

AN ANALYSIS OF THE BASES FOR DEVELOPING
FRENCH EXPORTS TO THE UNITED STATES

By

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FRENCH EXPORTS TO THE UNITED STATES

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PREFACE

I wish to express my grateful appreciation for the valuable assistance received in the preparation of this thesis, particularly to Mr. Jean Bosson, French Commercial Attache in Washington, and to the staff of the French Chamber of Commerce in New York. I am particularly indebted to Professor George R. Hill, my thesis advisor whose expert counseling, generous help and constant guidance help to carry the entire work to its completion.

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CHAPTER I

INTRODUCTION

Purpose of the Study

Originally the purpose of this thesis was to study the marketing of a specific French product in the United States.

The writer intended to select a product already introduced on the American market, and to determine the importance of the product in comparison to both, national and foreign competition. Due consideration would have been given to quality, prices, sales volume, and geographic coverage. Finally, conclusions would have been drawn as to the efficiency of the marketing methods used for this product.

The chief factor in the choice of the product would have been the ability to secure adequate information, either directly from French companies, or from other agencies dealing with foreign trade.

To this end the writer made inquiry of different companies as well as certain associations and government agencies--see Appendix A.

Although nearly fifty letters were sent to different addresses, sometimes two or three to different individuals at the same address, the answers were very similar and discouraging as hereafter explained:

Responses from companies: Either the firm lacked data or felt that such information pertaining to their trade was confidential and should not be disclosed--in either event, a considerable amount of time usually passed before any reply was received.

The first reason, lack of statistical material, is certainly believed to have been the most common stumbling block. Most of the transactions, on the French side are conducted directly with the American importer, without any previous research, and without any record of what happens to the goods once they are sold.

The main reason for the lack of marketing information lies in the infinite variety of French products exported to the United States, and the large number of the firms involved in export business. Such exporters, being so numerous, are mainly of small importance. Each of them acts individually, and consequently they lack funds to undertake any serious prospecting of a market that offers tremendous possibilities such as the United States market. The same thing is true for the products. Because of their large variety, most of them are not produced, and cannot be sold, on a large scale; for this reason, the volume of business on each such article does not appear to such exporters to justify the expense of high-cost market research. Only a few French export firms have selling agencies in the United States, and actually do active customer prospecting and sales development. A great number of them do business just by letters; in that case, they offer catalogues. This method is supplemented by inserting advertisements of their products in periodicals dealing with foreign trade, such as: Foreign Commerce Weekly, The Magazine of the French Chamber of Commerce in the United States, The Magazine of French Production.

One might think it possible to follow the imported goods through the importer, since the importer must keep a record of the sales he makes at the wholesale level, as well as at the retail level. But even supposing that the importers were cooperative enough to provide

the complete information, this information would only represent one part of the picture---the other part being those direct purchases made without the intermediary services of the importer and for which no record could be found. This problem can best be illustrated in the case of wines. A large part of imported wines are brought into this country by importers; however, there is a rapidly developing tendency for big restaurants, department stores, and even retailers, to buy direct from France. These individual purchases, for which no record can be obtained, are a very genuine impediment to effective analysis of the characteristics of the United States market for imported French products.

Responses from agencies: French Commercial Attaches and the French Chamber of Commerce appear to have no records of French transactions with the United States. Their effort is limited to relatively superficial studies of the United States market, of such type as would give the French exporter preliminary information on: What he should export. What prices he should offer. What competition he will meet. Their findings, as a rule, are qualitative and concern the nature of the American market, rather than the position of French products on the American market.

These agency sources also provide a certain number of guides advising the exporters on general questions such as customs formalities, psychology of the "American Market," the importance of advertising in the United States, and like points.

United States statistical sources: Here again, all that is revealed is the total volume of imported goods passing through the customs warehouses. No record is kept of what happens to such goods thereafter; where the goods are sold; what channel of distribution

they move through to the ultimate consumer. It may be stated, however, that United States Government statistics, although they are inadequate for making a thorough study of the marketing of any product imported into the United States, do enable a study to be made for any given product of total sales, sales trend over a period of years, or comparison of total imports of the product in question to the total produced domestically. For that matter, the data enable one to make a study of relative importance of various foreign sources of a given imported item.

The writer was forced to conclude that he could not, because of information deficiencies, conduct this thesis as originally conceived; however, the initial phases of this research have not been a waste of time, because the foregoing findings will give anyone interested a good insight into the kind of information which can or cannot be secured on this subject.

The writer decided to stay in the same general area, i.e., French trade with the United States, but to modify the subject. The present purpose of this thesis is to first disclose the true importance of foreign trade between France and the United States for each of these two countries. Thereafter, an effort will be made to illustrate the nature of several major French exports to the United States, as well as to suggest the means by which the importance of such trade may be enhanced. The nature of French trade and ways of strengthening its position in this country will be stressed.

CHAPTER II

WHY DEVELOP THE EXPORTS OF FRENCH PRODUCTS TO THE UNITED STATES?

Significance for the French Economy

France is an industrialistic country. France lacks raw materials and fuels;¹ also, the agriculture is deficient in many items; therefore, France exports largely finished products as a means of importing items of need.

In effect, French industry imports raw materials, transforms them into manufactured goods, and relies on these exports to make up for the other deficitary portions of her commercial balance.² Raw materials represent 58% of her total imports; manufactured products, 53% of her exports.

Set forth on the next page is the commercial balance of French trade during the period 1950-1953, inclusive, valued in United States dollars.

Table I shows that the deficit of the French commercial balance originates almost exclusively in the dollar zone which includes the United States, Canada, and United States' trade orbit.

¹To illustrate French dependence upon foreign sources for most raw materials: Of crude petroleum needs, France imports 97%; cotton 91%; wool 85%; jute 100%; tin 100%; copper 80%; zinc 42%; natural rubber 50%; wood pulp 45%. "Big Export Drive Urged in France," French American Commerce, No. 2 (March-April, 1953), p. 21.

²See Appendix B for the composition of French trade.

TABLE I
COMMERCIAL BALANCE OF FRENCH WORLD TRADE³
(In millions of dollars)

Years	Imports		Exports		Export-Import Balance	
	World	Dollar Zone	World	Dollar Zone	World	Dollar Zone
1950	\$3,029	\$472	\$3,036	\$176	\$ + 7	\$-296
1951	4,431	693	4,069	338	-362	-355
1952	4,324	650	3,828	235	-496	-415
1953	3,948	487	3,784	293	-164	-194

In 1951, out of a total deficit of \$362 millions, the deficit with the dollar zone represented \$355 millions. A very similar situation is observed for the years 1952 and 1953.

French foreign trade has been unbalanced traditionally, with imports exceeding exports. Until 1938, the deficit was covered by income from tourist trade, shipping, and French investments abroad. During and after World War II, a considerable source of income was lost through liquidation of French assets abroad, shipping became a net expenditure, and receipts from tourism shrank.

American assistance has helped France to bridge the gap between exports and imports, but this aid is now decreasing, and France will have to rely to a greater extent on routine commercial exchanges to establish an equilibrium in the balance of payments.

³Ambassade de France aux Etats Unis, Commerce Extérieur des Etats Unis (Washington, D. C., 1953), p. 15. "mim."

As was pointed out above, the French deficit in trade with the dollar zone is particularly acute. France buys primarily raw materials from the dollar zone.⁴ The reader has already seen how French economy is operated on imports of raw materials and exports of manufactured products. If, on account of a shortage of dollars, France had to curtail her purchases from the dollar zone, her total exports of finished products through the whole world would be curtailed, her industries would slow down their production, and domestic unemployment would mount, creating a crisis.

This serious dollar shortage is the first reason for France to develop exports towards the dollar zone and especially the United States.

A second reason for such activity is to enable French industry to meet competition of foreign producers within the national French market. Despite international economic barriers, imported products already compete strongly in France with national products. If France is not aware of that danger, within a few years their out of date production machinery and inadequate industrial and commercial methods will open a free way to establishment of American producers within the French market. To prevent such a thing from occurring, France must from now on go out and compete aggressively with American competitors within the dollar zone's domestic markets to retain command of dollar exchange required for raw materials and plant modernization.

Doubtless the French industrialists, whose products and methods have already successfully met the test of the North American market,

⁴See Appendix C for data on French imports of American products.

will be in a better position to also compete successfully for world markets, which are coming more and more under the technical and financial-assistance influence of the United States.

Thus is made clear for France the necessity of developing export sales in the dollar zone, and especially in the United States.

Importance from the Viewpoint of the United States

On the issue of the importance to the United States of building greater acceptance of imports from abroad, the writer wishes to generalize the discussion to cover the need of virtually all of Europe, and not France alone. The American government must, to a large degree, consider the problem of imports of foreign goods as a whole. Protective legislation to curtail such trade is aimed at imports generally, not withstanding occasional modifications of general tariff policy by reciprocal agreements, treaties, and other means entered into with certain specific countries.

The importance of encouraging larger imports of foreign goods has been proclaimed repeatedly by certain prominent American personalities.

Dean Acheson, former Secretary of State, declared that the United States must acquire an importer mentality. Curtiss E. Calder, influential member of the Association of American Producers made a similar statement which follows:

It is not too early to draw the attention to a detailed analysis of regions of the United States that can for the best interest of the American public absorb an increased volume of imports. It is a work that must be performed in collaboration, by the producer of raw materials, the industrialist, and the leader of the Trade Unions of our country.⁵

⁵Comite Franc-Dollar, Comment Exporter en Amerique du Nord (Paris, 1950), p. 10.

Economically there are two main reasons for advocating such strengthening of foreign trade:

1. Imports will always tend to establish stronger showing for the lines of merchandise in which the United States' domestic production is weakest. Such competition will either compel competitive improvement in these sectors, or will ultimately result in the shifting of the resources to more profitable lines, which should make the whole economy healthier.

2. Imports are the complement of the European recovery program carried on for many years by the American economy. Thanks to this program, the French and other European economies have recovered, and in many cases, reached higher levels than before the war.

After carrying this burden for so many years, the American economy and American consumers deserve to get a return out of it. Now that foreign markets (consumer and industrial) are prosperous enough to consume considerable American goods, they should have access, on a trade basis, to the financial means of buying these goods. To accomplish this end foreign goods and services need access to sales opportunities on the American market.

CHAPTER III

WHAT STEPS HAVE BEEN TAKEN TO DEVELOP FRENCH EXPORTS TO THE UNITED STATES?

On the French Side

The French government, in order to increase the dollar holdings of the country, grants certain advantages to any exporter of French goods to the United States as follows:

1. Financial advantages: Any exporter is permitted to keep, in dollars, sums amounting to 15% of the value of his exports.
 - a. Out of these sums, 1/5 (that is, 3% of the total export figure) can be used by the exporter any way he chooses. He can utilize such funds in the United States for any operation, even though not dealing with his business, and without any control whatsoever.

The foregoing concession constitutes a serious incentive for French manufacturers to export to the dollar zone because, while the value of the franc has been decreasing steadily during recent years, the dollar has retained its leading position among the world currencies. For this reason, many French and other Europeans try legally or illegally to convert their capital into dollars and to invest it in the United States. In that way, their capital is secured against excessive devaluation and the same is true as to interest yield. Social changes, such as the ones brought about by, Socialism or Communism, war, or occupation, are less likely to happen in the

United States than in Europe, in the judgment of these investors, which provides a further important security.

b. The remaining $4/5$ of these sums (that is, 12% of the product of such exports) can be used in the United States insofar as the dollars are spent in connection with the exporter's business. This provision is rather wide in application and can include any expense incurred in order to improve the organization of his firm in France, payment of travelling expenses in the United States, paying commissions, participating in expositions, or importing products from North America that are intended for his firm.

2. Further concessions and advantages: Any exporter of goods to the dollar zone, benefits by:

a. Exemption from the production tax¹, (taxe a la production), and from the transaction tax, (taxe a la transaction).

b. Under certain conditions, the refund of part of the social-benefit taxes and other fiscal charges levied upon the firm.

The American customs officials do not always recognize the realities of such exemption from the production and transaction taxes. When they fail to adjust values of entering French merchandise to allow for such tax exemption, then the duties are unfairly levied, and higher than warranted. This problem is one which has been most troublesome.

At present, more and more products are recognized by the customs officials as not having to pay these taxes. As a rule, the United

¹These taxes amount respectively to: Production tax: 16.25%.
Transaction tax: normal rate, 1%; however, for woolen products, 3.25%.

States customs officials recognize the exemption when more than 50% of the products of a given merchandise category are sold in France.

On the American Side

There has been a promising change in the attitude of American officials, industrialists, and the general public toward the importation of European products.

The hostility generally prevalent in 1929 and ensuing years has been replaced by more seasoned comprehension. The present American tariff is only about one third the level of the 1930 tariff.

The Reciprocal Trade Agreements Act, adopted in 1934, and modified subsequently at different times, has been slowly but surely lowering tariffs levied by the United States during the last twenty years. In addition, decisions arrived at in Geneva, Annecy, and Torquay, have represented further progress toward economic liberalism.

However, in spite of these facts, a widespread slogan has appeared in Europe in the course of the last summer "Trade, not Aid." Observing the popularity of this slogan, one cannot but wonder if the impact of tariff reductions applicable both to United States imports, and elsewhere in the world has been as effective as is represented.

The writer will next undertake to show what the French manufacturers and exporters think of the present tariff, reduced as it is by these various changes, as well as to point out what suggestions these interests offer for further steps in effective liberalization of United States' foreign-trade restrictions.

For the purpose stated, let us first refer to the results of a thorough survey conducted by the French Chamber of Commerce among its

members residing in the United States and among importers of French products.

The questions which were put to them were as follows:

Assuming that economic activities remain at their present level, and taking into consideration the influence, in your field, of domestic production and imports of other foreign countries, which would of course benefit by the same reductions of duties, can you indicate the approximate proportions in which your orders and your sales in the various categories of French products would increase if the present tariffs on these were: a. reduced by 50%; b. eliminated.

The consensus of opinion among the textile group was that there would be fair possibility of increasing trade with France if the duty were reduced by 50% or eliminated.

Some importers of high-quality woolen fabrics felt that, if the present tariff were reduced by 50%, they would import 25% more; and, if completely eliminated, imports would increase 50%.

On the other hand, other importers of such textiles as upholstery materials and decorative fabrics, felt that in view of the current prices of French fabrics, compared with prices of Italian and American fabrics, a reduction in duty would at the present time, have relatively little effect.

According to importers, French cheese imports could be increased tremendously if this product could be brought into the United States duty free. Their estimates were that imports could be doubled if the present 20% ad valorem levy were replaced by one of 3 1/2 cents per pound.

Perfume importers suggested a number of reductions in duty on the semi-automatic bottles, bottled caps, compositions of finished perfumery, and raw materials for perfumes, such as coal-tar products and certain essential oils. Imports would probably greatly increase as a result of such reductions.

Jewelry importers reported that imports would double if duties were reduced 50%, and quadruple, if they were totally eliminated.

The same statement was made by importers of cutlery, of certain colonial products, and of gelatin.

An importer of French-made diamond dies states, on the other hand, that if diamond dies could be admitted free of duty, trade would increase in the proportion of 100%, or more, but that prices of imported dies would still remain about 10% higher than domestic prices, which means that American-made dies do not really require tariff protection.

The imported dies are rather desired for their special characteristics, if reasonably competitively priced.

Imports of French-made machine tools would increase substantially if tariffs were eliminated, but only slightly if the duty were reduced 50%.

In addition to the results of this survey already outlined, there are many other suggestions, or complaints, that it will be interesting to mention.

As a rule, importers are unanimous in their opinion that a simplification of the United States customs procedure would result in a tremendous increase in trade. Estimates of such increases range approximately from 20 to 40%.

The main objection to the present custom procedure is against Section 402 of the Tariff Act which some importers even feel should be completely deleted. The complaints deal with the application of provisions of Section 402 concerning the present appraised value of foreign imports being at foreign value or export value whichever is higher. There is a particularly serious hardship with regard to the changes which occur in the home-market value from the time of departure from France to the time of arrival of the goods in the United States, owing to time lag.

Other corrective suggestions are also made, looking toward:

1. Expediting customs formalities to obtain quicker release of goods to facilitate marketing.
2. Elimination of arbitrary assessments. The evil of arbitrary assessments made by customs appraisers; as well as appraisal of the same items at different rates of duty in different ports of entry, should be eliminated.
3. Elimination of the threat of tariffs being raised as soon as imports become sufficiently important to disturb American competitors.
(Escape clause)

Complaints are particularly strong on the effect of this clause, which hangs like the sword of Damocles as a permanent threat over the foreign manufacturer, exporter, and the United States importer as well. When the imports of a certain product have been slowly, expensively, and tediously developed with definite prices, a sudden increase in the tariff can often make impossible any further sales of the product. Vast sums of money spent to create a sales organization, and to promote the product, would in such event fall prey to such instability of

policy if the product later has to be withdrawn from the United States market.

As a consequence, many exporters enter the United States domestic market, but refrain from engaging in a strong campaign in favor of their product, for fear that, if their competition becomes too strong or too noticeable, a domestic producer demand for increased tariffs will lose for them entirely the benefit of all their efforts.

Offered in significant support of such reasoning is the recent situation relating to watches and watch movements. It was announced in July, 1953, that the President was raising the tariff on Swiss and other watches and watch movements by 50%. This occurred just when the Swiss industry had become most dependent upon United States markets.

4. Elimination of special difficulties concerning imports of food products, particularly cheeses.

Importers of French cheese complain bitterly against the regulations of the Food and Drug Administration and excessive delays before the cheese is released from customs. In many cases they have to wait nine days instead of the expected forty-eight hours. These importers suggest that priority should be given to soft-ripened cheeses such as Camembert, Brie, which readily pass the peak of quality if detained too long enroute to the customer. They also suggest complete elimination of the quotas established by Section 104 of the Defense Production Act, restricting the importation of cheese and dairy products.

5. Elimination of discrimination against imported spirits. Importers of wine and spirits request the right to pay internal

revenue taxes and customs duties on the actual proof of bottled spirits when such strength is under 100%, thus eliminating the discrimination which prevails against imported spirits; inasmuch, as internal revenue taxes on domestic spirits are paid on the actual proof. Importers, as stated, must pay at a hundred proof regardless of how far the strength falls below a hundred.

In summary, it seems that with the exception of certain cases where United States duties are prohibitive, especially where processed articles are concerned, importers in general do not believe that anything less than a drastic reduction of tariffs would greatly increase French imports to the United States. The fact is that French prices generally are comparatively too high. Naturally imports from other countries would benefit from the same suggested reduction in duties.

The real trade barriers, as far as French imports to the United States are concerned, seem to be the complexity of custom procedures, and application of foreign or export value, whichever is higher.

On the other hand, the application of widely divergent total tariff levies by the different appraisers creates great uncertainties. Then, too, there is the threat of application of the escape clause if trade grows too vigorous.

Finally, Food and Drug Administration regulations are much too rigorous for general European standards; also, the quota imposed on dairy products is hampering French imports, especially of cheeses.

CHAPTER IV

WHAT HAVE BEEN THE RESULTS OF THESE VARIOUS ACTIONS UPON THE DEVELOPMENT OF EXPORTS OF FRENCH PRODUCTS TO THE UNITED STATES?

Commercial balance of the United States and France

To answer this question the writer will attempt to show the evolution of these exports during the last fourteen years.

TABLE II

UNITED STATES-FRENCH TRADE, SELECTED YEARS¹

(In millions of dollars)

	1938	1950	1951	1953
Exports to France	\$134	\$328	\$423	\$337
Imports into the United States	54	132	263	185
Balance Owing the United States	\$ 80	\$196	\$160	\$152

The comparative study of the commercial balance reveals that the position of France, while still showing a serious deficit, is improving steadily.

¹Ambassade de France aux Etats Unis, Op. cit., p. 7.

Examination of the balance suggests that French trade was better off in 1938 than in 1953, but this actually was not the case. In fact, the percentage increase of imports of French products into the United States from 1938 to 1953 (242%), is much larger than the percentage increase of the exports of American products to France (151%), although the true picture is a little less favorable.²

It is consequently sound to conclude that the deficit of French trade with the United States is relatively smaller in 1953 than it was in 1938.

The trend of the commercial balances of the two countries may be more readily compared on the next page, (See Illustration I).

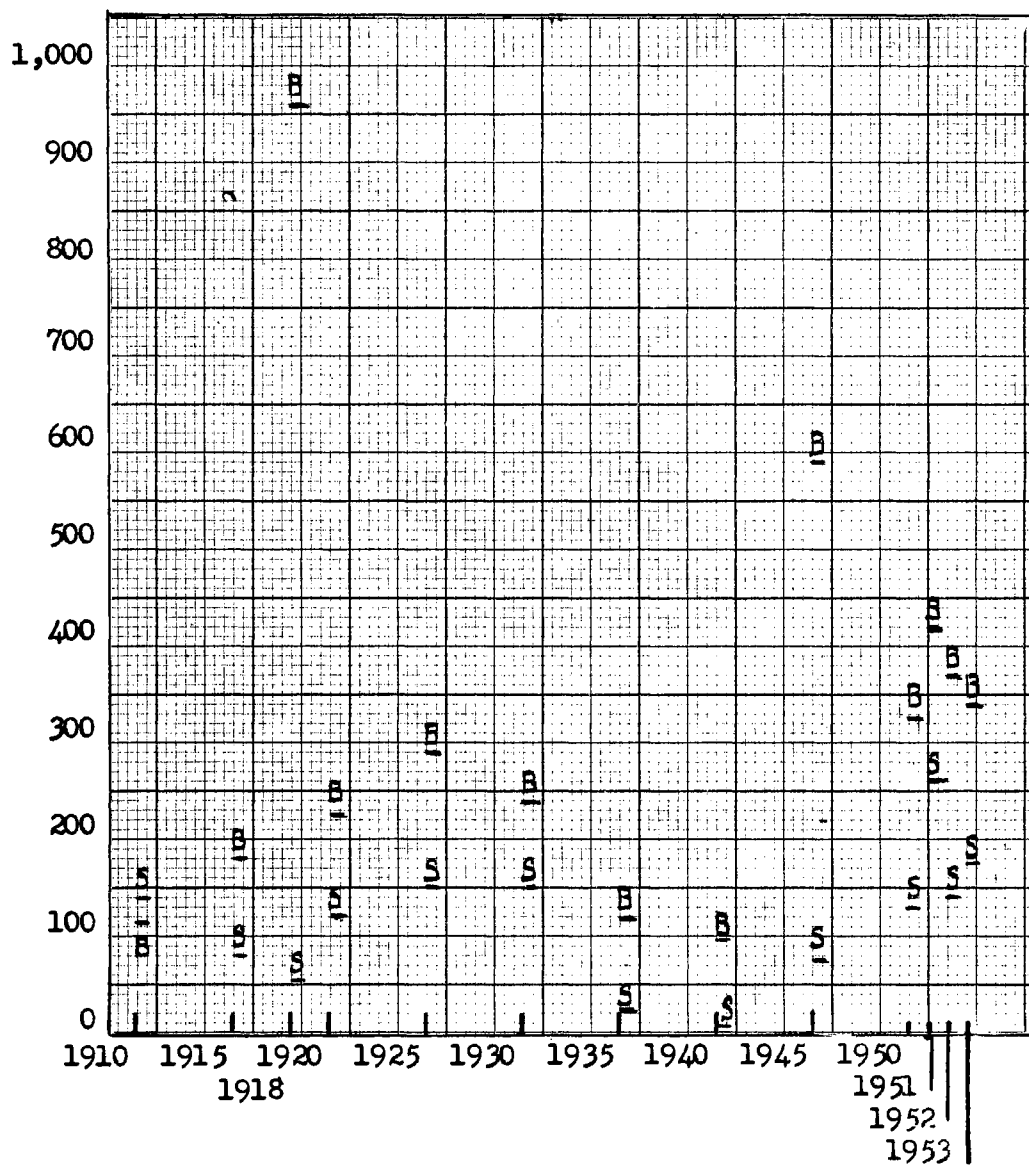
Comment on Illustration I: The balance of Franco-United States trade was totally disranged during the war period 1914-1918. It will be noticed that French sales to the United States maintained about the same level during the earlier years charted, and increased slightly thereafter. (About \$50 million annually considering all years). Conversely, exports did not recover from the crisis of 1931 (40 million average), but rather, during the period 1940-1945 further collapsed to a \$4 million average level. They recovered in 1945 to reach \$75 million, and in 1950, were still ascending at \$132 million. In 1951, exports reached their highest level, \$263 million, although in 1953 they declined to \$185 million, which still represents a relatively advantageous export status. (The reader will observe that some measure of interpolation is involved in the above observations

²The balance of trade with France, and also with other European countries, is biased by the exclusion of special categories. These figures can be looked upon as indicators of tendencies. (See Appendix D for a definition of "Special Categories").

ILLUSTRATION I

FRANCO-UNITED STATES TRADE—SELECTED YEARS³

(In millions of dollars)

KeyBought from United States BSold to United States S

³ Ambassade de France aux Etats Unis, Op. cit., p. 11.

because it was impractical to portray every year's standing in Illustration I.)

Imports of French Products to the United States⁴

The best way to judge the standing of United States imports of French products, is to compare them with the total imported-goods market of the United States at what may be termed "benchmark" intervals, or representative averages. Imports of French goods are also related to the total imports of European goods into the United States market.

TABLE III

UNITED STATES IMPORTS FROM FRANCE, EUROPE, AND ALL AREAS⁵

(In millions of dollars)

Period	All Areas	European	France	French Percent. of Total	French Percent. of European
1936-40 (average)	\$ 1,960	\$ 511	\$ 59	3.0	11.5
1941-45 (average)	3,514	324	4	0.1	1.3
1946-50 (average)	6,659	1,070	75	1.1	7.0
1950	8,852	1,364	131	1.5	9.6
1951	10,967	2,051	263	2.4	12.8
1952	10,714	1,983	166	1.5	8.4
1953	10,777	*	185	1.7	*

*Material unavailable.

⁴See Appendix E for a detailed list of imports of French products.

⁵Ambassade de France aux Etats Unis, Op. cit., p. 32.

As will be observed, it is the relationship of French goods imported into the United States when measured against such imports from the whole of Europe which is most significant.

In absolute figures, French products imported into the United States seem to have been ascending rather steadily in the period from 1940 to 1953.

When compared to the trend of the total import market of the United States, the figures suggest a slight regression of the relative French position in such trade.

French goods imported amounted to 8.2% of total United States imports in 1910, 5.8 in 1922, 3.0 in 1940, 0.1 in 1945. The volume has been improving since 1946.

Even so, France must be considered as lagging behind the progress accomplished by the rest of the foreign importers operating in the United States market.⁶ Illustration II gives a clear representation of the evolution of United States imports from France, as compared to the evolution of imports from Europe and all other areas.

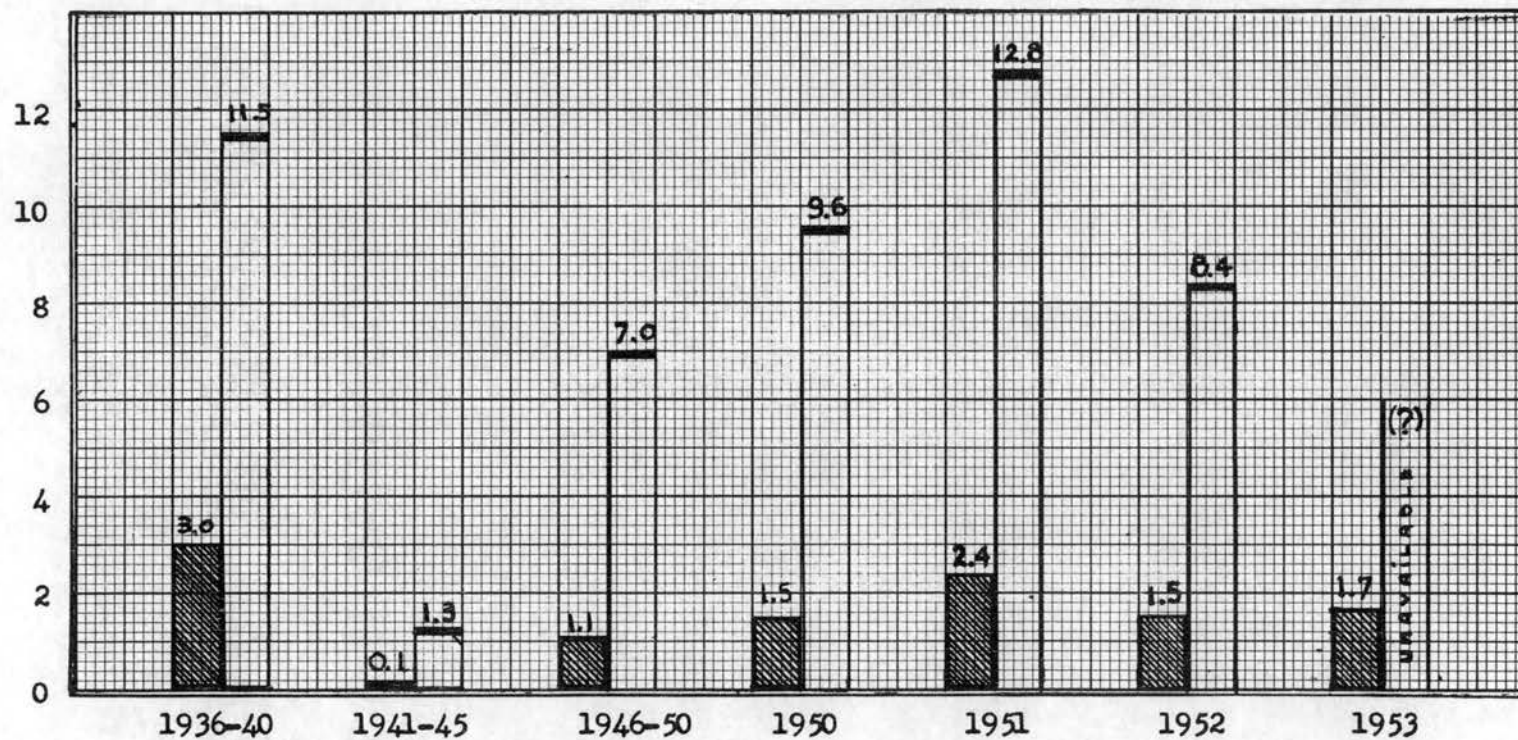
Naturally, one can only infer that the customs barriers are not the only problem, since they should affect various importers in about the same proportion. There must be some problems peculiar to the French trade which have not yet been solved satisfactorily. It is the last-mentioned phase which will next be considered in concluding this chapter.

⁶See Appendix F for figures showing the trend of France as United States supplier as compared to the evolution of other suppliers.

ILLUSTRATION II

UNITED STATES IMPORTS FROM FRANCE, COMPARED TO ALL EUROPEAN AND TOTAL IMPORTS⁷

Key: Imports from France % of Total
Imports from France % of European



Note: Height of chart accomodates only 14% of United States imports from all European sources, and total, respectively.

⁷ Ambassade de France aux Etats Unis, Op. cit., p. 32.

What Special Problems Affect the French Trade?

The writer will now attempt to review the problems that affect the French trade in the United States. Some of these problems are almost unique to the French trade with the United States. They are generally marketing problems. Others that have more widespread applicability affect not only the Franco-United States trade but also the whole French foreign trade. The latter type are problems that originate in the present structure and condition of the French economy. These two categories will now be discussed in reverse order:

1. Problems affecting the French trade with the United States that originate in the present structure and condition of French economy:

France is renowned throughout international markets for "de luxe" exportations. These are, significantly enough, the most vulnerable for three different reasons:

a. Such specialties or luxuries are the goods that are most closely dependent upon the stability of civilization.⁸

Such exports have been affected by a complete transformation of the habits of the consuming American public. The very refined and wealthy class which used to go frequently to Europe, staying in Paris particularly and spending while there a lot of money, has been a traditional clientele for the "de luxe" imported French products in the domestic market of the United States. This clientele which best liked and understood luxury has had a tendency to disappear. This class is being replaced by an enormous mass of consumers having an

⁸Jean Fourastie, L'Economie Francaise dans le Monde (Paris, 1950), p. 116.

individually more limited although still substantial buying power. This new clientele does not have the background for appreciation or understanding of these luxury products, neither does it have the financial means to buy them. This clientele attaches considerable importance to quality, but wants what everybody else buys, and consequently is not looking for a product solely because this product is expensive, or exclusive, and can only be bought by a small minority, which is perhaps the crux of the European notion of luxury.

b. France exports to the United States the type of product whose demand is the most elastic, i.e., responsive to price changes.

c. Such products are the kind of items that are charged the higher duties, as illustrated by tariffs on lace and tulle, 60-90%; silk, 45-75%; wines, 40-60%; fine linens and gowns, 50%; jewelry, 60-65%; perfumes, forty cents per pound, plus 37.5%.

2. Problems affecting the French trade with the United States that are usually marketing problems:

a. The large variety, both of products exported and of exporting firms, poses numerous problems.

When one looks at a detailed list of exports of French products to the United States, one is perhaps most strongly impressed by the infinite variety of articles that are included. When one examines a list of the firms exporting to the United States, one again is struck by their great number.

Many of these manufacturers who if grouped together for exporting purposes would have the financial means to create a good sales organization in the United States market, and who could thus promote their

product by adequate advertising campaigns, cannot, individually make the necessary investment to initially promote their sales in this country effectively.

Realizing that by uniting they would be in a better position to meet the American competition, some industries have formed exporting units, (in French termed groupements). Illustrative is "Univer" the grouping of the glass manufacturers for exporting. Others also, without losing their autonomy, associate for a mutual advertising campaign, as in the case of cognac and champagne producers. The campaign for the cognac, which was so organized, has increased sales by 25% within a year from its inception.

b. Businessmen in the United States complain about the way business is frequently conducted by European firms.

Here again a problem is involved that is not applicable to France alone, for all of Europe is subject to this criticism.

The complaints referred to, usually deal with the uncertainty or unreliability both of amounts of merchandise which are actually delivered and the time when such deliveries are consummated as compared with quantities and delivery dates agreed upon.

The American businessmen, speaking of the European industrialists or exporters, also say: "We never see them." This last matter is a genuine problem of public relations which to date has not received from French exporters the amount of concentrated attention that is accorded this vital business function in the United States.

CHAPTER V

OUTLETS OFFERED TO VARIOUS GROUPS OF FRENCH PRODUCTS ON THE UNITED STATES MARKET

In this section of the study, the writer will review the various French product categories of export importance in substantially their order of significance as follows:

1. Edible products, other than wines and liquors.¹
2. Perfumes and oils.
3. Textiles, leather products, and hides.
4. Objects of art and publications.
5. Representative industrial, agricultural, and mineral products.

Edible Products Other Than Wines and Liquors

Cheese: The "Roquefort" is the most famous of the French cheeses imported into the United States. Although representing only a small part of total United States imports of cheese, there is a special sales organization in the United States and the trade-mark is protected.

There is also a substantial market for "Bleus d'Auvergne." As far as other French cheeses are concerned, such as Camembert, Brie, Pont l'Eveque, outlets are more limited on account of their high price and their risk of deterioration when transported. However, in spite of

¹Wines and liquors will be the object of a detailed study in a later chapter, and for that reason will not be covered in this part of the thesis.

American imitations, French producers by organizing, and as a result of serious study of the question of faster transport and perfect conservation have been introducing their products advantageously on the American market. Cheeses from Italy and Switzerland also have an excellent reputation and a very important place in that market.

A more well-defined idea of the gains being made in this phase of French trade may be gained by noting that the 1949 imports compared to 1953 were as follows: Roquefort, \$1,017,034 and \$1,266,411; Bleu cheese, \$(nil) and \$7,779; others, \$14,173 and \$23,065, respectively. Observations of the relative smallness of these figures will suggest something of the potentiality for growth of this trade.

Perfumes and Oils

Perfumes themselves, where French techniques and products have established a well-merited importance, represent only a small amount of the total of this category. In spite of the development of the American perfume and cosmetic industry, the United States market will continue offering in the future a quite fruitful outlet to high-class French perfumes. Nonetheless, if the French supremacy is indisputable for this kind of product, for many other beauty products, even well-known French brands do not stand out. American cosmetic purchasers, as a rule, prefer well-known national brands, perfectly packaged, yet offered at very moderate prices. Such a combination of qualities is usually available in American stores.

Summarizing, luxurious perfumes, made exclusively in France, are still in demand in spite of their high prices; but it is useless to try to introduce cheap perfumes on the market.

The essences of perfumeries come either from France or from the French Union. There are indicated below totals of the French production, of exports to the United States, and of prices by the "kilo" of a few essences.

TABLE IV
PERFUME ESSENCES²

Essence	French Production (In kilograms)	Exports to U. S. (In kilograms)	Prices (Dollars)
Jasmin	2,000	800	\$3,200
Neroli	1,888	600	750
Lavender	50,000	20,000	40
Geranium Bourbon	50,000	30,000	45
Ylang-ylang	25,000	15,000	50

The failure of various attempts toward cultivation of such essences in the United States during the war, indicates that the competition for this luxury trade will not be of domestic United States origin. Competition comes from Italian bergamot, Argentinian or English lavender, as well as from Brazil and from Spain. Also especially important are synthetic products whose output has considerably increased since 1948, (10 million kilograms compared to 2 million in 1940), and for which prices are very low, averaging only \$1.75 per kilogram.

One should notice that synthetic essences are protected by a specific customs duty of forty cents per pound, plus 37.5% ad valorem.

²Centre National du Commerce Extérieur, U.S.A. (Paris, 1948), p. 49.

In contrast, the natural essences enter in franchise. Prepared perfumes containing much alcohol pay a duty of forty cents per pound, plus 37.5% ad valorem, and a Federal Excise Tax of 20% is charged on each sale to the customer. Naturally, there is a tremendous difference between the net tax on mere synthetic essences and the prepared natural product.

Some further insight into the scope of French perfume industry is provided by the following reference:³

. . . almost every quarter of the globe pays its floral tribute to the perfume workers of France. The distilleries of essential oils in the Department of Alpes Maritimes use annually 5,500,000 pounds of orange blossoms; 4,400,000 pounds of roses; 440,000 pounds of jessamine; 330,000 pounds of violets and an equal quantity of cassia and tuberose. In Besses Alpes, Gard, Drome, Hérault and Var 220,000 pounds of lavender essences; 88,000 pounds of thyme essences; 55,000 pounds of rosemary essences and the same quantity of aspic essence are annually manufactured. Furthermore, the environs of Algiers, Staouelli, the plain of Mitidja and Boufarik (Algeria), annually send to France a contingent of 13,300,000 pounds of rose, geranium, and rosemary. Malaga supplies lavender, rosemary, and thyme; Corsica, geranium; Delmatia, lavender oil; Cyprus, the oils of myrtle and origanum; Mexico the oil linoloe; China the oil of cassia and anise; Calabria the oil of bergamot; Zanzibar, oil of cloves and other spice oils; Rumania, oil of fennel; Holland, oil of caraway; Tuscany, oil of orris; France, Spain and North Africa, oil of thyme; Burma, oil of lemon grass; Asia Minor, oil of origanum and, since the war, otto of roses, formerly supplied chiefly from Bulgaria; Uganda, oil of backhousia; Saint Thomas, West Indies, oil of bay; Paraguay, petit grain oil; French Guiana, bois de rose femelle oil; Malay archipelago, Java and the Philippines, ylang-ylang, patchouli and citronella; Mysore and Madras, oils of sandalwood.

Textiles, Leather Products, and Hides

In the field of textiles, French exports to the United States must be carried on chiefly in semi-manufactured products, especially materials. This is true, because the finished product is charged such

³Americana Corporation, Encyclopedia Americana (New York, 1946), Vol. 21, p. 580.

high duties that, as a rule, it is difficult or impossible for them to compete with domestic products.

As far as fabrics are concerned, whether silk, cotton, wool, or rayon, the French export market in the United States must concentrate especially on articles of high novelty and top quality; that is, the articles more or less neglected by the domestic producers. French products cannot compete in price with United States national industry, which produces standard fabrics of an average-to-good quality in tremendous amounts and at advantageous prices.

A special situation exists however for linen fabrics of which United States production is negligible. In that field, French fabrics meet only foreign competition, particularly that of Ireland and Belgium, and for that reason are placed in a very satisfactory position to expand trade.

Among other unmanufactured or semi-manufactured articles which are important items of French export included as top ranking are: rabbit pelts used in manufacture of furs and felt; feathers (duvets, used chiefly in production of mattresses); angora wool; box calf, of excellent quality for the upper part of shoes or for purses (sacs); and hides for the manufacture of gloves and belts.

As far as finished products are concerned, in first place come lace and gloves.

French lace has always been in very great demand. French gloves used to have a well-established prestige. Although American production has greatly improved during the war, French gloves can expand their present position in the market if prices are reasonable. However, if the American woman is ready to pay a premium of 20 to 25%

for a pair of gloves imported from France, when the price is double she will simply buy the domestic product.

Manufacturers should be aware that only the "classical type" of glove is likely to have a wide market. Certain manufacturers believe that in order to obtain better results, they must specialize in production of highly fancy character. They have created masterpieces and although they have made a few sales, these have been very limited and it is not in that class of product that a worth-while volume of business can be achieved.

French lingerie also finds an interesting market in the United States and can hope to sell at a premium of 20 to 30% over the American article of similar quality, if it is original, pleasing, and made of proper fabrics.

Among other manufactured products should be mentioned hosiery, (les articles de bonneterie), such as pull-over sweaters, socks, and stockings of high quality.

In the field of women's fashions, French dress making, being characterized by the finished product and by the precise fitting (essayage) of the gown on the customer, can only be successfully conducted directly in Paris.

An important number of French models--i.e., original-design apparel items--are imported into the United States where they are copied, either with or without the knowledge and consent of their creators.

The volume represented by the commerce of apparel of original design is, contrary to popular belief, rather small. French dress makers are studying more rational methods to assure for themselves

more of the benefits of their own creations, but the problem is rather complicated. As a result, no satisfactory solution has as yet been devised.

Successful large-scale importation of French dresses into the United States seems to be virtually prohibited by the heavy burden of customs duties, by the pressures American labor unions bring to bear against such imports, and the low prices for which good apparel sells in the United States.

Mass reproduction of French models in the United States, if carefully organized, should be profitable and could form a basis for important additional exports of certain fabrics and accessories needed for their production.

In this case, too, the American market will absorb a product of quality, at a price somewhat superior to the price of a similar domestically produced article; but if the difference is too great, the clientele will turn back to their home product and will be satisfied with it.

To provide some further idea of the trend in French textile imports into the United States, the totals for 1949 and 1953 were as follows: All textiles, \$16,366,766 and \$36,452,150; unmanufactured wool, \$752,036 and \$2,314,843; semi-manufactured wool, \$1,330,685 and \$4,512,080; wool manufactures, \$1,671,616 and \$5,332,256.⁴ It will be noted that finished wool manufactures showed the most promising improvement. Woolens are, however, dealt with in substantial detail in a later chapter.

⁴U. S. Department of Commerce, United States Imports of Merchandise for Consumption--Country of Origin by Subgroup--Calendar Year 1953 (Washington, 1954), p. 18.

Objects of Art and Publications

Objects of Art: For many years France has achieved a place of importance in the "paintings" market of the United States. At the present time the influence of the French artists is very substantial.

This influence is observed in the many expositions taking place every year in the big American museums, as well as private collections and those showings of agents where many objects of art are sold.

One should know that no customs duty is charged on any original work of art, provided, of course, that originality is established.

The distribution of engravures, lithographies, and reproductions of pictures, could be the object of more intensive sales promotion by interested French firms because there is a reasonably good market existing for these articles, as well as for good originals, at a moderate price.

There is an excellent possibility that advertising agencies and large United States printers who specialize in calendars, many of which are of very fine quality, could become a much more significant market for contemporary original works of art.

Publications: The biggest demand is for art books of which Germany is also a major supplier. These are books of superb quality; i.e., the very best grades of paper, genuine choicest leather binding, and superior printing to the degree printing is utilized.

Reviews of fashion and art constitute another substantial form of publication in export demand due to the recognized leadership of French authorities in these fields.

Textbooks for student learning the French language: A certain number of libraries in the biggest cities buy small quantities of French books which they sell in their own stores, the public in

general is therefore reached only by mail-order technique. This method is being experimented with at the present time in the United States, but it is difficult to say as yet what results can be expected. In all likelihood it is a poor substitute for sales representation by salesmen.

The obvious lack of interest on the part of the American public is derived from the fact that the average American does not read very many books. Also, French books as a rule are prepared with paper and bindings which could well be of higher quality, and their price is too high. Among the many Americans who have learned French in the course of their studies, only very few are able to read French readily or are desirous of retaining their knowledge of the language by reading French books. A certain number of them turn instead to English translation published in the United States. Even in regions where French language could have a considerable influence, the population is quite heterogeneous. These areas are in parts of New York, New Orleans, and sections of the Pacific coast. The most important is in the area of New England adjacent to Canada where numerous families are of French-Canadian ancestry. In California there are many French descendants. The distribution of French books is consequently more a cultural than a commercial problem. A reasonable market should be assured among the educated elite of the American public.

Representative Industrial, Agricultural, and Mineral Products

Furniture: French decorative art is well known and traditionally supplies designs, miniature models (maquettes), and more complex parts of furniture made by the most specialized workmen (paneaux prepares),

and some pieces of furniture for museums, hotels, and to individuals for dwellings.

An elite clientele, rather limited but very faithful, buys ancient furniture and collection pieces in France, Great Britain, and Italy. The French share of this market has been very important at certain times and can again become significant.

There is also a market for all good reproductions of "ancients," especially for little pieces which best fit the dimensions of modern apartments (furniture of a provincial style). There is also a good market for a modern style, a little more elaborate with curved surfaces; hence, difficult to manufacture, yet possessing pure and simple lines.

Mechanical Industries: Besides some new machines, it is difficult to expect important exportation of mechanical items to the United States. Bicycles are one exception to the above observation.

In the United States, bicycles do not have the advantage of providing essential means of travel as they do in Europe. Consequently, sport and children's models are most popular. It is difficult to estimate the number of bicycles in use in the United States because bicycles are not registered, at least not in any systematic fashion, as they are in France. Some estimates indicate about twelve million bicycles are in use in the United States. The ordinary-model bicycle is heavy and well finished, and is sold at from \$35 up; the de luxe model, usually light and consequently used for tourism, sells at from \$45 to \$75.

Retail prices of the imported bicycles of the best quality must not exceed \$80 to \$85; consequently, \$30 to \$35 must be the maximum French cost.

Bicycles should be provided with valves having the same standard size as the American. A ready access to replacement parts of a type frequently needed is vital to bicycle sales.

The market is open for the light motorcycle which should not exceed at retail a price of \$300 to \$350. The heavy domestic motorcycle is usually sold for \$750 to \$800, and up to \$1,250 with fancy accessories.

It may again be observed that these markets could best be expanded by having regular-franchized dealers with parts and service facilities.

Toys: The United States market for toys is very important, averaging perhaps \$250 million and upward, but the average French toy does not have any chance of breaking into the market because of packing problems and prices f.o.b. French factories.

A large-sized doll that French factories offer for \$16 would have to retail in the United States for \$50. Obviously, such a price is out of the question, except for an occasional order, being two or three times the competitive level.

Conversely, parlor games, especially chess, can be sold on the United States market. Also certain sports articles such as skis, ski fasteners, ski shoes, swords, fencing helmets and masks, and certain balls are readily marketable.

Watches and Clocks: At the present time, the American importers can get watches from Switzerland at a price varying from \$6 to \$8 as compared to French prices of \$10 to \$14. In addition, American firms mass produce watches at low cost. One firm manufactures 35,000 units daily which retail for \$6.50.

France is only able to compete for the United States watch market with de luxe French-made watch cases utilizing imported Swiss movements.

Imported watches have to support many added costs before being finally sold to the customers. The result is illustrated as follows: A watch with a price of \$9 at the Swiss manufacturers' level bears a \$3 customs levy, allows the importer in the United States 50% on cost or \$6, then the wholesaler has a margin of 25% which brings the cost to the retailer to \$24. By the time a retail markup is considered, the customer must pay about \$40.⁵

Musical Instruments: Increased prices have retarded French exports of musical instruments to the United States. Before the war France was the principal supplier of certain categories of instruments, such as clarinets.

In spite of the great progress made by American producers in this field, there is still a rather important demand for such musical instruments of French manufacture, French reputation being well established.

Some French firms have recently taken the step of providing a permanent repair shop in the United States to service their products, and if prices do not prove to be too high, their export volume will certainly increase. In this last relationship it will be merely noted that when finally sold to the consumer in the United States the price averages about seven-fold the price at the factory.

Spices: The United States consumes a large quantity of spices, such as pepper, cloves, cinnamon, and paprika which comes largely from Hungaria and Spain. Vanilla still is in great demand. In spite of the competition of Mexico, American importers manifest a special interest toward French vanilla. In spite of efforts also made by

⁵Centre National du Commerce Extérieur, Op. cit., p. 42.

American industry to develop the consumption of "vanillin," ersatz used a lot in the preparation of certain flavoring products during the war, various industries are anxious to secure genuine vanilla. The principal consumers are the manufacturers of ice cream who require important quantities every year.

The aromatic mustards (moutardes aromatisees), especially the mustard from Dijon, made fragrant with estragon (aromatisee a l'estrason) has a good chance on the United States market. The same is true of wine vinegar similarly aromatically produced.

Fruits and vegetables: Certain fruits for biscuits and confectionery have an interesting market. Especially marketable are maraschino cherries used for cocktails, fruit confection (fruits confits), and pulps of fruits for cakes. Also all kinds of nuts are available for importation, but American trade requires perfectly sorted nuts, several years' crops must not be mixed. Nuts must be washed, brushed, and be homogeneous as to both size and color.

Other fruits and dry vegetables cannot be marketed in the United States because the domestic production is so strong.

Biscuits: The biscuit industry is thoroughly developed in the United States. As far as importations are concerned, English and Dutch brands are the most famous. There is a market for attractively made and packaged articles conforming to the American taste (gout Americain). Most generally produced are:

1. Specialty-type biscuits, special butter cookies (petit beurre), well-known cookies called "sables," cookies baked in special molds (gaufrettes), and biscuits with jelly centers (biscuits fourres), in addition to "biscuits champagnes," and special cookies of a very delicate type called finger of fairy (doigts de fee).

2. Salted biscuits for cocktails and hors d'oeuvres. Also, the "pain d'epice," which is a loaf-shaped cake of distinctive flavor, could have interesting opportunities.

Preserves: The principal preserved food imported from France used to be sardines, canned salted herrings processed in wines (maquereaux au vin), truffles, liver pasty (pate de foie gras), mushrooms, peas, snails, and certain other cooked dishes.

As far as sardines are concerned, in spite of Norwegian and Portugese competition, French brands still have a large demand, due to the excellence of the product.

The article with the biggest demand at the present time is the skinless sardine fillets packaged in pure olive oil. The most popular sizes are of 4, 6 1/2, and 8 1/2 ounces containing 6 to 10 sardines.

Clay and Glass Products: The most dangerous competition for the French china from Limoges is that imported from Czechoslovakia, Germany, and to a certain extent, Japan. One of the best-selling chinas in the United States comes from England, but has characteristics different from the French Limoges china, being a tender variety called bone china. In spite of that difference, it competes directly with French china and benefits by a relatively lower customs duty.

Also, at the present time, American industries have accomplished material progress in such manufactures, thanks to the immigration of qualified labor during the war. They can offer sets at about 30% over the pre-war prices. Conversely, prices of French sets from Limoges usually are at a price level three or four times as high as prevailed before the war.

As far as art china (statuettes) are concerned, French prices are absolutely prohibitive; hence most of such imported articles come from Italy.

Crystal Products: French prices are too high as compared to British or Swedish. There is however a rather strong demand for French table crystal, with special sizes required by the American market. Unfortunately French crystal is burdened with a very heavy customs duty.

CHAPTER VI

UNITED STATES MARKET OPPORTUNITIES FOR FRENCH WOOLENS

Types of French Materials for United States Import

Materials for Men: It is obvious that the United States woolen industry manufactures all standard materials very effectively. For this reason, and considering the supplementary effects of customs duties, it does not seem that French production has any great chance to participate in the regular market.

French fabrics (in French, draps) are capable of creating a market for themselves, especially in the following two categories:

1. Worsted (in French, "peignes") of first quality which are comparable to the best English qualities, for sale to tailors.
2. Lighter weight worsteds (in French, peignes fins), of fine quality capable of being sold to clothing manufacturers ("confectionneurs") of high quality.

In the first case, the price of such fabrics should not exceed the price of the very fine English quality, which in fact is the only competitor. It should preferably be slightly less costly due to the well-established position of the English fabric in the United States and its old fame.

In the second case, it is essential to notice that the fabric should not weigh more than twelve ounces per yard. With very rare exceptions, there is no market in the United States for quality

fabrics above that weight. In fact, one might well consider a weight of ten ounces per yard to be highly desirable for fabrics of a high quality and great fineness.

French manufacturers must realize that due to climatic conditions and indoor comforts, such as excellent dwelling and automobile heaters, the American clientele wants, especially when the price is paid for it, extremely light fabric. British industry has perfectly understood this requirement for some time which has contributed to their effective marketing.

3. There is also a market for cloth of very fine quality and original types for overcoats. Probably this market is not susceptible to so great development as the two preceding categories may well provide.

Materials for Women: Generally speaking the same observations that have been made relative to materials for men's apparel apply to women's materials. In this field, French exports must also feature materials of a special quality and type. To be successful, French materials must justify, by the quality and fineness of the thread, the weaving process, colors and designs, the premium that the clientele will have to pay for them over the best domestic qualities.

Another important point in the field of fancy materials is the color variety available in the same pattern. In the United States, to reduce production costs, there are usually no more than four colors, or combination of colors, per pattern. If the French imported material, Scotch plaid ("plaid Ecossais") for instance, is offered with six or eight different combinations, it has a better chance to gain acceptance. This is particularly true in selling to elite customers.

Weights to respect for women's apparel are as follows:¹ For gowns, four to seven ounces per yard, with six ounces representing a good average; for a woman's suit (tailleur), eight to twelve ounces per yard.

Prices should not exceed by more than 20 to 25% the best cloth of similar quality produced domestically.

Pattern of United States Distribution of Woolens

1. General organization of distribution of the American product:

The woolen industry in the United States includes approximately five-hundred weaving establishments (called tissages in France), most of them of average importance and chiefly located in Massachusetts, Rhode Island, and Pennsylvania. One such enterprise, the American Woolen Company, greatly exceeds all others in importance.

As a rule, 80% of all woolen materials is used for clothing items, in the proportion of one-third for women's apparel and two-thirds for men's clothing.

The more moderately sized producers of woolens have a tendency to specialize in well-defined types of materials. Usually they manufacture materials for either men or for women, or perhaps they devote their attention to classical-type materials, those of distinct novelty appeal, to inexpensive materials, or to woolens of highest quality. This specialization enables them to produce under more favorable conditions of cost and to meet the stronger firms' competition on a fairly strong basis.

¹"Notes on Imported Woolens," French American Commerce (January-February, 1952), p. 17.

Selling and manufactures are both concentrated in New York where manufacturers have their organizations and selling agencies. These organizations, along with distributing wholesalers, maintain complete sales organizations whose salesmen thoroughly cover the market by travelling throughout the United States.

As a result of their central location these firms are able to most effectively maintain distribution. They may also compare presentation, advertising, and prices, to insure that competition does not gain too much headway over their own distribution system.

2. Sales of material for men: Woolen materials for men are usually sold in the following ways:

a. To manufacturers of ready-made clothing (vetement de confection), who represent by far the most important part of the men's apparel industry. Reliable estimates indicate that there are some 1,400 manufacturers of that kind in New York City, Rochester, Baltimore, Philadelphia, Chicago, Cincinnati, Boston, and Saint Louis.

These manufacturers vary in importance, some of them produce apparel to order for retailers who supply customers measurements (ateliers a facon). Others are important plants which have their own retail stores. Very often they specialize in certain types and quality of clothing. To this major apparel producing clientele, materials are sold in standard bolts rather than precisely cut yardage.

b. To individually operated tailoring shops (tailleurs), producing made-to-order clothing (vetement sur mesure). This kind of clientele has had a tendency to diminish, during the last years, while ready-made clothing has captured most of the market. This is because of the great improvements in techniques of producing ready-made

apparel, as well as the great growth of middle class consumers. Generally speaking, the wealthy and "hard-to-fit" buy custom-made clothing. According to recent data, there are about 7,000 custom or merchant tailors scattered throughout the United States. These have been referred to as old fashioned sit-on-the table tailors who cut and make the entire garment.

Sales to tailors are quite different than sales to manufacturers. Sales organizations in New York City who reach this clientele are compelled to have their own cutting shops (ateliers de coupe), where the materials are cut not by the bolt but by the precise length that is required for each garment.

3. Sales of women's woolen materials:

a. Sales are made to manufacturers of ready-made clothes.

Close to three-fourths of these manufacturers are concentrated in New York City. They are usually firms which specialize in cutting and finishing garments. To this kind of clientele, materials are sold by the standard length bolts.

b. Large department stores or other retailers, who resell the merchandise, by the yard, to the customer who wishes to make her own gown, or perhaps have it made by a dress maker. Sales to these retailers are also made by the bolt.

Sales to individual dress makers (couturieres) or dressmaking firms (maisons de couture) are often made by the precise yardage of the desired fabric. This clientele is very limited, at least as regards their purchases directly from central market sources.

4. Domestic prices of woolen materials:

a. Woolen materials for men: It is rather difficult to give a typical price for materials which vary in weight, quality, and

originality. The best one can do, is to quote an average price on the best domestic quality of each type of material.

Prices mentioned below are wholesale prices in New York City for materials in standard quantities. They include a margin which may range from ten to twenty percent, according to the market, and to the structure of the seller's distributive organization:

Prices for materials of approximately fifty-nine inches in width vary from \$3.50 to \$4.50 per yard for gabardine (weight 10-12 ounces per yard); \$4.50 to \$5.50 for worsteds (12 ounces per yard); \$4.00 for flannel (12 ounces per yard); \$7.50 to \$9.00 for overcoat woollens of various types such as tweeds and coverts (18-20 ounces per yard).²

The only foreign competitor is the United Kingdom. English fabrics arriving in New York now cost the importer from \$6 to \$7 per yard. At those prices, since the importer must add his profit margin, English fabrics cannot be sold to the clothing manufacturer, since he can pay only about \$6.50 per yard. Consequently, English fabrics are chiefly sold to tailors.

b. Woolen materials for women: With respect to these materials, France does not have to deal with foreign competitors, except for "fabrics" for merchant tailors with whom the products of the United Kingdom have acquired the first place (the same is true in men's fabrics); otherwise, the only competition is the domestic supply.

Material for gowns which is 55 inches wide and ranges between about 6.5 to 9 ounces per yard sells at \$3 to \$5 per yard, which is the New York wholesale price. Material of the same width but weighing

²Ibid., p. 18.

10.5 to 13.5 ounces per yard, suitable for overcoats, sells at wholesale at from \$3 to \$5 for light weights and from \$5 to \$10 for the heavier weights.³

Such prices are for the best quality domestic fabrics. Distribution margins vary according to distribution costs, the clientele reached, and services rendered. On direct sales to large cloth-utilizing manufacturers, or to stores, the markup ranges from 10 to 20% of cost.

When the sale is on a semi-wholesale or retail basis but it is necessary to cut pieces to precise length or to deliver very small quantities, the markup can range up to 50% on the cost.

When reselling, the large retail stores include a markup which ranges from 75 to 100% on cost.

5. In the case of imported products, there are two aspects connected with the system of distribution:

a. The distributor acts as an agent. Margin can then be similar to the above-described margins.

b. The distributor acts as both a wholesaler and importer. In this case, he assumes all financial risks. Markups on cost, in this event, are 33% at wholesale and 75% as to retail sales involving disposal in cut and non-standard quantities.

Special Aspects of the Merchandise Imported from France

To get a maximum of efficiency in distributing imported fabrics, distribution and sales should be handled in the same way as for

³Ibid., p. 18.

domestic products. However, it is necessary that different formulas should be adopted in special cases.

If the French firm is large enough to sell on a large scale on the United States market, the usual formula is to have an exclusive distributor in New York City working in the same manner as distributors serving domestic manufacturers and organized in the same way.

The distributive firm can work with, or for, the exporting French firm. The New York distributor can serve just as a commission agent having to carry only the expenses of sales organization, or he can assume the risk of importer and distributor, in which case he assumes full financial responsibility for the entire sales activity.

In either case, the exporter must determine whether his distributor is in a position to develop a distribution organization corresponding to the volume and types of merchandise to be sold and the clientele which is to be reached.

Depending upon volume of such imports, as well as the distribution scope desired, it may be essential to supplement New York distribution by acquiring additional distributors in San Francisco and other important centers.

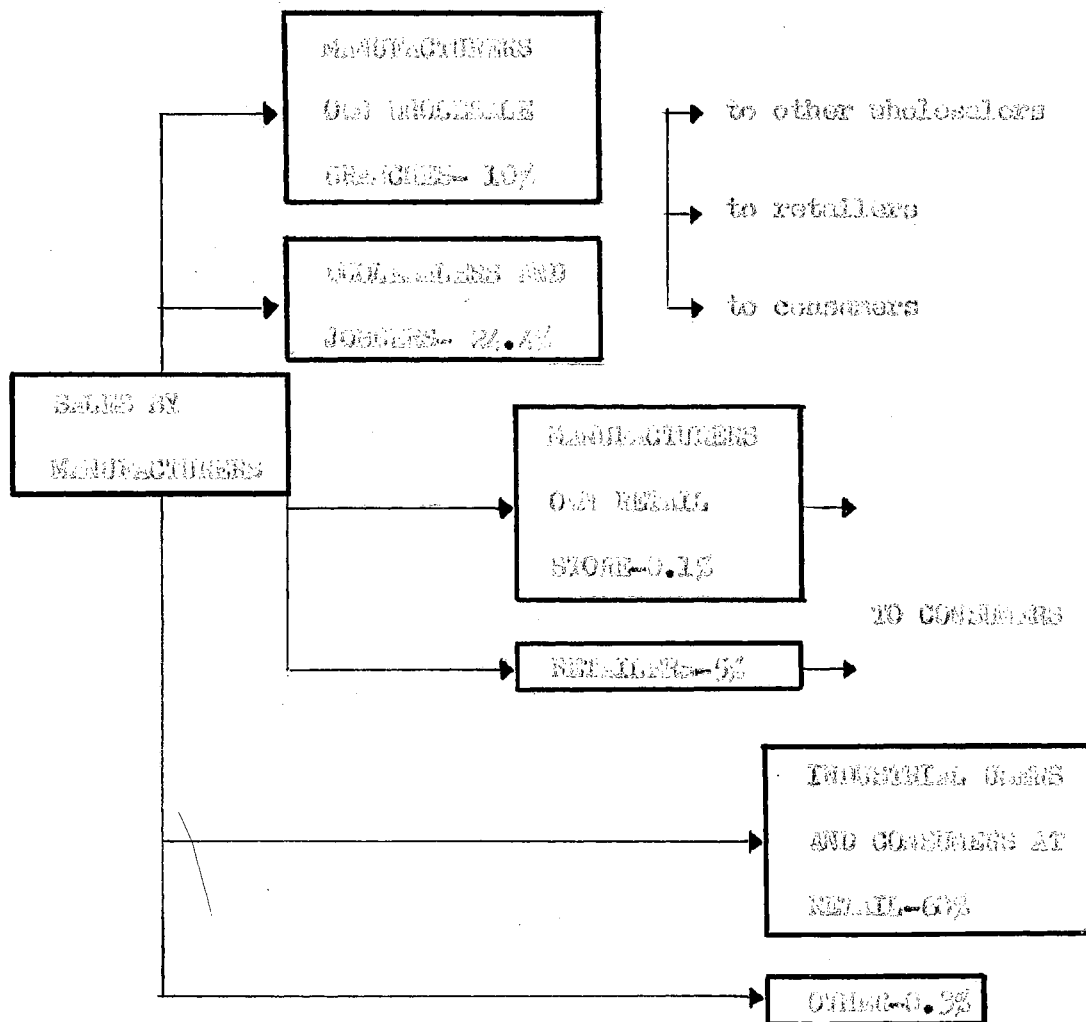
If the volume is insufficient for nation-wide marketing, the firm should devote itself to a few carefully selected regions, not necessarily grouped together. In the event the agent lacks the necessary finances, he should, in agreement with his supplying exporter, use the services of a factor.⁴

For business of less importance, the French exporter should deal with store buyers, or with United States firms having buying offices

⁴See Appendix G for definition of the factor's services.

in Paris, provided they are established. There follows a chart showing the United States channels of distribution for woolen and worsted manufacturers of men's, women's, and boys' clothes. The chart illustrates the percentages of such garments going through different middlemen's hands to reach the ultimate buyer.

ILLUSTRATION III
CHANNELS OF DISTRIBUTION OF COOLERS AND REFRIGERATORS
IN THE UNITED STATES⁵



⁵U. S. Department of Commerce, Selling the United States Market (Washington, 1951), p. 31.

CHAPTER VII

THE MARKET FOR FRENCH WINES AND SPIRITS IN THE UNITED STATES

Preliminary Statement

The French wine industry could greatly expand shipments to the United States. It is for that reason that the writer is undertaking to examine some pertinent factors relating to the likelihood of such expansion being achieved.

If one compares French wine imports with consumption of wine in the United States, it is seen, comparing 1953 with the average for the period 1936-1940, that the French product has sustained a relative defeat in its quest for such market expansion.

Although total wine consumption in the United States for 1953 was 140,778,483 gallons, nearly twice the 72,077,583 gallons average used during 1936-1940, France's share of the indicated consumption declined from 1.97% for the earlier period to only 1.4% in 1953.

This chapter through study of wine consumption, trends of wine imports, distribution problems relating to imported wines, and analysis of prices as related to quality, will endeavor to shed some light upon the unsatisfactory trend of French wine sales in the United States.

Evolution of Wine Consumption in the United States

1. Trend in volume consumed: Since the pre-war period, wine consumption in the United States has almost doubled. Various factors combined to cause this increase in wine use:

a. The increase in population from 130 million in 1936 to 158 million in 1953.

b. The increase in the domestic production, along with a great improvement in the quality of wines produced, especially Californian wines (and in this category, good ordinary table wines).¹

c. The decrease in prices of table wines and dessert wines. The index of wholesale price for table wines dropped from 104.2 in 1947, to 93.7 in 1953. For dessert wines the decrease was still more marked, being from 107.9 in 1947, to 71.6 in 1953.²

d. The decrease in production of strong alcoholic beverages due to the need of alcohol for industry. The impact of this decline in production has recently been still further reinforced by an increase of 17% in the federal tax on strong alcoholic beverages. All this has entailed a change in consumers habits, Whiskey sales have decreased about 10%, while wine sales have been increasing by this same percentage.

e. Also, an important reason which has fostered the wine consumption has been a change in drinking habits of many American soldiers coming back from North Africa, France, and Germany, who have brought back with them a taste for wine.

Can we conclude that the American has become a wine drinker just like the French, the German, or the Italian? No! One can only say that the American is above all a drinker of iced water and coffee

¹ See Appendix H for data pertaining to United States production.

² See Appendix H for detailed indices of wholesale prices for wine.

during his meals. He also drinks beer, especially in summer, and as a rule all beverages with a high sugar content. There has been an increase in the per capita wine consumption for the whole country, from 0.67 gallon in 1947 to 0.89 in 1953; however, the per capita wine consumption is still far behind the per capita consumption of milk, coffee, beer, and soft drinks.³

2. Trend of consumption, as to composition:

TABLE V
WINE MOVEMENT IN THE UNITED STATES BY CLASS OF WINE⁴
(In gallons)

Class	1936-1940 Average	1953
Table	22,338,840*	41,232,068
Dessert	47,295,576*	93,326,778
Vermouth	1,529,875	5,118,673
Sparkling	922,633	2,002,418

*Because the source intermingled the 1936-40 foreign table and dessert wines to the amount of 1,899,541 gallons, this total was assigned 11% to table wines (209,000) approximately, and 1,690,541 to dessert wines on rates of 1941-45 experiences in estimating these asterisked figures.

Dessert wines are the most widely consumed in the United States, with table wines second in importance. Different factors contribute to this situation:

³See Appendix I for detailed data on per capita consumption of various beverages in the United States from 1940 to 1953.

⁴The Wine Advisory Board, Wine Institute Bulletin (San Francisco, 1954), No. 703, p. 5.

1. As has been mentioned before, the taste of the American for beverages with a high sugar content is fundamental.

2. There are regulations which restrict the sales of table wine. All states in the country, except California, forbid the sale of table wine in bulk. Because the cost of cases, bottles, caps and bottling labor in 1936 was twice the price paid to the vintner for the wine itself, this obligation of selling table wines in bottles, has the effect of keeping their prices at a high level. The writer believes that it is only these high prices which still makes table wine consumption a semi-luxury, with resulting limitations of sales. A much larger demand would rapidly develop if these prices were brought down. An evidence of this argument is the strong demand for non-commercial wines, i.e., wines made at home. Their use is one way that table-wine drinkers have to escape these artificially high prices.

Evidence of such a tendency is available as follows:

Between repeal and the time the United States entered World War II, non-commercial wine continued to be produced and consumed in substantially greater quantities than commercial table wine. The quantity of non-commercial wine produced though not reported, is estimated from the quantity of grapes apparently used for that purpose to have been more than 32 million gallons annually during 1936-39. Total commercial production of table wine in the U.S.A. during this time averaged 24 million gallons annually.

The effect of this marketing development has been to shut off from consumers the low-priced ordinary wines in bulk that made up a large part of total sales in this country before prohibition. Unless restrictions on sales in bulk are removed and wine distributors offer low-priced wine in this form, a very substantial segment of the potential market in this country will remain outside the area of commercial wines.⁵

In conclusion it is seen that the wine consumption, in the U.S.A., has doubled in the last thirteen years. But the remarkable fact is,

⁵U. S. Tariff Commission, War Changes in Industry Series (Washington, 1946), No. 24, pp. 34-35.

that each class of wine has proportionately contributed to this increase. The two major classes, table and dessert wines, have respectively doubled, just as did the sparkling wines. The only exception to this rule, is the vermouth, which has increased in a larger proportion. Exceptional circumstances have favored this increase in vermouth consumption, especially the reduction in the production of strong alcoholic beverages, for which reason vermouth is used more and more as an ingredient for cocktails.

United States Production and Foreign Competition,

Analysis of the Competitive Market

TABLE VI

TREND IN THE POSITION OF FOREIGN WINES IN TOTAL SALES
FOR UNITED STATES⁶

(In gallons)

Years	Total U.S. Wine Market	Total Market Imported Wines	Imports % of Total
1936-40 (average)	72,077,583	3,667,473	5.1
1946	140,982,806	4,879,928	3.5
1947	96,660,318	2,267,173	2.3
1948	122,289,907	2,900,537	2.4
1949	132,567,473	3,194,555	2.4
1950	140,379,615	4,667,254	3.3
1951	126,514,019	5,222,463	4.1
1952	137,535,396	5,371,787	3.9
1953	140,679,937	6,156,305	4.4

⁶Wine Institute Bulletin, Op. cit., p. 5.

As to volume: In absolute figures, the market for imported wines has steadily increased since 1936, passing from 3,667,473 in 1936, up to 6,156,305 in 1953. The only exception to this steady increase was a relapse of marked significance in 1946. Various factors probably accounted for this temporary reduction. First, the total United States wine market showed a considerable decline at the same time; second, in 1946, at the resumption of trade between the United States and Europe, the American market which had been deprived of imported European wines for six years, reacted to their availability by placing excessively large orders. A natural consequence was a temporary scaling down of the imports for the next several years. There were other factors entering to accentuate this regression, such as in certain cases, the shipment of inferior quality wines, and the imperfection of the marketing methods of many foreigners, who after a six years' separation from this market, had to get accustomed to its new physiognomy.

The foregoing factors combined, so affected the market, that it was not until 1950 that the imported wine market again reached a level of 4,667,254 gallons. Usage has been increasing consistently since that time.

In 1953, imported wines represented 4.4% of the total United States wine market. This represents an increase over the amount imported in 1952 of 14.6%. In comparison, the increase of domestically produced wines, during the same period, was 2% for Californian wines, and 0.35% for wines of other states.

As to composition: Changes in the tariff structure, as well as

changes within the American market account for the shift in quantity and character of imports.⁷

TABLE VII
TREND OF IMPORTED WINES SOLD ON UNITED STATES MARKETS⁸
(Period 1936-1953, inclusive--in thousands of gallons)

Year	Type of Wine ⁹				
	Table	Dessert	Vermouth	Sparkling	Total
1936-40 (average)	209*	1,779*	1,265	513	3,667
1941-45 (average)	281	2,546	579	104	3,491
1946	941	2,370	1,159	546	4,880
1947	535	689	862	182	2,267
1948	889	658	979	375	2,901
1949	1,158	584	1,021	431	3,195
1950	1,882	708	1,484	593	4,667
1951	2,339	694	1,545	644	5,222
1952	2,557	670	1,601	543	5,372
1953	3,023	750	1,779	604	6,156

*Estimated from a combined total.

The tremendous increase in table wine has been most striking, representing over a nine-fold increase, while dessert wines declined

⁷U. S. Tariff Commission, Op. cit., p. 60.

⁸Wine Institute Bulletin, Op. cit., p. 5.

⁹See Appendix J for definition of various types of wine.

to about 30% of the 1941-1945 average. Vermouth and sparkling wines reflected fairly steady but quite modest increase, except perhaps in years of short supply.

Various factors accounted for these shifts in the demand for imported wines, among which should be mentioned:

1. The fact that the sudden increase in use of table wines, and decrease in use of dessert wines, started right after the Geneva Agreements of 1947. In the Geneva Agreements duties on table wines were reduced more than those of other wines, having been cut from a range of seventy-five cents to \$1.25 per gallon, to a uniform rate of forty cents per gallon. On the contrary, dessert wines did not benefit from any reduction, the rate being maintained at \$1.25 per gallon.

Not only is there a big difference between the forty cent tariff applied to table wine and that of \$1.25 per gallon applied to dessert wine, but prices of dessert wines are also much lower than prices of table wines; therefore, the impact of the duties on dessert wines is much more prohibitive. Equalization in this respect could substantially expand their market.

Thus it is observed that the Geneva Agreements played an important part in causing table wines to replace dessert wines for the leading share of the imported wine market of the United States. Analysis of the following table discloses that 1953 prices from South American sources rose relatively by an average of 46% compared to a 101% average increase on European wines.

Another factor that contributed to this shift in importance between the two categories of wine, was the trend of prices of American

TABLE VIII
 VALUE OF IMPORTED TABLE AND DESSERT WINES¹⁰
 (In dollars per gallon)

Year	Table Wines--By Source						
	France	Italy	Germany	Argentina	Chile	Spain	Portugal
1936-39 (average)	\$2.62	\$1.28	\$4.17	\$1.13	\$1.58	\$2.83	\$2.71
1946	7.78	3.40	9.99	2.29	2.69	3.32	3.87

Year	Dessert Wines--By Source				
	France	Italy	Argentina	Spain	Portugal
1936-39 (average)	\$1.80	\$1.62	\$2.23	\$1.64	\$1.73
1946	4.80	2.50	2.21	3.32	2.42

wines. The index of wholesale table-wine prices declined from 104.2 in 1947, to 93.7 in 1953. The index of wholesale dessert-wine prices changed from 107.9 in 1947, to 71.6 in 1953.¹¹ The sharp decrease in the prices of American dessert wines has consequently been much more drastic than the price decline on table wines. Comparatively, their competitive position for the total American wine market has become much stronger, than that of table wines.

The writer will now analyse the competitive aspects of the imported wine market, considering predominant wine importing nations.¹²

¹⁰U. S. Tariff Commission, Op. cit., p. 66.

¹¹See Appendix H for detailed index of wholesale prices for wine.

¹²See Appendix K for data on receipts from the main importing countries, by class of wine.

Italy: This country provides chiefly table wines and vermouths (1,269,236 and 1,255,664 gallons respectively, in 1953). From Italy dessert wines and sparkling wines are also imported in more modest quantities (56,818 and 40,155 gallons respectively, in 1953).

Italy has considerably strengthened its position in comparison to the pre-war years. In 1938, Italian wine exports to the United States amounted to only 280,000 gallons of table wine, and 778,000 gallons of vermouth.

Also, since 1947 Italy has become the leading exporter of wine to the United States, succeeding France. Her share of the import market for 1953 was 42% of the table wine, 70.5% of the vermouth, and 42% of the total.

Spain: This country is the chief exporter of dessert wines which possess a very high content of alcohol (20%). Of a total importation of 750,133 gallons in 1953, Spain provided 476,000 gallons. This amount represented only a slight increase over the pre-war figure of 390,000 gallons. Failure to expand volume can be attributed to the maintenance of high duties on dessert wines, the development of domestic production, and major decreases in the price of American dessert wines.

Germany: This important wine-producing country has practically doubled its trading position. In 1938, she exported 116,000 gallons of table wines; in 1953, 284,825 gallons. Most of the German wines are represented by Rhine and Moselle wines which are in very strong demand by certain categories of consumers, especially in the middle west where an important part of the population is of German origin.

France: This country is the second most important source following Italy. France provides table wines, (961,269 gallons in

1953), and vermouth and sparkling wines in about an equal proportion, (512,601 and 533,923 gallons respectively). Comparing the trend in the composition of French wine exports to the United States, to the trend in the composition of the total imported wine market, one finds that French wines have rather closely followed the general market shift; i.e., their sales have increased the most in the table wine category. Imports from France have decreased greatly in dessert wines, and have increased rather steadily in vermouth and sparkling wines, although at a lesser rate than for table wines. This is portrayed by the following exhibit:

TABLE IX

TREND IN COMPOSITION OF IMPORTS OF FRENCH WINES INTO
THE UNITED STATES¹³

(In thousands of gallons)

By Classes	1953	1936-40 (average)
Table	961	459
Dessert	6	86
Vermouth	513	367
Sparkling	534	465
TOTAL	2,014	1,377

Although in absolute figures, the exports of French wines to the United States during 1953 indicate a considerable increase over the

¹³Notes on Imported Wines, "French American Commerce, VI (January-February, 1954), p. 22.

period 1936-1940, the figures when compared to the evolution of the total wine market or of the total imported wine market, show that sales of French wines are increasing at a lesser rate than the overall development of either of these two markets.

During the period 1936-1940 French wines constituted 1.97% of total United States consumption, but by 1953, this figure was 1.4%. Similarly French wines which were 37.5% of all imported wines declined to 31%.

Why does France not keep up with the increase of these two markets? It is not production problems that have retarded the development in the sales of French wines, since as a whole they again deserve their reputation for high quality which they had before the war. Neither is it a problem of quantities available, since France still has an important surplus of production. The problems met by French wines are distribution problems which the writer will attempt to analyze next in a study of the various steps in the distribution of French wines in the United States.

In summary, then, Italy, France, Spain and Germany are the main exporters of wine to the United States market. Together they account for 87% of the imported wines. The remaining 13% is supplied by a large number of other countries, each contributing only a small amount.

Problems Affecting Distribution of French Wines in the United States

One of the greatest difficulties in further development of sales of French wines in the United States lies in their prices.¹⁴

¹⁴See Appendix L for comparative price list of imported wines.

French wines have been, and still are, too expensive. Independently from their basic price at time of departure from France, one must recognize that the reason for their high retail price (besides the transportation cost, insurance, customs duties, and excise taxes) is the cost of distribution.

In most cases distribution of imported wines in the United States is effected by means of three successive intermediaries: importer, wholesaler, and retailer, whose markups are respectively, between 15 and 25% for the importer (this mark-up being calculated on the landed-price of the products--spirits, 15%; liquors, 17%; wines, 20-25%); for the wholesaler, 33% on spirits and 40% on liquors; and for the retailer, 50% on wines. These high markups have been consolidated somewhat as the result of price control policies during the war. They may be higher or lower depending upon the categories of products and their volume. In all cases, this accumulation of intermediary costs and profits is incorporated into the price of the product shipped from France. Thus, when transportation, insurance, and taxes have been added, the price of imported wine to the American consumer is four to five times what it was upon leaving France.

The distribution systems vary in different States, but in most of them, due to the system of licenses and complexity of the distribution, it is impossible to escape the "chain" i.e., the importer, wholesaler, and retailer. The importer plays, at the present time, an important part in the distribution, since most of the time he is an exclusive national distributor selling the brands that he represents throughout the United States.

One might think to reproach him, but when his firm is a very important one, distributing American products, such as bourbons, gin, or scotch whisky, it is natural for him to bring his efforts more especially to bear on these products, that have a sales volume infinitely more important for the profit of his firm than the French wines, champagnes or spirits would yield. Still more importance is given to this consideration by the fact that certain of these large importing and distributing firms are under the financial control of the big wine producers of this country.

As explained in the publication "War Changes in Industry":

In recent years, the four largest whiskey-distilling companies entered the California wine industry and now control about one third of the total output. The financial strength of these companies, also controls a number of the most important New York liquor and wine importing houses.¹⁵

It is indeed a dubious matter to be in a position where you must place your future in the tender hands of your bitterest opponents.

Certain distributing firms of less importance which have a smaller variety of products to sell, can more profitably undertake the sales of French wines, in addition, they have a definite incentive and can devote more permanent effort to development of volume sales.

On the other hand, the large American importers have at their disposal a network of distribution that enables them to develop the sale of French products far more effectively than smaller firms of only regional or local coverage--provided they wish to do so.

Lately, a strong tendency has been developing toward a simplification of the distribution of imported wines and spirits. Certain

¹⁵U. S. Tariff Commission, Summaries of Tariff Information (Washington, 1948), Vol. 8, p. 37.

big stores, hotels, and many retailers, both package stores and liquor stores, buy wines and spirits directly abroad or purchase them there through a broker or commission representative, afterwards importing them themselves, (or by using the service of a wholesale importer). Wines imported in this way are usually sold with a label carrying the name of the retailer.

These imports usually are conducted by means of brands which are either not very well known, or have not yet been introduced to the American market. Competitive brands have contributed to the development of the sales of certain French wines, but have enabled a lowering of price for these wines perhaps rather frequently to the detriment of the quality.

This development has probably caused some indirect injury to the position and prestige of traditional importers who have had exclusive agencies in the United States for famous well-known brands.

It is certain that this recent tendency to force prices down, is in conformance with the trend of the American wine market. The connoisseur of former times who appreciated excellent and expensive wines, is being replaced by the average American who wants to buy wines of a good average quality at reasonable prices, without any particular concern about a guarantee such as accompanies well-known brands sold at higher prices.

Another difficulty in the sale of French wines in the United States lies in the fact that restaurants, hotels, bars, and night clubs charge an excessive margin on the sale of French wines and spirits and frequently mix the drinks all too lightly to permit them to maintain quality standards.

Restaurateurs and distributors of like types try to justify the high price that they ask the customer to pay for French beverages by the fact that their volume of demand for such products is rather limited and claim that they must take a large margin on each unit that they sell. This explanation is not in line with merchandising experience which suggests that if the prices charged at the consumption level were not so high, the volume of sales consequently would increase.

Likewise it is true that in many restaurants, hotels, and night clubs the experience of the specialized personnel handling wines and liquors does not allow them to handle and offer the wines in the proper fashion for best results in building sales.

The problem of prices of French wines has been especially prejudicial lately to champagnes. In spite of the fact that consumption of champagne and other sparkling wines manufactured in the United States has increased 9% to a total volume of 200,000 gallons, imports have gone down 17%.

Champagne, besides being consumed in restaurants and nightclubs, where it is sold at excessive prices, is consistently viewed as a wine of ceremony to be consumed only on certain special occasions. A prohibitive price tends to reduce the market, not only to the benefit of other beverages such as whiskey, but also to the benefit of American champagnes and sparkling wines, of a less desirable quality, but often available at much lower prices.

Price and Quality Elements

In relation to the important matter of quality, it should be pointed out that, just after the end of World War II, French wines

returned to United States markets in an ill-advised manner. Overly rapid shipments were made to an eager and lucrative United States market which had long been deprived of French wines. Needless to say, not only were such shipments sold at excessive prices, but often the wines were of less than typical quality. A disappointed market rejected the inferior portion of such imports which became "distress" or clearance goods to be disposed of at rather drastic discounts. This unfortunate re-entry left a bad impression on American trade for a considerable time.

The tedious period of re-establishing standards has now been completed, and the quality of French wines has greatly improved; however, certain reoccurrences develop, and one must deplore recent shipments of low-grade French wines, sent in barrels and bottled in the United States in a very rudimentary condition, and retailed at less than a dollar per bottle, in contrast to which many domestic wines sell at \$1.50 to \$2.00. Also should be deplored certain shipments, of the same general type, made not very long ago, as a result of triangular trading negotiations with certain foreign countries, including the Netherlands, as intermediaries.

Disruptive trade operations of this type, especially where manipulated by those very secondarily interested in the long-range well-being of French wines in major markets, are not easy to curb. This kind of business seems fortunately to have terminated. Controls are being established to govern the quality of the wines leaving France, which is the only effective method of eliminating this hazard.

The quality of wines shipped from France must be perfect and stable, and so too should be the bottling, packaging, advertising claims and public relations.

Wines, especially vermouths, should be limpid and free of any deposit because the American consumer has become used to perfectly clear wines.

Besides a very limited market for wines of exceedingly high quality (vins fins) which are sold at retail at a high price, it is certain that there exists an important market for wines sold at retail in package stores at \$2.50 to \$3.50 per bottle. There is a still more important market demand for wines to retail at \$1.50 to \$2.50 per bottle.

Recently, certain types of French wines have been particularly successful. Among the sparkling wines, the "Bourgognes Champagnes" wines produced near Dijon, have sold very well, and in the table-wine category, certain "vins roses" have also sold very well because, being neither white or red, they are no problem to the housewife who otherwise is often puzzled about the proper degree of temperature at which to serve them, and whether they should be used with meat or fish.

The tendency of new consumers is to like and approve simplicity in the choice that is offered by the retailer. It is possible that French appellations, except in the case of exclusive wines, "vins fins" which are sold at very expensive prices, are too numerous and complicated. Development and effective advertising of a small number of carefully chosen trade-marked brand names on wines of average price and good sound quality should go far to overcome a factor in customer uncertainty which becomes sales resistance. Such brand names should be easily pronounced in English, yet retain a distinctive import atmosphere and flavor.

Thus, it is seen that there is a need for adapting to economic conditions that have considerably affected the social aspect of the

United States in the last fifteen years, to insure that French wines will obtain a more important share of the United States market for wines.

Liquors, Cognac, and Armagnac

The market for French liquors is essentially the same as it was in 1938. In 1938, exports of French liquors to the United States reached 156,000 gallons (with an average alcohol content of 30%) for a value of \$912,205. In 1952, exports amounted to 157,358 gallons, valued at \$1,094,506. Of the foregoing totals; however, brandy represented 270,000 gallons in 1938, compared to 334,000 gallons in 1952.

French liquors, although still being in a preponderant position, compete seriously with those of England, Denmark and the Netherlands. They also compete with domestically manufactured liquors compared to which they are at a disadvantage, due to the tax system. Excise duties for American manufactured spirits are levied on the actual content of alcohol; whereas, duties for imported liquors are levied arbitrarily on a minimum assumed 50% of alcohol, even if the actual content is less. This seems to have no rational explanation except in sheer protectionistic philosophy.

Of a total quantity of imported brandies, for 1938, of 665,000 gallons, French brandies represented 617,000 gallons valued at \$3,080,000. In 1952, the United States imported more than 857,000 gallons, of which the share of France was 667,000 gallons worth \$4,213,000.

It is certain that brandy consumption has not increased very much in recent years, probably due to several factors:

1. Sales of brandies have suffered from the importation of brandies of an inferior quality at very low prices.

2. Sales of brandy meet strong competition from whiskey. Particularly is this true in bars and restaurants where cognac is sold at much higher prices than whiskey.

A program of propaganda and education financed by the producers of cognac and the American importers was begun about a year ago. Running concurrently with the individual advertisements for different brands of cognac, this program had as its chief purpose the influencing of an action in depth on public opinion, through various popular advertising medias.

This campaign aims at redeveloping with the American public the habit of using cognac, not only in small glasses but also in other forms as in recipes, and to promote appreciation of its unique value. It is hoped to stimulate sales by increasing the interest of restaurants, bars, and nightclubs, and thus to encourage those distributors in the sale of cognac.

CHAPTER VIII

SUMMARY AND CONCLUSION

The writer feels that in the present study he presented a fairly complete picture of the French trade with the United States; demonstrating, first, the necessity of developing such trade between the two countries, then giving an insight into the principal outlets for French products in the United States, finally, setting forth in detail the special marketing aspects of two vital branches of French exports to the United States (woolen products and wines).

The writer arrived at these findings, through the study of many different publications, books, magazines, bulletins which are detailed in the bibliography; also, through a patient study and computation of official statistics, as well as direct talks and correspondence with the French Commercial Attaches in Washington, New York City, and New Orleans.

It is a necessity for French economy to develop exports to the United States, in order to achieve equilibrium of the French commercial balance, upon which depends the value of the "franc" and the health of the whole economy.

Besides this vital necessity, one should not overlook the attractive profit opportunities offered by the American market. Although the launching of a new product will require more patient efforts and larger investments than would be required for any other market in the

world. On the other hand, the profits that are normally to be expected, are bigger than on any other world market, due to the dimensions of this market and the buying power of its population.

Only high quality French products will succeed in gaining acceptance by the American market. It would be vain to try to compete in the categories of ordinary-quality products with the tremendous power of American mass production methods. However, the writer feels that a clear-cut line should be drawn and recognized, between the notion of high-quality product and the notion of fancy high-priced product. France, in every field, must cease relying on exceptionally rich people to buy her products. These classes of customers, have been, and are more and more, socially and economically dwindling in importance.

In other words, France must sell high quality products, at a reasonable price, to middle-class consumers.

To this end, the French manufacturer needs to change his psychology, which has caused him to be too much concerned about the outstanding quality of his product, and too little impressed by the possibility that his product might or might not be marketable. He must constantly keep in touch with the United States market and adapt to all its fluctuations and structural changes. In these respects, it is only by considering the American market as a special objective in itself, rather than as a last-resort outlet to his exceptional or surplus production, that the French manufacturer will build a faithful and consistent market clientele in the United States.

French prices are generally too high, and subsequently often constitute an obstacle to greater development of French exports to the

United States. The solution to this problem lies in both economic reform within the French economy, and a new trade policy on the part of the exporters.

Needless to say, French products would welcome a more favorable tariff policy in the United States. Such liberalization, were it substantial, could well have the effect of materially increasing exports of perfumes, spices, food specialties, woolen cloth, linen products, leather gloves, art products, dinnerware, cheeses, wines, cognac, and numerous other items to the United States.

Perhaps of almost equal consequence, since no immediate drastic reduction in tariffs appears to be in prospect, are the problems of clearing perishable items like certain cheeses through customs more rapidly, assessing import duties on more similar valuation bases at various ports than has been true, calculating tariffs on some consistent basis rather than the present policy, used in the case of perfumes and liquors, which is quite arbitrary, and recognizing certain tax concessions given by the French government on exported products, by excluding them in valuation processes. These are fair and reasonable requests which would be most helpful.

In France itself, economic reforms, furthering the elimination of too many marginal enterprises, will be a main step in achieving a sounder competitive pricing basis.

As a keystone for a new trade policy, group action by the exporters, especially for the promotion and maintenance of uniformly high product standards on the United States market, should lower their marketing costs, and increase their sales volume and competitive effectiveness.

French political stability also has a big impact on export trade. By such a stability only will France retain complete confidence and a more friendly attitude from the American business men and more important yet, the general public.

Finally, it seems of striking importance to the writer to mention that American business men will always deeply appreciate that someone who has crossed the ocean has paid him a visit, and will reciprocate the good will. The representative of the French firm who comes on such a trip should have an important position within his firm, speak the American language fluently, have a thorough knowledge of both production and marketing problems, especially of his product.

Strong links of friendship between the United States and France are not so remote. Business in the interest of all should make use of this close relationship between the two countries, and at the same time, business should keep alive and promote such relationship. This final part might seem a digression, but the French business man coming to the United States with awareness of these facts would certainly achieve substantial success, and would be a big asset to any exporting firm.

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APPENDICES

APPENDIX A

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APPENDIX B

COMPOSITION OF FRENCH FOREIGN TRADE--1948¹

<u>Imports</u>	<u>Percentage</u>
Alimentary (food) products.	27.2
Raw materials	58.2
Manufactured products	14.6
	<u>100.0</u>
 <u>Exports</u>	
Alimentary (food) products.	14.3
Raw materials	32.2
Manufactured products	53.5
	<u>100.0</u>

¹Jean Fourastie, L'Economie Francaise dans le Monde (Paris, 1950), p. 106.

APPENDIX C
FRENCH IMPORTS OF AMERICAN PRODUCTS²

(In thousands of dollars)

Group of Products	1938	1950	1951	1952
Machinery and Transportation Equipment	\$24,605	\$116,276	\$111,546	\$106,001
Raw Cotton	23,859	109,589	99,949	59,892
Cereal and Preparations	1,334	19,925	26,007	38,705
Coal, Coke and Lignite	98	870	54,102	35,942
Copper	7,050	7,201	9,644	26,250
Petroleum and By-products	39,814	11,060	16,703	11,029
Industrial Chemicals	1,947	5,618	13,408	10,820
Siderurgy (Metallurgical Products)	1,077	9,467	10,016	8,382

The figures above represent the principal products imported by France from the United States, accounting for more than 80% of total imports.

² Ambassade de France, Op. cit., p. 30.

APPENDIX D

SPECIAL CATEGORIES

As far as commercial balances are concerned, it has become almost impossible to make an exact evaluation by monetary zone or by country. Since 1950, United States export statistics, by country of destination, no longer contain products classified as "Special Categories," and do not give an exact picture of commercial sales made by the United States.

These "Special Categories" which are not mentioned in customs statistics, are not necessarily armaments, but include any article having a strategic importance such as, aeroplane gasoline, tires for trucks and aeroplanes, lubricants for cars, and like items. These products are no doubt often the object of purely commercial transactions, and their exclusion from the statistics has had the result of under-estimating United States sales on certain markets.

APPENDIX E

UNITED STATES IMPORTS OF FRENCH PRODUCTS³

(In millions of dollars)

<u>GROUP</u>	<u>YEAR</u>	
	<u>1951</u>	<u>1952</u>
Metallurgical	\$79.3	\$26.2
Alcohol	50.1	11.6
Beverages	14.3	13.1
Wool and related products	10.1	12.6
Art and related products	6.0	8.3
Rayon products	9.4	6.7
Leather and hides	7.6	6.3
Cotton products	7.8	6.2
Silk products	5.5	5.1
Feathers	2.3	4.6
Machines and tools	0.8	4.3
Furs and related products	2.7	3.4
Perfumes and toiletries	3.9	3.3
Oils	2.0	3.2
Jute packing materials	3.0	3.0
Precious stones	3.0	3.0
Manures	1.8	2.4
Tar by-products	1.5	2.3
TOTALS	\$211.1	\$125.6

It will be noted that United States imports from France actually totalled \$263 millions and \$167 millions for 1951 and 1952, respectively. The sharp decline during 1952 was largely attributable to reduced volumes of steel and alcohol for Korean war demands. The totals vary from those set forth above, including thousands of miscellaneous items not included in major groups.

³Ibid., p. 40.

APPENDIX E, Continued

UNITED STATES IMPORTS OF FRENCH PRODUCTS COMPARED

TO THE DOLLAR AREA IN 1953

(In thousands of dollars)

<u>Products</u>	<u>United States</u>	<u>Dollar Area</u>
Animals for food	\$ 2	\$ 2
Meat	499	687
Milk and eggs	1,377	1,445
Fish	502	921
Cereals	37	69
Fruits and vegetables	3,992	5,239
Sugar	519	561
Coffee	1,352	1,852
Feeds	255	256
Miscellaneous	73	97
Food products totals	<u>\$ 8,608</u>	<u>\$11,129</u>
Beverages	\$15,166	\$24,514
Tobacco	2,028	2,031
Beverages and tobacco totals	<u>\$17,194</u>	<u>\$26,545</u>
Hides	\$ 6,071	\$ 6,757
Rubber	108	108
Wood	97	102
Pulp	29	29
Textile Fiber	6,076	6,681
Fertilizer	552	621
Metal ores	3,260	3,260
Miscellaneous	2,195	2,409
Crude materials totals	<u>\$18,388</u>	<u>\$19,967</u>
Mineral fuels	<u>\$ 1,567</u>	<u>\$ 1,567</u>
Mineral fuels total	<u>\$ 1,567</u>	<u>\$ 1,567</u>
Oil fats	<u>\$ 1,274</u>	<u>\$ 1,427</u>
Oil fats total	<u>\$ 1,274</u>	<u>\$ 1,427</u>

APPENDIX E, Continued⁴

(All data in thousands of dollars)

<u>Products</u>	<u>United States</u>	<u>Dollar Area</u>
Chemicals	\$ 4,264	\$ 4,783
Mineral tar	1,060	1,061
Colouring materials	527	1,470
Medicinal products	788	2,662
Essential oils	6,941	8,768
Fertilizer and manure	1,650	2,728
Explosives	774	2,276
Chemicals totals	\$16,004	\$23,748
Leather	\$ 1,643	\$ 2,104
Rubber	2,224	4,481
Wood	955	1,411
Paper	1,125	1,416
Textile	26,125	36,911
Minerals	4,615	7,927
Silver	3,251	4,024
Base metal	47,473	72,559
Misc. metal	1,939	7,953
Manufactures totals	\$89,390	\$138,786
Machinery	\$ 6,180	\$23,261
Electrical machinery	809	4,373
Transport equipment	165	11,633
Equipment totals	\$ 8,802	\$39,267
Building	\$ 139	\$ 211
Furniture	565	785
Travel goods	1,568	1,861
Clothing	5,701	6,983
Footwear	175	222
Professional instruments	2,439	3,525
Misc. manufactures	9,222	12,625
Totals	\$19,809	\$26,212
Postal	\$ 1,904	\$ 4,498
Live animals	219	244
Miscellaneous totals	\$ 2,123	\$ 4,742
Grand total	\$183,159	\$293,409

⁴O.E.E.C., Statistical Bulletins Series 4, (Paris, 1954), p. 10.

APPENDIX F

EVOLUTION OF FRANCE AS SUPPLIER OF THE UNITED STATES MARKET

COMPARED TO THE EVOLUTION OF THE OTHER WORLD SUPPLIERS⁵

(In millions of dollars)

Country	1938		1950		1951		1952	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank
Canada	\$ 267	1	\$1,960	1	\$2,275	1	\$2,385	1
Brazil	98	6	715	2	911	2	808	2
United Kingdom	118	3	335	4	466	3	485	3
Cuba	106	5	406	3	418	5	438	4
Mexico	49	13	315	6	326	8	411	5
Venezuela	20	25	324	5	324	9	396	6
Columbia	49	12	313	7	362	6	384	7
Malaya	112	4	310	8	426	4	382	8
Chile	28	20	160	13	203	18	286	9
Indonesia	69	8	156	15	266	12	276	10
India	58	10	259	9	297	10	272	11
Philippines	94	7	236	10	284	11	236	12
Japan	127	2	182	12	205	17	229	13
Germany	65	9	104	24	233	14	212	14
U.E.B.L.	42	16	140	19	216	16	191	15
West Indies	21	24	158	14	160	19	178	16
France	54	11	132	20	263	13	167	17
Argentina	41	18	206	11	220	15	159	18
Nederland	31	19	85	25	118	25	157	19
Italy	41	17	109	22	140	20	157	20

⁵Ambassade de France, *Op. cit.*, p. 21.

APPENDIX G

FACTOR--A DEFINITION

The factor is a kind of banker-dealer, who specializes in a branch or in similar branches, guarantees, finances, supervises the operations of an importer or an agent without in anyway substituting himself for him. This system provides the means of operating to specialized enterprises which do not have the necessary capital. The factor, most of the time, has premises that allow him to provide the firm he finances, with office, warehouses, displayrooms.

He is paid by a commission on the sales of the importer, or by a share of the commission of the agent. This commission varies from 1 1/2 to 2% when the factor intervenes only to give a financial guarantee. It can go up to 5% when the factor provides other services and material facilities.⁶

⁶Centre National du Commerce Extérieur, Op. cit., p. 58.

APPENDIX H

1. TREND IN TOTAL DOMESTIC WINE OUTPUT⁷

(In thousands of gallons)

	<u>1936-1940</u> <u>(average)</u>	<u>1953</u>
California	61,314	118,378
Other States	<u>7,096</u>	<u>16,146</u>
	68,410	134,524

2. WHOLESALE PRICE INDICES, DESSERT AND TABLE WINES⁸

(1947-1953, inclusive)

<u>Year</u>	<u>Table Wine</u> <u>(Percentage)</u>	<u>Dessert Wine*</u> <u>(Percentage)</u>
1947	104.2	107.9
1948	98.0	97.9
1949	97.8	94.2
1950	99.1	86.6
1951	103.4	86.4
1952	94.5	71.6
1953	93.7	71.6

*(1947-1949 average=100% base)

⁷The Wine Advisory Board, Wine Institute Bulletin No. 703, (San Francisco, 1954), p. 3.

⁸Ibid., p. 13.

APPENDIX I

ESTIMATED PER CAPITA CONSUMPTION OF VARIOUS KINDS

OF BEVERAGES IN THE UNITED STATES⁹

(Average 1940-1949; and by years, 1950-1953, inclusive.)

(In gallons)

Kind of Beverage	Average 1940-1949	1950	1951	1952	1953
Milk	36.3	35.1	35.7	35.7	35.7
Coffee	28.9	28.5	28.9	29.3	29.3
Beer	16.4	17.0	16.8	16.9	16.8
Soft drinks	7.0	7.4	7.6	8.2	8.4
Tea	6.8	6.8	7.2	7.2	7.9
Fruit juice (canned)	1.4	1.6	1.7	1.6	1.5
Fruit juice (frozen)	0.1	0.6	0.8	1.3	*
Distilled spirits	1.3	1.3	1.3	1.2	1.2
Wine	0.8	0.9	0.8	0.9	0.9
Misc. vegetable juices	0.5	0.6	0.5	0.6	0.6

*Data unavailable

⁹Ibid., p. 6.

APPENDIX J

DEFINITION OF VARIOUS WINE CATEGORIES

TABLE WINES:¹⁰

Table wines are still wines produced from grapes, containing, except vermouth, not more than 14% alcohol. Such varieties are commonly known as table wines, although they are also called "natural," "light," and "dry" wines.

DESERT WINES:¹¹

Dessert wines include all commercial wines, except vermouth, containing more than 14% alcohol, by volume. They are usually taken as an appetizer, or at the end of the meal. They contain from about 17-20% alcohol, part of which is derived from the grape spirits or is added in the process of fortification.

VERMOUTHS:¹²

Vermouths are blended still wines of the dessert type, flavored with aromatics, and usually containing about 19% alcohol. Vermouth is used in the United States principally as an ingredient in mixed drinks.

SPARKLING WINES:¹³

Sparkling wines are so-called because they contain "carbon dioxide" gas which causes the wine to effervesce. The gas is incorporated in the wine by secondary fermentation induced by the introduction of sugar and yeast into the basic still wine, within the tightly corked bottle or tank. Champagne is a luxury product and its consumption, which is associated mostly with special or festive occasions, tends to vary with the national per capita income.

¹⁰U. S. Tariff Commission, Summaries of Tariff Information (Washington, 1948), Vol. 8, p. 33.

¹¹Ibid., p. 37.

¹²Ibid., p. 41.

¹³Ibid., p. 30.

APPENDIX K

IMPORTS OF WINE BY CLASSES INTO THE UNITED STATES FOR 1953¹⁴

(In thousands of gallons)

Country of Origin	Table	Dessert	Vermouth	Sparkling	Total
France	961	6	513	534	2,014
Italy	1,269	57	1,256	40	2,622
Spain	37	476	1	1	515
Portugal	15	174	1	20	211
Argentina	2	—	—	—	2
Chile	142	—	—	1	143
Germany	285	—	1	7	293
Madeira Island		16	—	—	16
Denmark and Faroe	112	1	—	—	113
Greece	47	13	1	—	61
Switzerland	11	—	—	—	11
United Kingdom	3	1	2	—	7
Israel and Palestine	10	4	—	—	14
Netherland	47	—	2	1	50
All others	<u>81</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>86</u>
Totals*	3,022	750	1,780	605	6,158

*Minor discrepancies in total from amounts shown for each type of wine arise from rounding process (to nearest half thousand).

¹⁴Ibid., p. 10.

APPENDIX L

VALUE PER GALLON OF SELECTED IMPORTED WINES BY COUNTRY¹⁵

(1936-39 average, and 1946)

Country	Table		Dessert		Vermouth		Sparkling*	
	1936-39	1946	1936-39	1946	1936-39	1946	1936-40	1946
France	\$2.62	\$7.78	\$2.81	\$4.80	\$1.80	\$3.14	\$5.45	\$10.05
Italy	1.28	3.40	1.89	2.50	1.62	2.94	3.02	5.83
Germany	4.17	9.99	---	---	---	---	6.45	9.43
Chile	1.58	2.69	---	---	---	---	3.16	7.19
Argentina	1.13	2.29	1.33	2.21	2.23	2.06	3.79	4.79
Spain	2.83	3.32	3.04	3.32	1.64	1.92	---	---
Portugal	2.71	3.87	2.61	2.42	1.73	2.07	---	---
Other	---	---	---	---	---	---	7.19	5.94

*Average for 1936-40 used for sparkling wines, including champagnes.

¹⁵U. S. Tariff Commission, Op. cit., p. 36.

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