas recently considered a law to compel cotton acreage restriction, and the foremost cotton cooperatives are counseling acreage *reduction* rather than expansion.

Every pound of cottonseed oil and peanut oil being produced in America which is suitable for edible purposes (and practically all of it is) is now being used for edible purposes, in such products as salad oil, lard substitute, oleomargarine, etc. This is a higher priced field in which to sell by far than the field in which the non-drying industrial oils are sold for the manufacture of soap, rubber substitute, tanner's oils, lubricating oils and grease, etc. There is no vegetable oil produced in the South with which to supply these kinds of users. The edible oil people are using it all. Why, then, should any cotton farmer favor increased duties on industrial nonedible vegetable oils? Such duties would mean nothing more than a big increase in the costs of dozens of articles he must buy.

The peanut farmer is in the same boat with the cotton farmer. He does not want to produce a surplus of peanuts over and above what the edible nut men need. If he were to do so, he would be obliged to sell the edible nut men at the same price level at which oil mills could afford to buy, and that price level, it is well known, is much below the edible nut prices.

As regards soya bean oil, there is *much less oil* in soya beans than in cotton seed and proportionately *much more meal*. For each ton of cotton seed oil produced we get about 2.33 tons of meal. But for every ton of soya bean oil produced, we get 7.2 tons of meal. The soya bean cake and meal would pile up three times as fast as cotton seed meal and cake. In crushing soya beans, the oil is really a by-product. The meal is the principal product and there is nothing that can be done by use of the Tariff to raise the price of any kind of oil cake and meal. In 1927 we had to export 785,000 tons of it to Europe. What we would do with more

Natural grouping of oils and fats according to actual usage due to chemical and physical variations of individual oils and fats. This grouping also indicates in general way relative price relationship.

1-Drying Field	*China Wood oil *Perilla oil Linseed oil Soya Bean oil Menhaden oil
2-Edible Field	Lard Cottonseed oil Peanut oil Corn oil Oleo oil Oleo Stearine Edible Tallow Edible Olive oil
3- Nondrying industrial group—all oils in this class to be denatured, i.e., rendered inedible	*Palm oil *Inedible Olive oil *Palm Kernel oil Coconut oil Rapeseed oil *Sesame oil Non drying sea animal oils

This class also includes all offal and refuse oils and fats, such as greases from garbage, tallow rendered from shop fats, etc.

*on free list in tariff act 1922

It is proposed that the following language now in paragraph 1632 Tariff act 1922 be made to apply to all of those oils in bracket three on this page.

"to be duty free if rendered unfit for use as food or for any but mechanical or manufacturing purposes, by such means as shall be satisfactory to the Secretary of the Treasury and under regulations to be prescribed by him.

of it than we now have is hard to see, as while Europe takes our surplus she pays us precious little for it, in proportion to its real value.

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 coconut 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 sledding because of the cake marketing problem.

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 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 who claim 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 and our merchant marine fleet which carries our commerce over the seven seas is lubricated in part by vegetable oils.

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, but a 45 per cent ad valorem tariff on vegetable oils would cause a 50 per cent increase in the selling price of laundry soap for instance and the effect would be as heavy in some of the other industrial products.

Fish oil manufacturers in the East 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, shoes and other leather articles, soaps, and numerous other products?

Rapeseed oil is used extensively as a lubricant in ships and automobiles. Rapeseed is not grown in the United States and never would be, yet farmers are asking a 45 per cent increase in the tariff on this oil which they themselves use.

The cost of tariffs on oils and fats would not be reckoned only in increased prices to farmers and other consumers. It must also be reckoned in terms of decreased consumption, not only because of increased cost but because of substitution. For illustration, R. J. Kinzer of the American Hereford Cattle Breeders Association writes me under date of February 13th "when it came to the matter of oils and fats, we did not make any recommendations at all. It is a feeling of some of our Committee that in case higher protective tariff was placed on these products it would only encourage the use of substitutes." There can be no sounder reasoning.

All manufacturers of industrial products made from oils and fats, both vegetable and animal, are constantly warred on by substitutes, *and these substitutes contain no fats and oils at all.* Soaps must battle with chemical washing powders. Varnish must war with cellulose lacquers. Rubber substitutes must compete with the genuine article—rubber. Tanners' oils must wage war with petroleum products. Lubricating oils containing vegetable oils must battle with straight petroleum lubricating oils. Candles made from fats must compete with candles made from paraffine. And so it is clear on through the gamut of products made from oils and fats. Almost all of them skate on thin ice and any attempt to increase their burden of cost in the way of tariffs imposed on raw materials will force them through the ice and the competitor who cannot be so burdened goes on to win the race for the consumers' favor.

The cost of the duties on industrial oils and fats must be computed in yet another manner: A recent news release from the Department of Commerce calls attention to the fact that the non-manufacturing areas, from whence come the oils and fats discussed here, are using raw materials (such as these oils and fats) to pay for all kinds of American merchandise from automobiles to condensed milk. If these imports are shut off, then our exports to the non-manufacturing areas are simultaneously clipped off!

By 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. Users of oils for industrial purposes propose that all questions of 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 foods, has been used by the Federal government for more than 20 years and without any difficulties. All oils not so denaturized, irrespective of their country of origin, and intended to enter into competition with edible oils produced in the United States, would be required to pay an adequate import duty. By this means dairy interests would be protected against coconut oil now used in making butter substitutes; there would be an ample market at enhanced prices for all the cottonseed oil, corn oil and other edible oils produced in this country, yet the soap, tanners, varnish and numerous other manufacturers would still be able to get moderate priced supplies of inedible oils and the prices of the articles manufactured from them need not be increased to the consumer.

Johns-Manville Acquires Celite Products

The entire business of the Celite Products Co., of Los Angeles, manufacturers of Supercel, Filtercel and other adsorbent earths which have wide use as filter aids, and of Sil-O-Cel insulating material and refractories, as well as Celite for concrete, has been purchased by the Johns-Manville Corporation of New York. The Johns-Manville Corporation has taken over the mines of the Celite Products Co. in California and the entire production and sales organization.

The business of the Celite Products Co. will be carried on and developed by the new owners along the same lines as in the past and it is expected that the distribution of Celite products will be materially expanded because of the great scope of Johns-Manville's distributing organization, with offices in all important North and South American cities. Mr. Arthur S. Elsenbast, for many years Filtration Engineer of Celite Products Co., will continue as Manager of the Filtration Department of Johns-Manville.

Professor T. P. Hilditch, of the University of Liverpool recently presented before the Manchester Section of the Society of Chemical Industry a paper entitled "Recent Advances in our Knowledge of the Structure of the More Common Fats." In his paper, Dr. Hilditch reviewed the progress of analytical methods for fats and oils to their present-day efficiency, which is such as to permit the interested user of any of these products to have complete data on their composition and structure.

Two-thirds of the raw materials utilized in Japan for soap manufacture are obtained by the hydrogenation of oils, chiefly whale, fish and soya bean oils. To avoid Australian domination in their markets, the Japanese wish to make themselves independent of the world with an abundance of fish and soya bean oils. The annual Japanese production of whale oil is valued at three to four million yen, nearly half of which production is exported.