

Conservative farm policy spokesmen in the Senate have indicated their intention to focus on the concept "market development" in relation to renewing the PL-480 legislation, which also expires this year. In particular, they have opposed the proposal of Sen. McGovern, a proposal publicly advocated by Carter Agriculture Secretary Bergland, to restrict PL-480 shipments to countries with less than \$300 per capita annual incomes, plainly identifying the Humphrey-McGovern forces as "anti-market development."

As the experience of the Great Depression demonstrated, the collapse of farm prices and production during the 1930s was neither a problem of "controlling production" nor of devising ever-more-ingenuous means to seal off produce from the market (the 1929 Federal Farm Board stockpiled hundreds of millions of dollars worth of grain only to see the price continue to plummet for two years running) — but one of freeing consumption and trade from the stranglehold of world depression conditions.

## Steel Industry in Limbo

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### STEEL

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Although current projections by both steel industry sources and steel analysts for U.S. steel shipments in 1977 are ranging anywhere from 95 million to 110 million tons, there is as yet little reason to believe that shipments will surpass the 89.5 million tons shipped in 1976.

The current trend in the U.S. and worldwide has been one of declining orders and shipments. November shipments of only 6.7 million tons were 300,000 tons less than October's total and almost a million tons below September's. Since during December many plants were shut down for the holidays, it can be expected that shipments will show a further decline. To date, the New Year has not brought with it any significant increase in the demand for steel, but rather has further darkened the picture with extreme cold weather. The gas shortage hoax now in operation has forced many industries to either shut down completely or reduce operations due to cutbacks in natural gas supply. The effect on January and possibly February steel shipments as well, will be damaging.

In addition to U.S. Steel's recent announcement that they had been forced by the government to spend \$600 million for pollution controls at their Clariton Steel Works, Kaiser Steel Corp., under similar pressure, has announced a \$24.3 million plan to clear up coke oven emissions at its works in Fontana, Calif. The controls will increase operating costs by about \$2.5 million, just about enough to wipe out additional earnings expected from the flat rolled price increases announced in November. This is according to Kaiser's chief executive William Roesch. The next company expected to follow mandatory pollution expenditures is Inland Steel at its East Chicago works.

The low level of returns on equity already existing in the steel industry due to low prices, combined with government policies unfavorable to new investment programs, and now, expensive pollution control demands are causing U.S. Steel and other producers to reduce their spendings on steel programs and to diversify into such fields as raw materials mining, chemicals, etc. Such conditions are ensuring that the U.S. steel industry will not only be unable to meet this country's demand for steel should a sound economy return but will also lack the necessary funds needed to modernize their productive equipment to maintain competitiveness with imports.

## U.S. Steel Industry Announces Counterattack Against Imports

Paul Babb, general sales manager for Armco Steel Corp's Western Division has announced price reductions averaging \$40 (15 per cent) per ton. The move, which Babb referred to as part of a program called "foreign fighter," is the first public announcement by a U.S. steel firm that they would reduce prices to fight foreign competition.

It is well known in the industry that discounting below listed prices has been going on quietly for some time. The price reductions are on wide-range structural shapes produced at Armco's Houston works and sold within freight control area, defined as locations having lower freight rates from Houston than competing mills in other areas.

The move is apparently connected to the anti-import drive being conducted by the American Iron and Steel Institute and by independent steel producers such as U.S. Steel and Allegheny Ludlum. Up until this point the attacks have consisted of complaints lodged with different government bodies, and calls for secular talks on steel trade as part of the G.A.T.T. negotiations going on in

Geneva.

While it is true that imports have caused a severe hardship to U.S. producers in the Gulf regions, on the whole steel imports into the U.S. were approximately 14 million tons in 1976. This compares to over 18 million tons imported in 1971 when little opposition was voiced. In 1971, U.S. mills were then unable to satisfy domestic demand. Also, in the Southeast, Gulf, and Western regions where steel consumption has been increasing for years, U.S. mills have not invested to create suitable steel-making capacity in these areas, thus leaving them vulnerable to foreign competition.

On the day following Armco's announced increases, U.S. Steel announced that they will lower prices to be competitive in the Gulf region. It is apparent that other U.S. steel makers who compete in this market will soon follow suit in what is shaping up as a showdown against importers, especially the Japanese, to force them out of the market. Should the foreign suppliers try to lower their prices, dumping suits will most likely be brought against them.