

UNITED STATES TARIFF COMMISSION

CHEDDAR CHEESE

Report to the President on Investigation No. 22-6:8
(Supplemental) Under Section 22(d) of the
Agricultural Adjustment Act, as Amended



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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
June 1, 1966.

To the President:

Pursuant to your request of March 31, 1966, the U.S. Tariff Commission has made an investigation under section 22(d) of the Agricultural Adjustment Act, as amended, supplemental to its investigation No. 6 under section 22 of the said act, to determine with respect to Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese (hereinafter referred to collectively as Cheddar cheese)--

- (1) whether for the current quota year ending June 30, 1966 the existing import quota of 2,780,100 pounds on Cheddar cheese may be increased by 926,700 pounds,
- (2) whether the existing quota of 2,780,100 pounds may for an indefinite period be enlarged to 4,005,100 pounds, not more than 2,780,100 pounds of which shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months, and also
- (3) whether for the quota year beginning July 1, 1966 and ending June 30, 1967 the existing quota of 2,780,100 may be increased to 9,565,300 pounds, not more than 8,340,300 of which shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months

without rendering or tending to render ineffective, or materially interfering with, the Department of Agriculture's price-support programs for milk and butterfat.

Notice of the institution of the supplemental investigation was given by posting a copy of the notice at the office of the Commission in Washington, D.C., and at its office in New York City, and by publication

in the Federal Register (31 F.R. 5535) and in the April 20, 1966 issue of Treasury Decisions. Copies of the notice were also sent to press associations, to trade and similar organizations of producers, and to importers, known by the Commission to have an interest in the subject matter of the supplemental investigation. Said notice included a notice of a public hearing to be held in connection with the supplemental investigation. The hearing was duly held on April 28 and 29, 1966, and all interested parties were given opportunity to be present, to produce evidence, and to be heard at such hearing. In addition to the information submitted at the hearing, the Commission obtained information pertinent to the supplemental investigation from its files, from briefs of interested parties, from the U.S. Department of Agriculture, and from other appropriate sources.

Emergency action under section 22(b) of the Agricultural Adjustment Act had been taken on March 31, 1966, by Proclamation No. 3709 which provisionally increased the quota on Cheddar cheese from 2,780,100 pounds to 3,706,800 pounds for the quota year ending June 30, 1966. On May 16, 1966, the Commission submitted a report containing its finding and recommendation with respect to the continuation of the increase for the current quota year. The present report contains the findings of the Commission with respect to the enlargement of the quota on Cheddar cheese for subsequent years.

Findings

On the basis of the supplemental investigation, the Commission finds unanimously that owing to changed circumstances--

- (1) the enlargement for an indefinite period of the quota on Cheddar cheese to 4,005,100 pounds, not more than 2,780,100 pounds of which shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months, and also
- (2) the enlargement for the quota year beginning July 1, 1966 and ending June 30, 1967 of the quota on Cheddar cheese to 9,565,300 pounds, not more than 8,340,300 of which shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months,

will not render or tend to render ineffective, or materially interfere with, the price-support programs of the U.S. Department of Agriculture for milk and butterfat.

Allocation of Quota

Several representations were made to the Commission to the effect that the current licensing arrangements and allocations of the quota among supplying countries should be revised because world trade patterns with respect to Cheddar cheese have changed significantly since the establishment of the quota in 1953.

In its 1953 report to the President, the Commission recommended equitable distribution of the quota on Cheddar cheese and other quota items among the supplying countries on the basis of the "equitable" rule of Article XIII of the General Agreement on Tariffs and Trade, but did not propose particular allocations. By Proclamation No. 3019 of June 8, 1953, the President delegated to the Secretary of Agriculture authority to allocate the cheese quotas (including Cheddar) as

recommended by the Commission. Accordingly, it is the Commission's view that recommendations for alteration in the allocation system by the Commission would not be appropriate; however, the Secretary of Agriculture may wish to consider the representations made to the Commission with regard to the alleged inequities in the present allocations and make such changes as may be appropriate consistent with the rule of Article XIII of the GATT.

Principal Considerations Bearing on
the Commission's Findings

For many years the United States has been the world's leading producer of Cheddar cheese; the output in recent years has averaged about 1 billion pounds annually. U.S. imports, since being restricted by quota, have been of minor significance in relation to domestic production. Since 1953, when the annual import quota of 2,780,100 pounds was imposed under section 22 of the Agricultural Adjustment Act, the domestic market situation for Cheddar has changed considerably.

The increase in the quota for an indefinite period

U.S. consumption of Cheddar cheese rose from 769 million pounds in 1953 to 1,025 million pounds in 1965, or by an average of about 3 per cent per year. This rise in consumption is largely attributable to the general increase in disposable personal incomes, population growth, and the rising use of cheese in a wide variety of manufactured food products. Imports, restricted by the quota, have supplied an insignificant and declining share of consumption. The proposed increase in

the annual quota for the indefinite period is equivalent to only about one-tenth of 1 percent of the U.S. consumption of Cheddar cheese.

The proposed increase in the quota for the indefinite period is subject to the provision that the quota shall include no less than 1,225,000 pounds of Cheddar made from unpasteurized milk and aged at least 9 months. Inasmuch as imports equal to the aggregate quota will not interfere materially with the Department's programs, the provision for a separate amount for a particular type of Cheddar within the overall quota could not interfere.

The increase in the quota for the year beginning
July 1, 1966, and ending June 30, 1967

Since 1962, the wholesale price of Cheddar cheese has risen significantly, the U.S. output of such cheese has increased moderately, purchases by the Government have declined, and aggregate stocks owned by commercial interests and the Government have been reduced substantially.

This strengthening in the market for Cheddar has resulted in part from changes that have occurred in the dairy situation over the past several years.

Although U.S. annual production of milk had increased between 1960 and 1964, reaching a record 127 billion pounds in the latter year, it has more recently begun to decline because more favorable returns are available from alternative farm enterprises, particularly from raising livestock, and off-farm employment opportunities are increasing. In

1965 it dropped off 1.5 percent; in the first four months of 1966, it was nearly 5 percent lower than in the corresponding period of 1965. Further, according to U.S. Department of Agriculture forecasts, total milk production in 1966 is likely to be more than 2 percent lower than in the previous year.

At the same time, the annual production of Cheddar cheese has increased significantly, rising from 894 million pounds in 1960 to slightly more than 1 billion pounds in 1965. Population growth accounts for only part of this increase; consumer preference apparently is a major factor as well since per capita annual consumption increased from 5.4 pounds in 1960 to 6.2 pounds in 1965. In the second half of 1965 and in early 1966 commercial sales of Cheddar rose sharply, principally because of increased use of cheese in school lunch programs.

This coupling of a strengthened demand for cheese with reduced supplies of milk has raised the price of milk used in cheese-making, and the price of Cheddar has gone up accordingly. In addition, cheese has traditionally served as an alternate source of protein to meat and fish, and when prices of these products rise sharply--as they have since the middle of 1965--cheese prices tend to go up as well. During 1960-65, the average annual market price for Cheddar cheese at Wisconsin assembly points ranged from 34.4 cents to 39.8 cents a pound; in the last half of 1965, it rose each successive month, reaching 42.4 cents by the end of

the year. By March 1966 it was 45.7 cents. Notwithstanding a decline in price of 3 cents per pound in early April 1966, the price thereafter was still above the level reached in December 1965. 1/

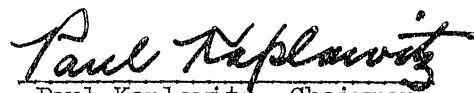
The rise in price of Cheddar cheese was reinforced when the Secretary of Agriculture raised the Commodity Credit Corporation (CCC) support price from 36.1 cents to 39.3 cents per pound. Given this overall healthy situation, it has not been necessary for the Government to buy any cheese since October 1965 and the CCC currently has no uncommitted supplies of Cheddar cheese. Because of the increased inducement to deliver milk to cheese plants and because of the higher CCC prices, it appears that the annual output of Cheddar will increase moderately over the next several years.

The proposed increase in the quota (from 2,780,000 pounds to 9,565,300 pounds) for the year beginning July 1, 1966 amounts to about two-thirds of 1 percent of U.S. consumption. Set against the background of growing demand and higher prices, a situation that shows every indication of continuing through the coming year, added imports in such small quantities will not have any significant impact on the Cheddar cheese industry and thus will not materially affect the Department of

1/ On Apr. 1, 1966, the Commission announced the institution of its supplemental investigation under section 22; shortly thereafter, on Apr. 7, the price at Wisconsin assembly points declined to 42.7 cents per pound. On May 20, it rose to 43.0 cents per pound. Although the Secretary of Agriculture raised the CCC purchase price for Cheddar on Apr. 1, 1966, the market price has remained significantly above the CCC purchase price.

Agriculture's price support programs for milk and butterfat. Such programs also would not be affected by the division of the quota into aged Cheddar made from unpasteurized milk and other types of Cheddar.

Respectfully submitted.


Paul Kaplowitz, Chairman

INFORMATION OBTAINED IN THE INVESTIGATION

The Domestic Dairy Situation

The U.S. output of milk for sale in the fluid state is generally produced near the large population centers, whereas milk used in manufactured products is produced largely in the East North Central and West North Central regions of the United States. In recent years, these two regions combined have accounted for nearly 70 percent of the milk used in dairy products. Wisconsin and Minnesota have been the leading States producing milk consumed in manufactured dairy products; other important sources have been Iowa, New York, and California. In 1964, Wisconsin, Minnesota, and Iowa accounted for more than half of the U.S. production of butter, Cheddar cheese, and nonfat dry milk.

In recent years about 51 percent of the U.S. production of milk for human consumption has been used to manufacture dairy products; the remainder has been consumed principally in the fluid form. About half of the milk used in manufactured dairy products in recent years was used in butter, a fourth in cheese, and the remainder in a variety of products, including ice cream, frozen products, and condensed and evaporated milk. More than 60 percent of the milk used in cheese has been used in Cheddar. Although the share of the output of milk that is used for Cheddar, compared with that used for all cheese, has declined slightly since the early 1960's, the total production of both Cheddar and cheeses other than Cheddar has increased.

Recent trends in the U.S. production of milk

During the past decade the U.S. average production of milk usually has varied less than 2 percent from year to year (table 1). It increased

irregularly from 120 billion pounds in 1953 to a record of 127 billion pounds in 1964, valued at about \$5.3 billion. In 1965, however, the annual production declined to 125 billion pounds, which was about 1.5 percent below the 1964 level. The decline was associated with more favorable returns in alternative farm enterprises, particularly livestock, and increasing opportunities for off-farm employment. The U.S. Department of Agriculture recently forecast that current conditions are similar to those in 1965; accordingly the production of milk in 1966 may decline by as much as 2 percent below that in 1965. ^{1/} Production may begin to increase somewhat in late 1966, however, in response to the increased support levels announced by the Secretary of Agriculture on March 31, 1966.

U.S. dairy farmers have altered their operations considerably since the early 1950's through progress in breeding, feeding, disease control, and management. In 1953, the average annual milk output per cow was about 5,500 pounds. By 1965, the average was nearly 8,100 pounds. The number of milk cows on U.S. farms declined from 22 million head in 1953 to 15 million head in 1965. The average number of cows on U.S. dairy farms, as reported by the Census of Agriculture, increased from 20 per farm in 1954 to 26 per farm in 1959; indications are that in 1964 the number of cows per farm will most likely average more than 30. The number of U.S. farms selling milk has decreased by about 9 percent annually since the early 1960's. In 1965, some 550,000 farms sold

^{1/} The Department of Agriculture estimates that U.S. milk production in 1966 will be about 122 billion pounds.

milk in the United States. The farmers continuing to produce milk have expanded and specialized their operations to take advantage of improvements in technology, gain access to better markets, and offset rising costs. Dairymen have been shifting to cows that produce milk having lower butterfat content and have marketed an increased portion of their output as whole milk, rather than as farm-separated cream. The marketing of milk in the United States has become more uniform and standardized in recent years. About half of the milk sold by farmers to handlers (processors or dealers) is marketed under Federal Milk Marketing Orders. These orders, administered by the U.S. Department of Agriculture, require milk handlers to pay farmers certain minimum prices for milk based on its end-use.

Role of cheese and butter in pricing milk for manufacturing

The share of the total output of milk utilized in making cheese has increased in recent years (table 2), whereas that going to butter has decreased. During the period 1962-64, the prices of American cheese (virtually all Cheddar) rose relative to butter prices inasmuch as the demand for cheese increased rapidly. The growing demand absorbed the rising output of cheese and prevented accumulation of stocks. In the second half of 1965 and in early 1966, the commercial demand for cheese rose sharply, principally because of increased purchases of cheese for school lunch programs (to offset reduced Commodity Credit Corporation (CCC) cheese donations) and higher meat prices. Because of the stronger demand for cheese and the reduced supplies of milk, producers of cheese have been increasing the prices paid to

farmers for milk more than have those producing butter. The following tabulation shows the prices paid by producers of butter and cheese to farmers for milk during the period July-December 1965 and January-March 1966 (in dollars per 100 pounds):

| <u>Period</u> | <u>Prices paid by producers of--</u> | |
|---------------|--------------------------------------|---------------|
| | <u>Butter</u> | <u>Cheese</u> |
| 1965: | | |
| July----- | 3.19 | 3.08 |
| August----- | 3.25 | 3.10 |
| September--- | 3.26 | 3.15 |
| October----- | 3.30 | 3.23 |
| November---- | 3.32 | 3.33 |
| December---- | 3.36 | 3.45 |
| 1966: | | |
| January----- | 3.33 | 3.54 |
| February---- | 3.41 | 3.63 |
| March----- | 3.49 | 3.73 |

The improved prices for milk at cheese plants have shifted some milk supplies from butter to cheese. The following tabulation shows the average wholesale prices of butter at Chicago, the average wholesale prices of Cheddar cheese at Wisconsin assembly points, and the

CCC purchase prices for the period July-December 1965 and January-April 1966 (in cents per pound):

| Period | Prices | | | | | |
|---------|--------------------|---------------------|---|-------------------------------------|---------------------|---|
| | Butter | | | Cheddar cheese | | |
| | Whole-sale Chicago | CCC purchase prices | Excess of wholesale price over purchase price | Wholesale Wisconsin assembly points | CCC purchase prices | Excess of wholesale price over purchase price |
| 1965: | | | | | | |
| July--: | 59.0 | 59.0 | - | 37.3 | 36.1 | 1.2 |
| Aug---: | 61.0 | 59.0 | 2.0 | 37.5 | 36.1 | 1.4 |
| Sept--: | 62.2 | 59.0 | 3.2 | 37.8 | 36.1 | 1.7 |
| Oct---: | 62.9 | 59.0 | 3.9 | 38.6 | 36.1 | 2.5 |
| Nov---: | 63.3 | 59.0 | 4.3 | 40.1 | 36.1 | 4.0 |
| Dec---: | 63.4 | 59.0 | 4.4 | 42.4 | 36.1 | 6.3 |
| 1966: | | | | | | |
| Jan---: | 59.3 | 59.0 | .3 | 42.8 | 36.1 | 6.7 |
| Feb---: | 61.8 | 59.0 | 2.8 | 43.6 | 36.1 | 7.5 |
| Mar---: | 63.4 | 59.0 | 4.4 | 45.7 | 36.1 | 9.6 |
| Apr---: | 62.8 | 61.0 | 1.8 | 43.4 | 39.3 | 4.1 |

In March 1966, the wholesale prices for butter and Cheddar cheese exceeded the CCC purchase prices by 4.4 cents and 9.6 cents per pound, respectively. The Secretary of Agriculture, on April 1, increased the purchase prices for both butter and Cheddar cheese. Although the wholesale price for cheese declined by 3 cents per pound on April 7, it continued to exceed the CCC purchase price; in May the wholesale price averaged 3.6 cents per pound above the purchase price. During the week ending April 7, 1966, the output of Cheddar cheese increased by about 4 percent from the previous week; it has continued to increase since that date.

U.S. foreign trade in dairy products

Although the United States has been a net exporter of dairy products since World War II, exports have generally been small compared with domestic production (table 1). In recent years, most of the U.S. exports of dairy products have been subsidized by Government programs. U.S. commercial exports of dairy products, therefore, have been small; prices in most other countries have been lower than those in the United States. During the period 1953-65, the whole-milk equivalent of the U.S. annual exports of dairy products ranged from 655 million to 6,850 million pounds, or from 0.5 percent to 5.4 percent of domestic production. Exports increased in 1963 and 1964 (equivalent to 4.0 percent and 5.4 percent of production, respectively) principally because of the low levels of milk production in Western Europe. In 1965, however, U.S. exports of dairy products declined to 1.5 percent of production because smaller Government supplies were available for export and world milk production had increased.

For many years, U.S. imports of dairy products (in terms of milk equivalent) have been small compared with domestic production (table 1). During 1953-65, imports of all dairy products increased from 525 million pounds to 902 million pounds. A large part of the increase occurred after 1958, the year in which products not subject to quotas (mainly Colby cheese--and in later years--frozen cream, and certain articles containing not over 45 percent of butterfat) began to be imported. The U.S. annual imports of all dairy products were equivalent to about 0.4 percent of the U.S. production of milk in 1953 and 0.7 percent in 1965.

The Price-Support Program

The Agricultural Adjustment Act of 1949, as amended, requires the Secretary of Agriculture to support the prices of milk and butterfat to producers in order to assure consumers an adequate supply of dairy products. The levels of support for these two products shall not be less than 75 percent nor more than 90 percent of parity. 1/ The Secretary accomplishes this objective by announcing in advance of the marketing year (beginning April 1) the prices at which the Department will purchase all butter, Cheddar cheese, and nonfat dry milk offered to it, provided the products meet its specifications. 2/

About three-fourths of all milk utilized in manufactured dairy products is used to make butter, Cheddar cheese, and nonfat dry milk. Accordingly, the Department of Agriculture maintains its purchase program on these products to support the price of all milk sold by the farmer, particularly during periods when there would otherwise be distressed prices. Minimum prices paid to the farmer are established under the aforementioned Federal Milk Marketing Orders. Prices for milk marketed for consumption in the fluid state (Class I prices) are generally fixed at specified premiums above the prices fixed for milk

1/ The "parity price" of individual commodities is determined by the Secretary of Agriculture according to a statutory formula and is, in effect, the price that a certain quantity of a specific commodity would have to command in order to give the farmer the same equivalent purchasing power as existed during a statutory base period.

2/ Under P.L. 89-321, the Secretary of Agriculture, on November 3, 1965, was authorized to purchase butter, Cheddar cheese, and nonfat dry milk at market prices above (or below) support prices if CCC supplies purchased at support prices are deemed insufficient to meet commitments under various Government programs such as the school lunch program.

used for manufacturing (surplus milk). Under most Federal Milk Marketing Orders, Class I prices are derived from the Minnesota-Wisconsin price series, which reports prices for manufacturing milk in that area. The Minnesota-Wisconsin price is determined in substantial part by competitive conditions in that 2-State area, where about half of the U.S. milk for manufacturing is produced and where considerably more than half of the milk is sold free from Marketing Orders. The Government purchase program for manufactured dairy products, therefore, supports the Minnesota-Wisconsin price for manufacturing milk.

The annual Government purchase prices and market prices of the aforementioned three products are shown for the period 1953-65 in table 3. The columns at the right under "Milk for manufacturing" serve as a summary of the price-support experience during that period. The CCC purchase prices of the three products combined determine the support objective for milk for manufacturing (second column from right). The dairy price-support program has generally played the central role in determining market prices of milk and dairy products in the United States in recent years inasmuch as the market prices have usually remained close to the Government purchase prices (table 3). Although the CCC purchase prices for Cheddar cheese and nonfat-dry milk were generally higher than the market prices during the period 1953-57, producers of Cheddar cheese sold their aggregate output of cheese at prices averaging slightly less than the support price inasmuch as some of the Cheddar did not meet Government specifications. 1/ Market

1/ Moreover, trade sources reported that assemblers generally do not sell to the Government until market prices decline about 1 cent below the CCC prices.

prices were higher than the purchase prices during the period 1958-65, however, indicating that commercial sales had a greater effect on the market prices during the latter period than the Government's purchase program. Indeed, the increase in the market prices of the three products over the purchase prices during 1962-65 is most notable.

Government purchases

Most of the dairy products acquired under Government programs have been purchased by the CCC. Dairy products have been removed from the commercial market by domestic purchases and by subsidizing exports under Payment-in-Kind (PIK) programs. The share of the U.S. annual production of milk (milk equivalent basis) removed by programs of the U.S. Department of Agriculture from the commercial market in the form of butter, Cheddar cheese, and nonfat dry milk during 1953-65 is shown in the following tabulation (in millions of pounds):

| <u>Calendar year</u> | <u>U.S. milk production</u> | <u>Milk equivalent of CCC purchases and PIK exports</u> | <u>Percent</u> |
|----------------------|---------------------------------|---|----------------|
| 1953----- | 120,221 | 10,328 | 8.6 |
| 1954----- | 122,094 | 9,216 | 7.5 |
| 1955----- | 122,945 | 4,780 | 3.9 |
| 1956----- | 124,860 | 5,224 | 4.2 |
| 1957----- | 124,628 | 5,899 | 4.7 |
| 1958----- | 123,220 | 4,713 | 3.8 |
| 1959----- | 121,989 | 3,214 | 2.6 |
| 1960----- | 122,951 | 3,112 | 2.5 |
| 1961----- | 125,442 | 8,024 | 6.4 |
| 1962----- | 126,021 | 10,748 | 8.5 |
| 1963----- | 125,009 | 7,777 | 6.2 |
| 1964----- | 127,000 | 8,464 | 6.7 |
| 1965----- | 125,061 | 6,475 | 5.2 |

After 1962, the annual quantity of dairy products removed from the commercial market by purchases under the U.S. Department of Agriculture (in terms of milk equivalent) declined because of increased commercial sales of milk and milk products and increased exports stimulated by the Government. 1/ Government purchases continued to decline during early 1966.

The amounts of butter, Cheddar cheese, and nonfat dry milk purchased annually under the price-support program varied considerably during the period 1953-65 (table 4). During that period purchases of Cheddar cheese were lower in 1965 than in any year except 1960. Indeed, the U.S. Department of Agriculture had not purchased any cheese since October 1965. In view of the strong commercial demand for cheese, the Government purchases in the calendar year 1966 are not expected to be as large as those in 1965.

Disposition of purchases

Inasmuch as the products acquired by the Government under the price-support program have generally been utilized quite promptly in recent years, uncommitted yearend supplies have been small (table 4). On May 20, 1966, no uncommitted supplies of butter or Cheddar cheese were owned by the Government. The quantities of nonfat dry milk owned by the Government amounted to about 14 million pounds. Butter and Cheddar cheese have been disposed of through school lunch and welfare programs within the United States, whereas most of the nonfat dry milk has been donated abroad. In 1962-65, however, substantial

1/ See the following section--Disposition of purchases.

quantities of nonfat dry milk and small amounts of butter were exported under the U.S. Government PIK program. Under the PIK program, commercial stocks of butter and nonfat dry milk may be purchased by U.S. exporters at domestic market prices and exported at the prices prevailing in the foreign markets. The U.S. Government affords the exporter an announced subsidy (in the form of CCC-owned commodities) equal approximately to the difference between the U.S. and foreign market prices. On March 2, 1966, the U.S. Department of Agriculture announced that the PIK export program had been temporarily suspended until the domestic dairy supply situation again justified its use.

Costs of the program

The net 1/ Government expenditures on the dairy price-support and related programs for the years ending June 30, 1950-65 are shown in table 5. The expenditures reached record levels in 1962-63 as the Government purchased increased quantities of butter, Cheddar cheese, and nonfat dry milk. The expenditures had declined sharply, however, in the year ending June 30, 1965.

1/ CCC purchase and other costs (processing, repackaging, transportation, storage, and handling), less proceeds from sales.

The U.S. Department of Agriculture net expenditures on butter, Cheddar cheese, and nonfat dry milk for the fiscal years 1963-65 are shown in the following tabulation (in millions of dollars):

| Year ending June 30-- | Commodity | | | Total |
|--------------------------|-----------|-------------------|--------------------|-------|
| | Butter | Cheddar cheese | Nonfat dry milk | |
| 1963----- | 221 | 51 | 174 | 446 |
| 1964----- | 146 | 52 | 137 | 335 |
| 1965----- | 125 | 45 | 136 | 306 |

The total expenditures for the three products have decreased in recent years. The annual expenditures for Cheddar cheese accounted for about 11 percent of the total in 1963 and 16 percent in 1964; such expenditures declined to about 15 percent of the total in 1965. None of the expenditures for cheese has been for aged Cheddar.

The Current Situation Respecting Cheddar Cheese

Description and uses

The products covered by this investigation are "Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese." Cheddar is a natural, firm cheese made from cow's milk. The cow's milk used may be pasteurized, heat-treated, or raw. (Raw milk is not pasteurized or heat-treated). Both the domestically produced and imported Cheddars are normally of a yellowish-orange color, but some are white. Cheddar is made and used so widely in the United States that it is often called American cheese. Cheese containing, or

processed from, Cheddar, i.e., "process" Cheddar, is cheese in whole or in part of Cheddar that has been heated, emulsified, and stirred into a homogenous plastic mass. ^{1/} Process cheese is rarely, if ever, made from raw milk, but most often is made from pasteurized milk and sometimes is made from heat-treated milk. There are currently no known substitutes for cheese containing, or processed from, Cheddar.

Standards applicable to both domestic and imported Cheddar cheese have been established by the U.S. Department of Agriculture and by the Food and Drug Administration. The standards of the Department of Agriculture differentiate the cheese not only by quality (i.e., grade AA, A, B, and C), but also by age (fresh, medium-cured, and aged), whereas those of the other agency require that Cheddar contain not more than 39 percent moisture and that its solids contain not less than 50 percent milkfat. Official definitions for the groups--fresh, medium-cured, and aged--do not exist. In general, the flavor of Cheddar is enhanced, i.e., it becomes "sharper", with age. Aging or curing cheese is mainly a function of age combined with temperature under conditions of controlled humidity. As flavor differences are highly subjective, the age factor is resorted to as a more objective--though admittedly arbitrary--technique for distinguishing the flavor types of Cheddar.

Fresh "unaged" Cheddar is generally made from pasteurized milk, although it is sometimes made from heat-treated milk. Such cheese is aged for about 60 days and is used to make process cheese. Medium-cured Cheddar, sometimes referred to as "sharp" Cheddar, is somewhat

^{1/} 21 CFR 19.750

sharper in flavor than fresh Cheddar. It is generally made from heat-treated milk. Cheese made from heat-treated milk and from raw milk develops a much sharper flavor than cheese made from pasteurized milk. Moreover, cheese made from raw milk tends to develop a sharper flavor than cheese made from heat-treated milk inasmuch as heat-treating tends to inhibit some of the flavor-developing enzymes in the raw milk. Medium-cured cheese is aged for periods varying from 4 to 6 months, although the duration of aging may be somewhat shorter or longer than the aforementioned time periods. The bulk of the aged so-called "very sharp" Cheddar generally reaches its peak of flavor development at ages ranging from approximately 9 to 16 months; small amounts are aged considerably longer. Virtually all of the Cheddar made from raw milk in the United States (less than 5 percent of the domestic Cheddar production) and some of that made from heat-treated milk is so aged.

Little of the Cheddar cheese production in New Zealand, the principal supplier to the United States, is made from raw or heat-treated milk. Most of the New Zealand Cheddar exports to the United States are fresh cheese made from pasteurized milk. About 35 percent of the Cheddar produced in Canada, however, is made from raw milk. Inasmuch as bacteria do not multiply as rapidly in cool climates as in warm climates, milk for cheese making is not pasteurized as frequently in Canada, nor in the Northeastern United States, (where most of the domestic raw milk Cheddar is produced) as in most other areas of the United States. The exports of Canadian Cheddar cheese to the United States are made from raw milk and aged 9 months or more.

Some countries in Europe produce "sharp" Cheddar cheese made from unpasteurized milk; exports of such cheese, however, have been small.

In the United States about 50 percent of the production of Cheddar is used to make process cheese and marketed for table use in the form of loaves or spreads under well-advertised brand names. About 35 percent of the domestic production is consumed as natural cheese for table use; the remaining 15 percent is used as an ingredient in foods such as soups and crackers. The U.S. imports of Cheddar from New Zealand are virtually all used for processing. Those from Canada, which account for the bulk of the remaining imports, are consumed for table use.

U.S. tariff treatment and other restrictions on imports

Import duties.--The current rates of duty applicable to imports of Cheddar cheese, including process Cheddar, are as follows:

| <u>TSUS item</u> | <u>Commodity</u> | <u>Rate of duty</u> |
|----------------------|--|---------------------|
| | Cheddar cheese: | |
| 117.15 | Not processed otherwise than by division into pieces. | 15% ad val. |
| 117.20 | Other----- | 20% ad val. |

Virtually all of the U.S. imports have entered under item 117.15 of the Tariff Schedules of the United States (TSUS). Process cheese containing small quantities of Cheddar has been dutiable as "other" cheese under item 117.75 at 5 cents per pound, if valued not over 25 cents per pound, or under item 117.80 at 20 percent ad valorem, if valued over 25 cents per pound. Imports of such cheese, however, have been negligible.

The aforementioned rates, which reflect concessions granted by the United States in the General Agreement on Tariffs and Trade (GATT), became effective in 1951. The statutory rate of 35 percent ad valorem for items 117.15, 117.20, and 117.80, and 8.75 cents per pound for item 117.75 applies to imports from most Communist-controlled nations or areas. There have been no imports of Cheddar cheese from such nations or areas since World War II.

Quotas.--During the quota years (ending June 30) extending from 1954 to 1965, annual imports of Cheddar cheese had been subject to a quota of 2,780,100 pounds under section 22 of the Agricultural Adjustment Act, as amended (item 950.08). On March 31, 1966, however, the quota was increased to 3,706,800 pounds for the quota year ending June 30, 1966. 1/ The quota for such products for any quota year after that ending June 30, 1966, will revert to 2,780,100 pounds unless changed by Presidential action following the Tariff Commission's report on the current investigation.

The limitations imposed on all U.S. imports of Cheddar cheese are shown in part 3(a) of the appendix of the TSUS. In general, Cheddar may be entered only by or for the account of a person or firm licensed by or under the authority of the Secretary of Agriculture, and only in accordance with the terms of such license. Licenses are issued under the regulations which the Secretary determines will, to the fullest extent practicable, result in (1) the equitable distribution of the respective quotas for such articles among importers or users and

1/ Presidential Proclamation No. 3709.

(2) the allocation of shares of the respective quotas for such articles among supplying countries, based upon the proportion supplied by such countries during previous representative periods, taking due account of any special factors which may have affected or may be affecting the trade in the articles concerned. No licenses shall be issued which will permit any Cheddar cheese to be entered during any 12-month period (beginning July 1) in excess of one-third of the quota quantity in the first 4 months and two-thirds of the quota quantity in the first 8 months of the period. 1/

The quantities of Cheddar from the respective supplying countries entered under import licenses issued by the U.S. Department of Agriculture during the period July 1, 1953-June 30, 1965 are shown in table 6. About 40 importers currently hold licenses to import Cheddar cheese. In the quota year ending June 30, 1965, 7 of them accounted for nearly 75 percent of the total imports. About 77 percent of the Cheddar quota was allocated to New Zealand; 22 percent was allocated to Canada and the remaining 1 percent to Sweden, Ireland, Australia, and Denmark combined. During the 1953-65 period, the principal supplying countries utilized most of their annual allocated Cheddar

1/ The Administrative regulations established by the U.S. Department of Agriculture pursuant to the above-mentioned Presidential proclamation are found in Part 6 of Title 7 of the Code of Federal Regulations. The quota base for all importers of cheese is established on the basis of their imports during the period January 1, 1948 through December 31, 1950, or, if they did not import during the foregoing period, during the period January 1, 1951 through August 8, 1951. The licenses are usually issued for a specified class of cheese imported directly from a designated country through a specified port of entry. The licenses may not be transferred or assigned except as authorized in writing by the Department of Agriculture. The regulations contain only a nominal provision for the entrance of new importers. Under certain conditions of hardship, importers are permitted to shift their allocations, in part, from one country of supply to another.

quotas (table 6). In the quota year beginning July 1, 1964 more than 95 percent of the aggregate quota was utilized.

U.S. consumption

The U.S. annual consumption of Cheddar cheese increased from 769 million pounds in 1953 to 1,025 million pounds in 1965. The bulk of the increase in the consumption of Cheddar was in cheese used to make process cheese; nevertheless, the amount of Cheddar cheese consumed as an ingredient in such foods as crackers and soups also increased significantly. Process cheese has gained increased popularity for use on cheeseburgers and in cheese snacks.

The U.S. annual per capita consumption of cheese increased substantially during the 1953-65 period, as shown in the following tabulation (in pounds):

| <u>Calendar year</u> | <u>All cheese</u> | <u>Cheddar cheese</u> | <u>Other types</u> |
|----------------------|-----------------------|---------------------------|------------------------|
| 1953----- | 7.5 | 5.1 | 2.4 |
| 1954----- | 7.9 | 5.5 | 2.4 |
| 1955----- | 7.9 | 5.4 | 2.5 |
| 1956----- | 8.0 | 5.4 | 2.6 |
| 1957----- | 7.7 | 5.1 | 2.6 |
| 1958----- | 8.1 | 5.5 | 2.6 |
| 1959----- | 8.0 | 5.2 | 2.8 |
| 1960----- | 8.3 | 5.4 | 2.9 |
| 1961----- | 8.6 | 5.7 | 2.9 |
| 1962----- | 9.2 | 6.1 | 3.1 |
| 1963----- | 9.2 | 6.1 | 3.1 |
| 1964----- | 9.5 | 6.2 | 3.3 |
| 1965----- | 9.5 | 6.2 | 3.3 |

Although the U.S. per capita consumption of cheese has increased in recent years, the per capita consumption of all dairy products has declined (table 2). This decline reflects largely the substitution by consumers of foods either high in vegetable fat or low in butterfat for high-butterfat foods. Nutritional practices have been changing. Moreover, most high-butterfat foods have been at a price disadvantage. The annual per capita consumption of butter decreased from 8.5 pounds in 1953 to 6.6 pounds in 1965, whereas that of margarine increased from 8.1 pounds to 9.9 pounds. In 1964, the U.S. Department of Agriculture reported that the retail price of butter was nearly 3 times as high as the retail price of margarine. The consumption of cheese has continued to expand in recent years, notwithstanding increasing price.

Inasmuch as cheese is a less expensive source of protein than is meat in some countries, it frequently substitutes for the latter. Although the United States consumes a larger total quantity of cheese than any other country, per capita consumption (9.5 pounds) is lower than that of most European countries. In 1963, the per capita consumption of cheese in Italy was 20.9 pounds, in France 20.7 pounds, and in Denmark 19.8 pounds. Nonetheless, the per capita consumption of cheese is higher in the United States than in countries such as New Zealand and Canada, where, as in the United States, the consumption of meat is very high.

U.S. producers and production

The number of U.S. plants producing Cheddar cheese declined from 1,050 in 1958 to 838 in 1964. Meanwhile, the number of large-size plants increased. In 1958, about 160 plants produced more than 1.5 million pounds of cheese each; in 1964, there were about 210 such plants. During the period 1958-64, plants of this size accounted for the bulk of domestic production. Sales of Cheddar are generally the primary source of cash income for the producing plants.

The East North Central region of the United States has long been the major Cheddar cheese producing area. Wisconsin, the leading State, accounted for 49 percent of the domestic production in 1964; next in order of importance were Missouri, Iowa, Minnesota, Kentucky, Tennessee, and New York, which together accounted for 22 percent.

During the past decade, U.S. producers have changed substantially the forms and styles of Cheddar cheese. In the early 1950's, more than half of the output of Cheddar cheese consisted of cylindrical-shaped cheese weighing 70-80 pounds. By 1965, however, such "Cheddar styles" accounted for less than 5 percent of the total. The decline in the marketings of Cheddar styles is attributable largely to the expanded use of the 40- and 60-pound rindless blocks of Cheddar cheese and the introduction of Cheddar cheese in barrels. Barrel Cheddar is a 500-pound cheese made in a plastic-lined, barrel-shaped, steel container. It is especially adapted for processing, inasmuch as labor costs are lower and cheese wastes are smaller when the large size cheeses are processed. Because of their cutting and packaging advantages, the

40- and 60-pound rindless blocks are more suitable for conventional chain store marketing than the Cheddar styles. In 1964, about 45 percent of the output of Cheddar cheese consisted of the aforementioned blocks; nearly 40 percent was barrel Cheddar.

Most Cheddar cheese plants send their output to concerns which age and market the product. Many of these concerns, known as assemblers, make process cheese; some produce and handle other dairy products and a variety of other foods. Approximately 25 of these assemblers handle about 70 percent of the Cheddar cheese produced in the United States. Although the assemblers do not generally own the plants that make the Cheddar cheese, they often supervise their operations and require that the cheese meets designated specifications. The aging of most Cheddar cheese is carried on under contract often negotiated about a year in advance by assemblers and chain stores. Cheddar deemed likely to develop imperfections while aging is processed rather than aged.

The U.S. annual production of Cheddar cheese decreased from 967 million pounds in 1953 to 849 million pounds in 1959. In 1960, however, production increased to 894 million pounds and by 1961 it amounted to slightly more than 1 billion pounds (the highest level on record), valued at some \$400 million. Production in 1961 was about 14 percent greater than in 1960. This sharp increase is attributable largely to the increased civilian demand for Cheddar and partly to an increase in the CCC purchase price. ^{1/} During the period 1961-65, domestic

^{1/} Accordingly, a larger portion of the output of manufacturing milk was used in producing Cheddar. Similar diversions in the utilization of the milk supply occurred in late 1965; see the section of this report on the domestic dairy situation.

production remained near 1 billion pounds annually. In January-April 1966, the production of Cheddar cheese was about 3 percent lower than that in the corresponding period in 1965. In recent years, about 8 percent of the total U.S. production of milk has been used to produce Cheddar cheese.

About half of the U.S. output of Cheddar cheese is made from pasteurized milk. Such cheese, after being aged for about 60 days, is used for processing since pasteurization inhibits the bacterial growth necessary to develop the desirable "sharp" and "very sharp" flavors obtained by longer aging. The bulk of the remaining output of Cheddar consists of the "sharp" type and is made from heat-treated milk. Less than 5 percent of the total is made from raw milk. In the United States virtually all Cheddar cheese made from raw milk, and part of that made from heat-treated milk is "very sharp" cheese aged 9 months or more. High quality milk (i.e., that produced under conditions that retards the growth of undesirable bacteria) is required to impart the desirable "sharp" and "very sharp" flavors to the cheese. Trade sources estimate that the costs of aging Cheddar cheese range from 0.3 cent to 0.5 cent per pound per month.

Reports received from the major sellers of aged Cheddar indicate that about 100 million pounds of Cheddar aged 9 months or more were sold in 1965. About 50 million pounds of that total were aged 12 months or more.

The quota for imports of Cheddar proposed in the President's letter for the year beginning July 1, 1966, (9,565,300 pounds) is equivalent to about 10 percent of the U.S. consumption in 1965 of domestic "very sharp" Cheddar aged at least 9 months. It would be unusual, however, for the quota to be filled entirely by such Cheddar; it is more likely that the bulk of the imports will continue to consist of Cheddar aged less than 9 months. The proposed quota is equivalent to about 3 percent of the average quantity of domestic cheese consumed in the United States as "sharp" and "very sharp" cheese in recent years, and to about 1 percent of the aggregate consumption of Cheddar. The proposed annual quota in subsequent years (beginning July 1, 1967)--4,005,100 pounds--would approximate 4 percent of the consumption in 1965 of "very sharp" Cheddar aged at least 9 months, 1 percent of the output consumed as "sharp" and "very sharp" Cheddar, and less than half of 1 percent of the total consumption of Cheddar.

CCC purchases

The purchase program maintained by the Department of Agriculture on Cheddar supports the price of that cheese, particularly during periods when there would otherwise be depressed prices. The share of the U.S. annual production of Cheddar cheese purchased by

the CCC in calendar years 1953-65 is shown in the following tabulation:

| Year | U.S. production | CCC purchases | |
|-----------|---------------------------|---------------------------|--------------------------------|
| | | Total | Share of U.S. production |
| | <u>Million pounds</u> | <u>Million pounds</u> | <u>Percent</u> |
| 1953----- | 967 | 308 | 32 |
| 1954----- | 970 | <u>1/</u> 276 | 28 |
| 1955----- | 920 | 150 | 15 |
| 1956----- | 889 | 188 | 21 |
| 1957----- | 927 | 241 | 26 |
| 1958----- | 883 | 80 | 9 |
| 1959----- | 849 | 57 | 7 |
| 1960----- | 894 | 3 | <u>2/</u> |
| 1961----- | 1,020 | 100 | 10 |
| 1962----- | 955 | 214 | 22 |
| 1963----- | 965 | 113 | 12 |
| 1964----- | 1,009 | 129 | 13 |
| 1965----- | 1,005 | 49 | 5 |

1/ Excludes 86.6 million pounds sold to the CCC in March 1954, but contracted for repurchases by private firms after April 1, 1954.

2/ Less than 0.5 percent.

Generally, as market prices have increased relative to the CCC purchase price (table 3), Government purchases have declined. The quantities of Cheddar cheese purchased annually varied substantially during 1953-62. During the period 1962-65, annual purchases declined from 214 million pounds (equivalent to 22 percent of the domestic output) to 49 million pounds (equivalent to 5 percent of the output). The CCC has made no purchases since October 1965. In view of the strong commercial demand for cheese, Government purchases in 1966 are not expected to be as large as those in 1965.

Nearly all of the cheese purchased by the U.S. Department of Agriculture under the price-support program has consisted of fresh Cheddar. Natural Cheddar is eligible for purchase in the form of rindless blocks. Although the Department does not purchase barrel Cheddar, it buys process cheese made from barrel Cheddar. In the 1961-65 marketing years, process Cheddar cheese, mainly in the form of 5-pound loaves, accounted for 75 percent of the cheese so purchased. The small quantities of cheese purchased in the 1965-66 year consisted exclusively of natural Cheddar.

On April 1, 1966, the Secretary of Agriculture increased the CCC purchase price of Cheddar from 36.1 cents to 39.3 cents per pound (table 3). Milk for manufacturing delivered to producers of cheese in recent months has generally commanded a higher price than that delivered to producers of butter; with the increased inducement to deliver such milk to the cheese plants, it appears that the production of Cheddar in 1966 will exceed that in 1965. The U.S. Department of Agriculture does not anticipate greatly increased CCC purchases of cheese in the immediate future. The strong commercial demand for cheese often associated with high meat prices is expected to continue in 1966.

Stocks

Yearend stocks of Cheddar cheese (commercial and Government-owned) in cold storage warehouses at the end of the year ranged from 249 million pounds to 519 million pounds during the period 1953-59 (table 7). In 1961, when the production of Cheddar totaled 1,020 million pounds, yearend stocks amounted to 420 million pounds. By the end of 1965,

however, stocks had decreased to 271 million pounds, even though production had remained near the record level attained in 1961. In the period January-April 1966, monthly stocks averaged about 7 percent lower than in the corresponding period in 1965. During 1958-65, yearend stocks ranged from 27 to 41 percent of the production in the respective year. The bulk of the commercial stocks consists of cheese being aged. During 1953-57, the Government-owned stocks of Cheddar in cold storage warehouses at yearend had been quite large, having accounted for 45 to 69 percent of the total stocks. Government-owned stocks of Cheddar, which generally reflect surplus production, have been small in recent years. Yearend stocks owned by the Government during 1958-65 ranged from less than 0.5 to 20 percent of the total stocks; in the period November-April 1966, monthly stocks held by the Government averaged less than 0.5 percent of the total stocks.

U.S. exports

Although exports of Cheddar cheese have generally been larger than imports, they have been small compared with domestic production. Annual exports were erratic in 1960-65, ranging from 2 million pounds (in 1961) to 30 million pounds (in 1963). They amounted to 6 million pounds in 1964 and 7 million pounds in 1965. Before 1964 the bulk of these exports consisted of cheese donated to the recipient countries under the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480, 83rd Cong.). Exports under P.L. 480 were curtailed in 1963 because domestic school lunch and welfare donations and both domestic and export

sales had reduced CCC supplies substantially. In 1963, the bulk of the P.L. 480 exports of Cheddar cheese went to Brazil, Egypt, Portugal, Poland, Bolivia, the Dominican Republic, Greece, and El Salvador. Although the Department of Agriculture has established a PIK program for exports of butter and nonfat dry milk, it has not established a PIK program for exports of Cheddar cheese. U.S. commercial exports of Cheddar have been small because U.S. prices have not generally been competitive in world markets with those for Cheddar from other countries.

U.S. imports

U.S. imports of Cheddar cheese are controlled by the quotas described earlier. Annual imports, which ranged from 1.9 million to 3.3 million pounds during 1958-65 (table 8), were equivalent to less than 0.5 percent of production during that period. In recent years, about 80 percent of the U.S. imports of Cheddar came from New Zealand, nearly 20 percent came from Canada and negligible quantities from Sweden and Ireland. Annual imports of Cheddar have been small compared with imports of many other cheeses (table 9).

During the quota years 1958-65, U.S. importers of New Zealand cheese filled 82 percent or more of the annual quota for Cheddar cheese authorized for that country. Importers of Canadian Cheddar utilized 86 percent or more of the respective annual quota (table 6). Less-than-full utilization of the quotas probably is attributable to the following: (a) it has not been economically feasible for some licensees to market Cheddar as actively as they had during the period on which the license allocations were based, and (b) the quotas were

allocated on a July 1-June 30 year, rather than on a calendar-year basis, with the result that the last third of the quota year (March-June) occurs after Christmas--a season when the demand for cheese, particularly for gift packages, is the greatest.

U.S. imports of Cheddar from New Zealand are channeled through two sales agents representing the New Zealand Dairy Production and Marketing Board, the sole exporter in that country. The Board supplies about 20 U.S. importers. Some of the importers are also large domestic producers and assemblers. New Zealand Cheddar, most of which is imported in 80-pound round wheels, is a natural "unaged" cheese made from pasteurized milk, and generally aged for less than 60 days. ^{1/} It loses its original identity in the United States inasmuch as nearly all of it is used in making process cheese. Processors prefer New Zealand Cheddar because its butterfat content is about 5 percent higher than other Cheddar, a factor which reduces the cost of producing process cheese.

Although the annual production of Cheddar cheese in New Zealand has averaged only about 200 million pounds in recent years (237 million in 1965), that country is the world's largest exporter of Cheddar. For many years the bulk of the New Zealand exports (about 90 percent of the domestic production) have gone to the United Kingdom. Although exports are not subsidized by the Government, they are controlled by the

^{1/} The Board has reported that it is prepared to accept orders for aged cheese from U.S. buyers if such cheese is in demand. Several U.S. firms have indicated, however, that New Zealand Cheddar does not develop the "sharp" flavor adequate for their market.

New Zealand Dairy Production and Marketing Board. In March 1966, the wholesale price of New Zealand cheese in the United Kingdom was 32 U.S. cents per pound. Stocks of cheese available for export in New Zealand on December 31, 1965, amounted to about 40 million pounds, slightly larger than on December 31, 1964.

About 35 U.S. importers enter Cheddar cheese from Canada; some are large domestic producers and assemblers. The Cheddar imported from Canada is a natural cheese made from unpasteurized (raw) milk, usually aged 9 months or more, and has a "very sharp" flavor. 1/ Wholesale prices of such cheese are generally higher than those of New York State sharp cheese, its nearest competitor. U.S. imports of Canadian Cheddar are consumed almost exclusively as natural cheese for table use.

In 1964 two exporters shipped most of the Canadian Cheddar exported to the United States. The bulk of the Cheddar cheese exported by these two firms to the United States was retailed in the form of 6-8 ounce plastic-wrapped bars; the remainder was either retailed in 3- to 5-pound circles or sold in random-size pieces cut from the original loaves in individual retail stores.

In 1965 the annual production of Cheddar cheese in Canada amounted to about 152 million pounds. About 60 percent of the total was made from heat-treated milk; 35 percent was made from unpasteurized milk and the remaining 5 percent from pasteurized milk. Cheddar made from

1/ It would be possible for the Canadian Government to certify with respect to each individual importation into the United States the age thereof and whether made from pasteurized, heat-treated or raw milk. Under current conditions, the Canadian Department of Agriculture secures this information in connection with the grading program for cheese.

unpasteurized milk is generally produced in areas of cool climate because bacteria do not multiply rapidly. In 1965 about 21 percent of Canada's output of Cheddar was exported. Virtually all such exports went to the United Kingdom, Canada's traditional export market for Cheddar cheese. The cheese exported to the United Kingdom was made from unpasteurized milk and generally aged for about 12 months either in Canada or in the United Kingdom. In February 1966 the London wholesale price for white Canadian Cheddar made from unpasteurized milk was 42 U.S. cents per pound. The Canadian Government subsidizes and controls exports of Cheddar cheese to the United Kingdom. A Canadian export subsidy of 4 cents (Canadian currency) per pound applies to cheese exported to all destinations other than the United States. Exports of Canadian Cheddar to the United States are by private companies.

Yearend commercial stocks of Cheddar cheese in Canada ranged from 52 million to 62 million pounds during the period 1960-64; in 1965 they amounted to about 61 million pounds. Although the Government-owned stocks totaled 5 million pounds in 1961 and 1 million pounds in 1962, the Canadian Government has not owned any stocks of cheese after 1962.

Prices of domestic and imported Cheddar cheese

Wholesale price movements for domestic Cheddar cheese follow closely the prices quoted by the Wisconsin Cheese Exchange, located in Green Bay, Wisconsin. The Exchange prices, which are exclusive

of assembling charges, are commonly referred to in the trade as "base" prices for cheese; wholesale prices of cheese throughout the United States have generally followed movements in these base prices. ^{1/} To arrive at his costs, a wholesale buyer of Cheddar must add to the base price charges for cutting, assembling, grading out unsuitable cheese before delivery, interest, and storage charges for aging the cheese, and premiums for moisture below 38 percent.

In the 1961-65 marketing years (beginning April 1), the average annual domestic price at Wisconsin assembly points for Cheddar cheese ranged from 36.0 to 39.8 cents per pound (table 3). In the last half of 1965 the assembly point price rose in each successive month--from 37.3 to 42.4 cents per pound. This development continued through the first quarter of 1966; in March the assembly point price was 45.7 cents per pound. On April 1, 1966, the Commission announced the institution of this supplemental investigation under section 22; shortly thereafter, on April 7, the price at Wisconsin assembly points was reduced to 42.7 cents per pound; in May, it averaged 42.9 cents per pound.

The recent strong market price situation with regard to Cheddar in the United States--whether domestic or imported--reflects the net impact of many factors that cannot individually be precisely appraised. Over the past decade there has been a slow but steady rise in the aggregate demand for Cheddar that doubtless stems from both population growth and rising per capita consumption as cheese has been increasingly

^{1/} The wholesale prices, f.o.b. Wisconsin assembly points, are discussed in the section entitled: Role of cheese and butter in pricing milk for manufacturing, pp. 11-13.

used in a wide variety of manufactured food products. Additionally, since the middle of 1965 there has been a sharp escalation in the prices of important protein foods such as meat and fish, which has been reflected in increased prices paid by consumers for cheese, an alternative source of protein. Moreover, it appears likely that the future short-term market position of Cheddar cheese will continue to be importantly influenced by developments governing the prices of alternative protein foods and especially those of meat.

The Commission obtained data from purchasers of both domestic and imported cheese located in eastern U.S. cities respecting the prices paid for Cheddar, about 60 days of age and in bulk sizes, delivered to their firms in mid-April 1966. Sixty-day Wisconsin Cheddar was reported to be about 46 cents per pound compared with about 39 cents 1/ for New Zealand Cheddar. New Zealand Cheddar competes principally with the Wisconsin Cheddar for use in process cheese; the cheese processor not only enjoys a lower price in the case of New Zealand Cheddar, but also a cost saving resulting from its higher butterfat content of about 5 percent.

New York Cheddar, which is generally aged and competes with aged Wisconsin and Canadian cheese, ordinarily sells for a premium of about 3 cents per pound above the Wisconsin cheese, Virtually all imports of Canadian Cheddar are aged.

1/ The U.S. Agricultural Attache in New Zealand reported that as of April 15, 1966, the New Zealand Dairy Board quoted a price of 37.0 cents per pound ex-dock for west coast ports, and 36.5 cents per pound ex-dock for eastern U.S. ports.

Data submitted to the Tariff Commission by the Department of Agriculture indicate that in mid April 1966 the New York wholesale prices of aged Cheddar in midget sizes averaged about 60 cents per pound in the case of domestic Cheddar and about 83 cents in the case of Canadian Cheddar. The differential of about 23 cents per pound is probably somewhat higher than it would be for larger sizes. The high-priced Canadian Cheddar, moreover, was probably aged for longer periods than the domestic product.

APPENDIXES

Appendix A

Table 1.--Dairy products: U.S. milk production, and whole-milk equivalent of U.S. domestic exports and imports for consumption, 5-year averages 1935-39 and 1945-49, annual 1953-66

| Period | Exports | | | | Imports | | | Export or import (-) balance |
|--------------|-----------------------|---------------------|-------------------------|-----------------------------|---|----------------|--------------------------------|------------------------------|
| | Total milk production | Sales ^{1/} | Donations ^{2/} | Total exports ^{1/} | Ratio of total exports to total milk production | Quantity | Ratio to total milk production | |
| | Million pounds | Million pounds | Million pounds | Million pounds | Percent | Million pounds | Percent | Million pounds |
| Average: | | | | | | | | |
| 1935-39----- | 105,924 | 3/ | 3/ | 138 | 0.1 | 679 | 0.6 | -541 |
| 1945-49----- | 117,623 | 1,898 | 1,968 | 3,866 | 3.3 | 218 | .2 | 3,648 |
| Annual: | | | | | | | | |
| 1953----- | 120,221 | 675 | 694 | 1,369 | 1.1 | 525 | .4 | 844 |
| 1954----- | 122,094 | 707 | 1,340 | 2,047 | 1.7 | 441 | .4 | 1,606 |
| 1955----- | 122,945 | 919 | 5,743 | 6,662 | 5.4 | 458 | .4 | 6,204 |
| 1956----- | 124,860 | 1,432 | 4,797 | 6,229 | 5.0 | 514 | .4 | 5,715 |
| 1957----- | 124,628 | 1,028 | 1,675 | 2,703 | 2.2 | 661 | .5 | 2,042 |
| 1958----- | 123,220 | 757 | 2,047 | 2,804 | 2.3 | 507 | .4 | 2,297 |
| 1959----- | 121,989 | 651 | 503 | 1,154 | .9 | 578 | .5 | 576 |
| 1960----- | 122,951 | 755 | 21 | 776 | .6 | 604 | .5 | 172 |
| 1961----- | 125,442 | 645 | 10 | 655 | .5 | 760 | .6 | -105 |
| 1962----- | 126,021 | 434 | 853 | 1,287 | 1.0 | 795 | .6 | 492 |
| 1963----- | 125,009 | 554 | 4,441 | 4,995 | 4.0 | 915 | .7 | 4,080 |
| 1964----- | 127,000 | 368 | 6,482 | 6,850 | 5.4 | 830 | .7 | 6,020 |
| 1965----- | 125,061 | 404 | 1,420 | 1,824 | 1.5 | 902 | .7 | 922 |
| 1966----- | 4/ 122,200 | 3/ | 3/ | 3/ | 3/ | 3/ | 3/ | 3/ |

^{1/} Includes some commercial sales subsidized by the Commodity Credit Corporation.

^{2/} Although these were chiefly donations to relief agencies for shipment to overseas destinations, there was a very small financial recovery to the Commodity Credit Corporation.

^{3/} Not available.

^{4/} Estimated by the U.S. Department of Agriculture.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 2.--Milk: U.S. consumption by end use and per capita consumption, 1953-65

| Year | (In billions of pounds of milk or milk equivalent, unless otherwise stated) | | | | | | | | | | Per capita consumption as <u>3</u> /-- | | |
|------|---|----------------------------------|---------|-------|----------------|-------|------------------|----------------------|----------------------|-------|--|----------------------|-------|
| | Fluid consumption | Manufactured into dairy products | | | | | Total <u>2</u> / | Other dairy products | | Total | Cheddar cheese | Other dairy products | Total |
| | | Butter <u>1</u> / | Cheddar | Other | Other products | Total | | Cheddar cheese | Other dairy products | | | | |
| 1953 | 55.1 | 32.4 | 9.5 | 3.8 | 15.2 | 60.9 | 117.2 | 51 | 640 | 691 | | | |
| 1954 | 56.2 | 32.9 | 9.8 | 3.9 | 15.0 | 61.6 | 118.9 | 55 | 644 | 699 | | | |
| 1955 | 57.5 | 31.2 | 9.2 | 4.4 | 16.5 | 61.3 | 119.8 | 54 | 652 | 706 | | | |
| 1956 | 58.7 | 31.5 | 8.9 | 4.8 | 17.0 | 62.2 | 121.7 | 54 | 648 | 702 | | | |
| 1957 | 59.1 | 31.4 | 9.0 | 4.5 | 16.7 | 61.6 | 121.7 | 51 | 634 | 685 | | | |
| 1958 | 58.8 | 31.7 | 8.6 | 4.2 | 16.3 | 60.8 | 120.5 | 53 | 627 | 680 | | | |
| 1959 | 58.5 | 30.3 | 8.3 | 4.3 | 17.1 | 60.0 | 119.3 | 51 | 615 | 666 | | | |
| 1960 | 58.5 | 30.7 | 8.7 | 4.9 | 16.8 | 61.1 | 120.4 | 52 | 599 | 651 | | | |
| 1961 | 57.5 | 32.9 | 9.9 | 5.0 | 16.9 | 64.7 | 123.0 | 55 | 583 | 638 | | | |
| 1962 | 58.0 | 34.0 | 9.3 | 5.0 | 16.7 | 65.0 | 123.7 | 59 | 579 | 638 | | | |
| 1963 | 58.8 | 31.5 | 9.5 | 5.3 | 17.1 | 63.4 | 122.7 | 60 | 569 | 629 | | | |
| 1964 | 59.2 | 32.0 | 10.0 | 5.6 | 15.8 | 63.4 | 124.8 | 61 | 569 | 630 | | | |
| 1965 | 59.6 | 29.4 | 9.9 | 5.9 | 17.6 | 62.8 | 123.0 | 60 | 561 | 621 | | | |

1/ Includes farm and nonfarm butter.

2/ Because of rounding, and miscellaneous uses of milk not accounted for, figures do not add to the totals shown.

3/ Pounds of milk equivalent.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 3.--Butter, Cheddar cheese, nonfat dry milk, and all milk for manufacturing: U.S. market prices, Commodity Credit Corporation purchase prices, and CCC support objectives, marketing years 1953-65 and April 1966

| (In cents per pound) | | | | | | | | | | |
|---------------------------------|-----------------------------|--------------------|--|--------------------|---------------------------------|--------------------|--|-----------------------|-------------------|--------------|
| Marketing year beginning Apr. 1 | Butter (Grade A at Chicago) | | Cheddar cheese | | Nonfat dry milk (spray process) | | Milk for manufacturing | | | |
| | Market price | CCC purchase price | Market price (Wisconsin assembly points) | CCC purchase price | Market price (U.S. average) | CCC purchase price | Market price (U.S. annual average basis) | CCC support objective | | |
| | | | | | | | | Actual | Percent of parity | |
| 1953----- | 65.5 | 65.8 | 36.8 | 37.0 | 15.5 | 16.0 | 3.46 | 3.74 | | 89 |
| 1954----- | 57.8 | 57.5 | 33.1 | <u>1/</u> 33.2 | 15.3 | <u>1/</u> 16.0 | 3.15 | 3.15 | | 75 |
| 1955----- | 57.4 | 57.5 | 33.2 | 33.2 | 15.6 | 16.0 | 3.19 | 3.15 | | 80 |
| 1956----- | 59.7 | 59.5 | 34.7 | <u>2/</u> 35.0 | 15.5 | 16.0 | 3.31 | <u>2/</u> 3.25 | | <u>2/</u> 84 |
| 1957----- | 59.6 | 59.5 | 34.8 | 35.0 | 15.5 | 16.0 | 3.28 | 3.25 | | 82 |
| 1958----- | 58.2 | 57.8 | 33.3 | 32.8 | 13.8 | 14.2 | 3.16 | 3.06 | | 75 |
| 1959----- | 59.7 | 58.0 | 34.0 | 32.8 | 13.7 | 14.2 | 3.22 | 3.06 | | 77 |
| 1960: | | | | | | | | | | |
| Apr. 1- | | | | | | | | | | |
| Sept. 16- | 58.1 | 58.0 | 34.4 | 32.8 | 14.4 | 13.4 | 3.21 | 3.06 | | 76 |
| Sept. 17- | | | | | | | | | | |
| Mar. 9, | | | | | | | | | | |
| ('61)----- | 60.6 | <u>3/</u> 60.5 | 39.1 | <u>3/</u> 34.2 | 14.7 | <u>3/</u> 13.9 | 3.39 | <u>3/</u> 3.22 | | 80 |
| Mar. 10-31, | | | | | | | | | | |
| ('61)----- | 60.5 | 60.5 | 37.2 | 36.1 | 15.9 | 15.9 | 3.37 | 3.40 | | 85 |
| 1961: | | | | | | | | | | |
| Apr. 1- | | | | | | | | | | |
| July 17-- | 60.5 | 60.5 | 36.7 | 36.1 | 15.9 | 15.9 | 3.36 | <u>4/</u> 3.40 | | 83 |
| July 18- | | | | | | | | | | |
| Mar. 31, | | | | | | | | | | |
| ('62)----- | 60.5 | 60.5 | 37.2 | 36.5 | 16.0 | 16.4 | 3.39 | <u>4/</u> 3.40 | | 83 |
| 1962----- | 58.6 | 58.0 | 36.0 | 34.6 | 14.4 | 14.4 | 3.19 | 3.11 | | 75 |
| 1963----- | 58.2 | 58.0 | 36.1 | 35.6 | 14.5 | 14.4 | 3.24 | 3.14 | | 75 |
| 1964----- | 59.1 | 58.0 | 36.8 | 35.6 | 14.6 | 14.4 | 3.30 | 3.15 | | 75 |
| 1965----- | 61.1 | 59.0 | 39.8 | 36.1 | 14.9 | 14.4 | 3.45 | 3.24 | | 75 |
| 1966: | | | | | | | | | | |
| April only----- | 62.8 | 61.0 | 43.4 | 39.3 | <u>5/</u> | 16.6 | 3.65 | 3.50 | | 78 |

1/ Cheddar supported at 32.25 cents and nonfat dry milk at 15 cents per pound from Apr. 1 to July 11, 1954.
2/ Applies to the period Apr. 19, 1956-Mar. 31, 1957; from Apr. 1-18, 1956, the support price was 34.0 cents per pound.

3/ Increase required by Public Law 86-799.

4/ The U.S. Department of Agriculture later found that the purchase prices of March 1961 reflected a per hundredweight support objective of only \$3.36-\$3.37; the new purchase prices of July 1961 more accurately reflected the \$3.40 price-support objective.

5/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 4.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation and sec. 32 purchases, utilization (disposals), and CCC stocks, 1953-65

| (In millions of pounds) | | | |
|-------------------------|---------------|-----------------------|---|
| Period <u>1/</u> | Purchases | Utilization <u>2/</u> | Uncommitted supplies at end of period <u>3/</u> |
| Butter | | | |
| 1953----- | 359 | 118 | 257 |
| 1954----- | <u>4/</u> 320 | 313 | 264 |
| 1955----- | 162 | 366 | 60 |
| 1956----- | 165 | 225 | - |
| 1957----- | 173 | 142 | 31 |
| 1958----- | 184 | 208 | 7 |
| 1959----- | 124 | 130 | - |
| 1960----- | 145 | 129 | 16 |
| 1961----- | 329 | 195 | 150 |
| 1962----- | 403 | 259 | 294 |
| 1963----- | 308 | 482 | 120 |
| 1964----- | 259 | 372 | 18 |
| 1965----- | 221 | 225 | 9 |
| Cheddar cheese | | | |
| 1953----- | 308 | 54 | 255 |
| 1954----- | <u>5/</u> 276 | <u>5/</u> 196 | 335 |
| 1955----- | 150 | 224 | 261 |
| 1956----- | 188 | 303 | 146 |
| 1957----- | 241 | 245 | 142 |
| 1958----- | 80 | 215 | <u>6/</u> 3 |
| 1959----- | 57 | 53 | 7 |
| 1960----- | <u>8/</u> | 7 | - |
| 1961----- | 100 | 70 | 54 |
| 1962----- | 214 | 194 | 63 |
| 1963----- | 113 | 164 | 19 |
| 1964----- | 129 | 121 | 17 |
| 1965----- | 49 | 56 | <u>7/</u> |
| Nonfat dry milk | | | |
| 1953----- | 597 | 209 | 432 |
| 1954----- | 649 | 1,000 | 97 |
| 1955----- | 536 | 649 | 4 |
| 1956----- | 724 | 726 | 32 |
| 1957----- | 825 | 821 | 27 |
| 1958----- | 886 | 915 | 45 |
| 1959----- | 830 | 811 | - |
| 1960----- | 853 | 738 | 177 |
| 1961----- | 1,086 | 1,185 | 186 |
| 1962----- | 1,378 | 972 | 514 |
| 1963----- | 1,019 | 1,146 | 366 |
| 1964----- | 672 | 977 | 66 |
| 1965----- | 882 | 823 | 143 |

1/ Calendar-year unless otherwise specified.

2/ For 1954-57 includes donations to U.S. Army, part of which were used abroad.

3/ The supplies at the end of a year do not always equal the supplies at the beginning plus purchases less utilization, owing to rounding of figures and purchase contract tolerances.

4/ Excludes 5.1 million pounds sold to the CCC in March 1954 but contracted for repurchase by private firms after April 1, 1954.

5/ Excludes 86.6 million pounds sold to the CCC in March 1954 but contracted for repurchase by private firms after April 1, 1954.

6/ Adjusted for a decrease of 5 million pounds owing to claims actions, underdeliveries against purchase contracts, and overdeliveries on disposition contracts.

7/ Less than 0.5 million pounds.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5.--Net expenditures on dairy price-support and related programs, years ending June 30, 1950-65

(In millions of dollars)

| Year ending June 30-- | Surplus disposal (price-support) programs | | | | | Total | Special milk program <u>5/</u> |
|-----------------------|---|---------------------------------|-----------------------------------|-----------------------------------|----------------|-------|--------------------------------|
| | CCC net expenditures <u>1/</u> | Military milk program <u>2/</u> | Payment-in-kind program <u>3/</u> | Section 32 expenditures <u>4/</u> | | | |
| 1950----- | 170.5 | - | - | 17.6 | 188.1 | - | |
| 1951----- | <u>6/</u> 49.1 | - | - | <u>6/</u> .9 | <u>6/</u> 50.0 | - | |
| 1952----- | 1.6 | - | - | 7.5 | 9.1 | - | |
| 1953----- | 274.9 | - | - | 25.1 | 300.0 | - | |
| 1954----- | 400.4 | - | - | 74.0 | 474.4 | - | |
| 1955----- | 217.4 | 4.3 | - | 24.4 | 246.1 | 22.2 | |
| 1956----- | 218.0 | 7.3 | - | 39.0 | 264.3 | 48.5 | |
| 1957----- | 206.0 | 16.4 | - | 75.6 | 298.0 | 61.0 | |
| 1958----- | 195.2 | 30.4 | - | 123.7 | 349.3 | 66.7 | |
| 1959----- | 98.7 | 23.0 | - | 106.2 | 227.9 | 74.7 | |
| 1960----- | 147.6 | 23.6 | - | 35.1 | 206.3 | 81.2 | |
| 1961----- | 170.1 | 25.3 | - | 82.1 | 277.5 | 87.0 | |
| 1962----- | 529.4 | 25.9 | - | 47.1 | 602.4 | 91.7 | |
| 1963----- | 439.7 | 24.8 | 6.7 | - | 471.2 | 93.7 | |
| 1964----- | 292.0 | 26.5 | 36.5 | 4.4 | 359.4 | 97.1 | |
| 1965----- | 152.5 | 26.2 | 44.7 | 105.6 | 329.0 | 86.5 | |
| Total-- | 3,464.9 | 233.7 | 87.9 | 766.5 | 4,553.0 | 810.3 | |

1/ Purchase, processing, repacking, transportation, storage, and handling costs borne by CCC minus proceeds from sales (including sales to programs using section 32 funds).

2/ CCC reimbursements to military agencies, Veterans Administration, and other participants.

3/ Value of certificates issued to support exports of nonfat dry milk, butter and high milkfat products; redeemable for like products for export from CCC stocks.

4/ Expenditures made to provide dairy products for certain domestic welfare programs. Commodities acquired by purchases from CCC, and, in some years, by purchases on the open market using sec. 32 funds (obtained from certain customs receipts).

5/ Federal grants to subsidize local purchase of milk for school children (not considered by the U.S. Department of Agriculture to be a price-support expenditure).

6/ Net receipt.

Note: Does not include any costs of activities under titles I, II, and IV of P.L. 480; under these programs commodities are exported to various countries and are paid for in local currency.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 6.--Cheddar cheese, subject to import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, years ending June 30, 1954-65

| Country | Year ending June 30-- | | | | | | | | | | | |
|--------------------|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 |
| | Quantity licensed (pounds) | | | | | | | | | | | |
| New Zealand | 2,331,849 | 2,232,632 | 2,250,104 | 2,244,490 | 2,246,580 | 2,261,980 | 2,264,820 | 2,242,100 | 2,227,740 | 2,225,950 | 2,139,770 | 2,139,490 |
| Canada | 535,249 | 536,788 | 519,007 | 526,096 | 507,770 | 503,650 | 499,170 | 506,180 | 506,510 | 514,720 | 614,120 | 611,140 |
| Sweden | 5,058 | 5,511 | 5,150 | 5,150 | 5,180 | 6,130 | 6,190 | 6,190 | 7,120 | 6,160 | 5,850 | 5,850 |
| Ireland | 2,355 | 2,370 | 2,399 | 2,400 | 2,410 | 2,400 | 2,400 | 2,400 | 2,360 | 2,390 | 2,250 | 2,250 |
| Mexico | 624 | 627 | 627 | 630 | 630 | 630 | 630 | 1,000 | 1,000 | - | - | - |
| Dominican Republic | 518 | 213 | 213 | 210 | 210 | 210 | - | - | - | - | - | - |
| Australia | - | - | - | - | 17,250 | - | - | 17,180 | 16,910 | 17,080 | 16,150 | 16,150 |
| Denmark | 180 | - | - | - | - | - | - | - | - | 1,000 | 1,000 | 1,000 |
| Total | 2,775,342 | 2,778,141 | 2,777,500 | 2,775,976 | 2,780,930 | 2,774,960 | 2,773,210 | 2,775,050 | 2,761,640 | 2,767,300 | 2,779,140 | 2,775,530 |
| | Quantity imported (pounds) | | | | | | | | | | | |
| New Zealand | 2,183,413 | 1,938,061 | 2,145,441 | 2,155,423 | 2,182,600 | 2,103,053 | 2,212,446 | 2,171,734 | 1,836,993 | 2,100,411 | 2,052,442 | 2,113,772 |
| Canada | 494,860 | 495,865 | 496,412 | 484,910 | 451,181 | 447,259 | 492,399 | 459,164 | 466,276 | 488,304 | 564,311 | 523,456 |
| Sweden | 5,020 | 5,072 | 5,123 | 5,125 | 5,159 | 6,126 | 4,723 | 4,506 | 6,043 | 6,127 | 5,794 | 5,817 |
| Ireland | 1,560 | - | 1,555 | 1,480 | 1,458 | 1,152 | 1,440 | 2,304 | 1,536 | 2,364 | 1,490 | 2,250 |
| Mexico | 573 | - | 617 | 617 | - | - | - | - | - | - | - | - |
| Dominican Republic | 500 | 200 | 208 | 210 | 210 | - | - | 17,180 | - | 16,631 | - | - |
| Australia | - | - | - | - | 10,816 | - | - | - | - | - | - | - |
| Denmark | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 2,655,946 | 2,440,095 | 2,649,336 | 2,646,765 | 2,651,214 | 2,557,590 | 2,711,010 | 2,654,888 | 2,310,848 | 2,613,837 | 2,624,037 | 2,645,245 |
| | Proportion of license used (percent) | | | | | | | | | | | |
| New Zealand | 97.8 | 86.8 | 95.3 | 96.0 | 97.2 | 93.0 | 97.7 | 96.9 | 82.5 | 94.4 | 95.9 | 98.7 |
| Canada | 92.5 | 92.4 | 95.6 | 92.2 | 88.9 | 88.8 | 98.6 | 90.7 | 92.1 | 94.9 | 91.9 | 85.6 |
| Sweden | 99.2 | 92.0 | 99.5 | 99.5 | 99.6 | 99.9 | 76.3 | 72.8 | 84.9 | 99.5 | 99.0 | 99.4 |
| Ireland | 66.2 | - | 64.0 | 20.0 | 60.5 | 48.8 | 60.0 | 96.0 | 65.1 | 98.9 | 66.2 | 100.0 |
| Mexico | 91.8 | - | 98.4 | 97.9 | - | - | - | - | - | - | - | - |
| Dominican Republic | 96.5 | 93.9 | 97.7 | 100.0 | 62.7 | - | - | 100.0 | - | 97.4 | - | - |
| Australia | - | - | - | - | - | - | - | - | - | - | - | - |
| Denmark | - | - | - | - | - | - | - | - | - | - | - | - |
| Average | 96.8 | 87.8 | 95.4 | 95.2 | 95.4 | 92.2 | 97.8 | 95.7 | 83.7 | 94.5 | 94.4 | 95.2 |

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 7.-- Cheddar cheese in cold-storage warehouses at end of month: U.S. Government, commercial, and total stocks, by months, 1953-65 and January-April 1966

| (In millions of pounds) | | | | | | | | | | | | |
|-------------------------|------|------|-------|-------|-----|------|------|------|-------|------|------|------|
| Period and item | Jan. | Feb. | March | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| 1953: | | | | | | | | | | | | |
| Government----- | 4 | 16 | 43 | 74 | 110 | 139 | 180 | 216 | 241 | 242 | 245 | 242 |
| Commercial----- | 190 | 171 | 158 | 157 | 170 | 201 | 205 | 195 | 185 | 174 | 156 | 159 |
| Total----- | 194 | 187 | 201 | 231 | 280 | 340 | 385 | 411 | 426 | 416 | 401 | 401 |
| 1954: | | | | | | | | | | | | |
| Government----- | 251 | 270 | 305 | 339 | 356 | 376 | 395 | 404 | 407 | 394 | 381 | 357 |
| Commercial----- | 147 | 130 | 121 | 122 | 139 | 162 | 177 | 175 | 173 | 171 | 169 | 162 |
| Total----- | 398 | 400 | 426 | 461 | 495 | 538 | 572 | 579 | 580 | 565 | 550 | 519 |
| 1955: | | | | | | | | | | | | |
| Government----- | 342 | 328 | 319 | 310 | 303 | 306 | 311 | 306 | 309 | 304 | 287 | 279 |
| Commercial----- | 151 | 142 | 144 | 158 | 191 | 237 | 250 | 256 | 250 | 232 | 218 | 213 |
| Total----- | 493 | 470 | 463 | 468 | 494 | 543 | 561 | 562 | 559 | 536 | 505 | 492 |
| 1956: | | | | | | | | | | | | |
| Government----- | 268 | 248 | 243 | 235 | 228 | 232 | 236 | 230 | 229 | 207 | 202 | 191 |
| Commercial----- | 201 | 192 | 190 | 192 | 222 | 252 | 273 | 280 | 264 | 242 | 213 | 210 |
| Total----- | 469 | 440 | 433 | 427 | 450 | 484 | 509 | 510 | 493 | 449 | 415 | 401 |
| 1957: | | | | | | | | | | | | |
| Government----- | 178 | 159 | 160 | 153 | 163 | 172 | 217 | 197 | 203 | 198 | 188 | 170 |
| Commercial----- | 209 | 198 | 196 | 202 | 228 | 252 | 238 | 270 | 255 | 231 | 216 | 207 |
| Total----- | 387 | 357 | 356 | 355 | 391 | 424 | 455 | 467 | 458 | 429 | 404 | 377 |
| 1958: | | | | | | | | | | | | |
| Government----- | 156 | 144 | 139 | 118 | 107 | 96 | 73 | 55 | 40 | 24 | 11 | 11 |
| Commercial----- | 189 | 174 | 168 | 175 | 189 | 220 | 246 | 260 | 265 | 258 | 245 | 238 |
| Total----- | 345 | 318 | 307 | 293 | 296 | 316 | 319 | 315 | 305 | 282 | 256 | 249 |
| 1959: | | | | | | | | | | | | |
| Government----- | 9 | 9 | 6 | 14 | 13 | 21 | 29 | 31 | 35 | 35 | 26 | 20 |
| Commercial----- | 227 | 219 | 220 | 235 | 259 | 286 | 302 | 303 | 292 | 273 | 255 | 246 |
| Total----- | 236 | 228 | 226 | 249 | 272 | 307 | 331 | 334 | 327 | 308 | 281 | 266 |
| 1960: | | | | | | | | | | | | |
| Government----- | 15 | 10 | 9 | 7 | 7 | 6 | 4 | 1 | 1 | 1 | 1 | 1 |
| Commercial----- | 231 | 222 | 219 | 234 | 260 | 298 | 312 | 317 | 303 | 291 | 287 | 291 |
| Total----- | 246 | 232 | 228 | 241 | 267 | 304 | 316 | 318 | 304 | 292 | 288 | 292 |
| 1961: | | | | | | | | | | | | |
| Government----- | 1/ | 1/ | 1/ | 1 | 3 | 11 | 22 | 27 | 36 | 48 | 51 | 53 |
| Commercial----- | 287 | 293 | 302 | 324 | 354 | 389 | 402 | 421 | 406 | 385 | 370 | 367 |
| Total----- | 287 | 293 | 302 | 325 | 357 | 400 | 424 | 448 | 442 | 433 | 421 | 420 |
| 1962: | | | | | | | | | | | | |
| Government----- | 53 | 56 | 63 | 80 | 87 | 93 | 110 | 111 | 112 | 100 | 91 | 77 |
| Commercial----- | 353 | 327 | 305 | 311 | 329 | 361 | 374 | 371 | 345 | 321 | 308 | 307 |
| Total----- | 406 | 383 | 368 | 391 | 416 | 454 | 484 | 482 | 457 | 421 | 399 | 384 |
| 1963: | | | | | | | | | | | | |
| Government----- | 69 | 55 | 45 | 33 | 29 | 33 | 43 | 42 | 43 | 28 | 23 | 19 |
| Commercial----- | 290 | 270 | 264 | 284 | 315 | 341 | 352 | 349 | 321 | 309 | 301 | 283 |
| Total----- | 359 | 325 | 309 | 317 | 344 | 374 | 395 | 391 | 364 | 337 | 324 | 302 |
| 1964: | | | | | | | | | | | | |
| Government----- | 15 | 11 | 7 | 9 | 12 | 20 | 22 | 19 | 18 | 17 | 14 | 12 |
| Commercial----- | 264 | 253 | 257 | 275 | 298 | 319 | 331 | 319 | 300 | 286 | 279 | 272 |
| Total----- | 279 | 264 | 264 | 284 | 310 | 339 | 353 | 338 | 318 | 303 | 293 | 284 |
| 1965: | | | | | | | | | | | | |
| Government----- | 8 | 6 | 5 | 4 | 1 | 2 | 5 | 8 | 4 | 2 | 1 | 1 |
| Commercial----- | 264 | 254 | 247 | 268 | 298 | 331 | 350 | 357 | 337 | 308 | 296 | 270 |
| Total----- | 272 | 260 | 252 | 272 | 299 | 333 | 355 | 365 | 341 | 310 | 297 | 271 |
| 1966: (Jan.-Apr.) | | | | | | | | | | | | |
| Government----- | 1/ | 1/ | 1/ | 1/ | | | | | | | | |
| Commercial----- | 263 | 238 | 230 | 251 | | | | | | | | |
| Total----- | 263 | 238 | 230 | 251 | | | | | | | | |

1/ Less than 500,000 pounds.

Source: Cold Storage Report issued monthly by the U.S. Department of Agriculture.

Note.--Breakdown between Government and commercial stocks is based on information in the hands of warehousemen at time of report, consequently, this table does not reflect the final Government commitments of cheese.

Table 8.--Cheddar cheese: U.S. imports for consumption, by countries, 1958-65

| Country | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Quantity (pounds) | | | | | | | | |
| New Zealand----- | 2,531,056 | 1,732,522 | 2,753,068 | 1,123,270 | 2,065,150 | 2,598,579 | 1,887,358 | 1,390,848 |
| Canada----- | 456,476 | 395,334 | 511,588 | 503,597 | 472,969 | 532,247 | 584,156 | 458,186 |
| Denmark----- | 5,219 | 698 | 16,083 | 800 | - | 2,400 | - | - |
| Sweden----- | 1,050 | 1,459 | 6,396 | 6,122 | 6,074 | 7,050 | 4,725 | 5,791 |
| Netherlands----- | - | - | 900 | - | - | - | - | - |
| United Kingdom--- | 28,470 | 17,515 | 812 | 25,033 | - | - | - | 1,152 |
| Norway----- | - | - | - | - | - | - | - | - |
| Australia----- | - | 7,226 | - | 17,180 | - | 16,631 | - | - |
| Ireland----- | - | - | - | - | - | - | 2,988 | 1,492 |
| West Germany----- | - | - | - | 1,000 | - | - | - | - |
| Total----- | 3,022,271 | 2,154,754 | 3,288,847 | 1,677,002 | 2,544,193 | 3,156,907 | 2,479,227 | 1,857,469 |
| Foreign value | | | | | | | | |
| New Zealand----- | \$601,220 | \$419,731 | \$691,219 | \$297,228 | \$564,066 | \$693,773 | \$518,861 | 393,983 |
| Canada----- | 206,779 | 185,772 | 254,190 | 216,917 | 208,125 | 267,800 | 282,828 | 242,691 |
| Denmark----- | 2,404 | 285 | 7,097 | 333 | - | 931 | - | - |
| Sweden----- | 368 | 671 | 2,862 | 2,815 | 2,720 | 3,257 | 2,221 | 2,722 |
| Netherlands----- | - | - | 531 | - | - | - | - | - |
| United Kingdom--- | 12,552 | 6,387 | 488 | 15,667 | - | - | - | 864 |
| Norway----- | - | - | - | - | - | - | - | - |
| Australia----- | - | 1,761 | - | 4,778 | - | 3,700 | - | - |
| Ireland----- | - | - | - | - | - | - | 1,322 | 699 |
| West Germany----- | - | - | - | 468 | - | - | - | - |
| Total----- | 823,323 | 614,607 | 956,387 | 538,206 | 774,911 | 969,461 | 805,232 | 640,959 |
| Unit value (cents per pound) | | | | | | | | |
| New Zealand----- | 23.8 | 24.2 | 25.1 | 26.5 | 27.3 | 26.7 | 27.5 | 28.3 |
| Canada----- | 45.3 | 47.0 | 49.7 | 43.1 | 44.0 | 50.3 | 48.4 | 53.0 |
| Denmark----- | 46.1 | 40.8 | 44.1 | 41.6 | - | 38.8 | - | - |
| Sweden----- | 35.0 | 46.0 | 44.7 | 46.0 | 44.8 | 46.2 | 47.0 | 47.0 |
| Netherlands----- | - | - | 59.0 | - | - | - | - | - |
| United Kingdom--- | 44.1 | 36.5 | 60.1 | 62.6 | - | - | - | 75.0 |
| Norway----- | - | - | - | - | - | - | - | - |
| Australia----- | - | 24.4 | - | 27.8 | - | 22.2 | - | - |
| Ireland----- | - | - | - | - | - | - | 44.2 | 46.8 |
| West Germany----- | - | - | - | 46.8 | - | - | - | - |
| Average----- | 27.2 | 28.5 | 29.1 | 32.1 | 30.5 | 30.7 | 32.5 | 34.5 |

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 9.--Cheese: U.S. Imports for consumption, by kind, 1961-65

| Item | 1961 | | 1962 | | 1963 | | 1964 | | 1965 | |
|--|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|
| | Pounds | Foreign value | Pounds | Foreign value | Pounds | Foreign value | Pounds | Foreign value | Pounds | Foreign value |
| *Blue-mold cheese----- | 3,821,254 | \$1,815,264 | 4,362,516 | \$2,156,687 | 3,909,727 | \$1,941,121 | 4,248,811 | \$2,136,449 | 4,400,046 | \$2,208,701 |
| Bryndza cheese----- | 32,350 | 7,751 | 82,673 | 17,299 | 68,344 | 14,340 | 62,832 | 12,833 | 88,715 | 23,999 |
| *Cheddar cheese----- | 1,677,002 | 538,206 | 2,544,193 | 774,911 | 3,156,907 | 969,461 | 2,479,227 | 905,232 | 1,857,469 | 640,959 |
| Colby cheese 1/----- | 14,605,000 | 3,483,000 | 10,338,000 | 2,423,000 | 10,446,113 | 2,428,004 | 11,581,423 | 2,760,697 | 14,149,377 | 3,498,693 |
| *Edam & Gouda cheeses----- | 7,328,902 | 3,095,771 | 6,687,082 | 2,920,769 | 7,489,089 | 3,278,629 | 6,770,415 | 3,117,134 | 7,566,424 | 3,536,921 |
| Gjetost cheese----- | 81,672 | 42,158 | 69,900 | 38,933 | 88,725 | 49,761 | 58,727 | 37,405 | 45,964 | 31,010 |
| Other Gjetost cheese 1/----- | 109,745 | 45,513 | 113,470 | 43,412 | 136,032 | 58,805 | 119,867 | 56,745 | 206,942 | 99,301 |
| Goya and *Sbrinz cheese----- | 3,238 | 1,043 | - | - | - | - | 859 | 265 | - | - |
| Roquefort cheese----- | 2,271,417 | 1,881,582 | 2,392,265 | 2,006,017 | 2,040,279 | 1,715,534 | 2,003,974 | 1,959,129 | 2,191,315 | 2,397,794 |
| *Romano made from cow's milk, in original loaves----- | 1,989,179 | 613,989 | 2,607,347 | 784,903 | 3,163,400 | 881,660 | 2,480,379 | 756,454 | 2,305,400 | 931,575 |
| *Parmesano and Reggiano in original loaves----- | 1,747,068 | 895,375 | 1,905,645 | 950,598 | 2,628,729 | 1,165,123 | 2,284,541 | 1,313,356 | 1,901,563 | 1,341,888 |
| *Provoloni and Provolotte in original loaves----- | 4,030,868 | 2,282,876 | 4,558,225 | 2,601,241 | 4,304,383 | 2,622,100 | 3,807,655 | 2,742,201 | 3,484,133 | 2,769,000 |
| Romano made from cow's milk, Parmesano and Reggiano, Provoloni and Provolotte, not in original loaves----- | 2/ | 2/ | 2/ | 2/ | 3/ 112,887 | 3/ 57,026 | 322,335 | 180,262 | 96,863 | 63,430 |
| Swiss or Emmentaler cheese with eye formation----- | 11,202,971 | 6,079,254 | 12,517,934 | 6,668,228 | 11,691,883 | 6,062,913 | 11,506,363 | 6,426,727 | 10,119,330 | 6,001,486 |
| Gruyere-process cheese----- | 4,626,994 | 2,630,092 | 5,467,148 | 2,973,399 | 4,830,450 | 2,710,610 | 5,173,261 | 2,779,309 | 5,313,127 | 2,885,710 |
| Gammelost and Nokkelost cheese----- | 2/ | 2/ | 2/ | 2/ | 3/ 66,869 | 3/ 26,203 | 137,065 | 55,935 | 178,403 | 72,502 |
| Cheeses made from sheep's milk: In original loaves and suitable for grating 1/----- | 12,250,000 | 7,784,000 | 14,473,000 | 7,981,000 | 13,232,000 | 7,464,000 | 12,253,390 | 8,655,000 | 10,998,446 | 9,901,113 |
| Pecorino, in original loaves not suitable for grating 1/----- | 2,724,000 | 1,058,000 | 3,510,000 | 1,287,000 | 4,343,000 | 1,590,000 | 4,385,340 | 1,769,000 | 4,851,848 | 2,210,674 |
| Other sheep's milk cheeses 1/----- | 158,288 | 68,502 | 51,629 | 23,199 | 50,142 | 28,886 | 67,164 | 43,625 | 50,552 | 48,638 |
| "Other" cheese, and substitutes for cheese----- | 7,157,657 | 3,276,136 | 6,496,266 | 2,875,154 | 7,070,036 | 3,349,767 | 8,287,830 | 3,920,237 | 9,204,751 | 4,359,673 |
| Total----- | 75,817,605 | 35,598,512 | 78,177,293 | 36,585,750 | 78,828,995 | 36,413,883 | 79,031,458 | 39,927,995 | 79,310,668 | 43,023,073 |

1/ Data partially estimated prior to 1964.
 2/ Not separately classified; included in other cheese before September 1963.
 3/ September-December.

* Indicates cheeses subject to Section 22 quotas.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Appendix B

Section 22 Quotas on Dairy Products

For many years the United States has been the world's leading producer of milk and of most dairy products, although the output of milk in the U.S.S.R. slightly surpassed that of the United States in 1965. Imports have generally supplied only a small part of U.S. consumption.

Origin

For many years U.S. imports of designated dairy products have been controlled by quotas. Imports of dried milk products, butter, butter-oil, certain articles containing over 45 percent of butterfat, and certain cheeses were controlled under section 104 of the Defense Production Act of 1950, as amended. Section 104 expired on June 30, 1953. On April 8, 1953, however, the President requested the U.S. Tariff Commission to institute an investigation under section 22 of the Agricultural Adjustment Act, as amended, and under Executive Order No. 7233 of November 1935, to determine whether in the absence of section 104 certain articles (including some dairy products) theretofore restricted were practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the U.S. Department of Agriculture's price-support programs for milk and butterfat.

The Tariff Commission instituted the section 22 investigation on April 10, 1953, and submitted its report to the President on June 1, 1953. In accordance with Presidential Proclamation No. 3019 of June 8, 1953,

the following annual import quotas on dairy products, recommended by the Tariff Commission, went into effect on July 1, 1953. 1/

| <u>Article</u> | <u>Quantity</u> |
|--|---|
| Butter----- | 707,000 pounds |
| Dried whole milk----- | 7,000 pounds |
| Dried buttermilk----- | 496,000 pounds |
| Dried cream----- | 500 pounds |
| Dried skimmed milk----- | 1,807,000 pounds |
| Malted milk, and compounds or mixtures of or substitutes for milk or cream----- | 6,000 pounds (aggregate quantity) |
| Cheddar cheese, and cheese and substi- tutes for cheese containing, or processed from, Cheddar cheese----- | 2,780,100 pounds (aggregate quantity) |
| Edam and Gouda cheese----- | 4,600,200 pounds (aggregate quantity) |
| Blue-mold (except Stilton) cheese, and cheese and substitutes for cheese con- taining, or processed from, blue-mold cheese----- | 4,167,000 pounds (aggregate quantity) |
| Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz)----- | 9,200,100 pounds (aggregate quantity) |

The quantities designated in these quotas were determined on the basis of the respective imports during representative periods. 2/

1/ Licensing arrangements for the imports under quotas are discussed in the section of this report on U.S. tariff treatment.

2/ The period for Cheddar cheese was the 3 calendar years 1948-50.

Changes since 1953

The Tariff Commission has conducted several supplementary investigations on designated dairy products since 1953. 1/ In March 1957 the Commission recommended a quota on butter substitutes (including butter-oil) containing 45 percent or more of butterfat. On April 15, 1957, the President issued a proclamation 2/ providing for a section 22 quota of 1,800,000 pounds for the 1957 calendar year and for 1,200,000 pounds for each subsequent calendar year for butter substitutes containing 45 percent or more of butterfat. In July 1957 the Commission recommended that an embargo be imposed on certain articles containing 45 percent or more of either butterfat or a combination of butterfat and other fat or oil. On August 7, 1957, the President issued a proclamation prohibiting the importation of certain articles containing butterfat. 3/

Following an investigation completed in April 1960, the Commission recommended that the quotas on Italian-type and Edam and Gouda cheeses

1/ In July 1955, the Commission declined to recommend the modification of the definition of Italian-type cheeses in the June 1953 proclamation. The modifications suggested by the Department of Agriculture as being necessary could not, in any event, have been made pursuant to the 1955 investigation, the Commission having held that they would have involved the imposition of import restrictions on products not then subject to restriction, an action which requires a new proceeding under sec. 22(a) instead of a supplemental investigation under sec. 22(d).

2/ T.D. 54345.

3/ T.D. 54416. Excluded from the embargo were: (1) articles the importation of which was restricted pursuant to existing sec. 22 quotas; (2) cheeses the importation of which was not restricted by quotas established pursuant to sec. 22; (3) evaporated milk and condensed milk; (4) products imported packaged for distribution in the retail trade and ready for use by the purchaser at retail for an edible purpose or in the preparation of an edible article; and (5) articles containing butterfat and other fat or oil, if the importer establishes to the satisfaction of the collector of customs that the butterfat content thereof is less than 45 percent.

be increased because the dairy situation had improved to such an extent that the import quotas could be liberalized without adversely affecting the price-support program for milk and butterfat. The annual import quota for certain Italian-type cheeses was subsequently increased to 11,500,100 pounds, and the import quota for Edam and Gouda cheese to 9,200,400 pounds, effective July 1, 1960. 1/

At the request of the President, the Tariff Commission on May 31, 1961, instituted an investigation to determine whether the quotas on blue-mold (except Stilton) cheese and Cheddar cheese--and cheese and substitutes for cheese containing, or processed from, the aforementioned cheeses--, or either of them, should be enlarged or eliminated. In its report to the President 2/ the Commission concluded that the circumstances which had led to the imposition of the existing quotas on blue-mold cheese and Cheddar cheese (Proclamation No. 3019) had not so changed that either of those quotas could be enlarged or eliminated without resulting in material interference with the price-support program of the Department of Agriculture for milk and butterfat. The President accepted the Commission's findings and recommendation respecting Cheddar cheese, but not those respecting blue-mold cheese. By Proclamation No. 3460, of March 29, 1962, he increased the quota on blue-mold cheese by 283,333 pounds for the remainder of the quota year (ending June 30, 1962). For subsequent years, the annual quota was enlarged from 4,167,000 pounds to 5,016,999 pounds.

1/ 25 F.R. 4343, May 17, 1960.

2/ TC Publication 32, Sept. 1, 1961.

On March 31, 1966, the President increased the quota on Cheddar cheese from 2,780,100 pounds to 3,706,800 pounds for the quota year ending June 30, 1966. Such increase was to continue in effect pending Presidential action upon receipt of the report and recommendations of the Tariff Commission with respect thereto. The quota for such products for any quota year after the one ending June 30, 1966, would revert to 2,780,100 pounds unless changed by Presidential action following the Commission's report on the current investigation.

Many cheeses and other important dairy products were not made subject to section 22 import quotas in 1953, inasmuch as it was not considered that imports of such products would materially interfere with the Department of Agriculture's price-support program for milk and butterfat. Among the products whose imports were deemed not to so interfere were fluid milk and cream, which are perishable and difficult to ship; condensed and evaporated milk, which have been exported in appreciable quantities; certain products containing not over 45 percent of butterfat which are used to make ice cream and bakery products; and "specialty-type" cheeses. Such cheeses consist principally of Roquefort and other sheep's-milk cheeses, of which there is little, if any, commercial production in the United States, Swiss, Gruyere-process, Colby, and miscellaneous cheeses.

Appendix C

Cheese Other Than Cheddar Used for Processing

Colby cheese first achieved prominence in international trade in the late 1950's, when it began to be imported into the United States and to be used by producers of process cheese 1/ as a substitute for Cheddar. In this use, Colby, whether domestic or imported, is a direct substitute for, and competitive with, fresh (unaged) Cheddar. About half of the U.S. output of Cheddar is unaged and used for processing. Most Colby is used for processing although small quantities of domestic Colby are consumed as natural cheese. Colby, therefore, competes only on a limited basis for table use with aged Cheddar.

Colby is manufactured by a slightly modified, less costly method than Cheddar; standards established by the Food and Drug Administration allow a 1 percentage-point greater moisture tolerance in Colby. In 1958, the U.S. Bureau of Customs also recognized Colby as a cheese different from Cheddar; consequently, the two cheeses are subject to different rates of duty. Imports of Colby, however, are not subject to the section 22 quota for Cheddar. The annual U.S. output of Cheddar cheese has slightly exceeded 1 billion pounds in recent years, whereas the output of Colby has amounted to less than 150 million pounds. Unlike Cheddar, Colby cannot be aged for long periods because of its generally higher moisture content.

1/ Process cheese, as defined by the Food and Drug Administration, U.S. Department of Health, Education, and Welfare, is a mixture of one or more varieties of cheese that has been heated, emulsified, and stirred into a plastic mass (21 CFR 19.750).

U.S. annual imports of Colby cheese, which were small before 1958, increased sharply from about 0.5 million pounds in 1958 to 3.1 million pounds in 1959 and to 14.6 million pounds in 1961. After 1961 the principal supplying countries agreed to restrict their exports of Colby cheese to the United States as shown in the following tabulation (in millions of pounds):

| <u>Country</u> | <u>Year ending June 30--</u> | | | |
|------------------|------------------------------|-------------|-------------|-------------|
| | <u>1962</u> | <u>1963</u> | <u>1964</u> | <u>1965</u> |
| New Zealand----- | 11.6 | 6.72 | 6.72 | 6.72 |
| Australia----- | - | - | 3.36 | 3.36 |
| Ireland----- | - | - | 1.12 | 1.12 |

The agreements were not extended beyond June 30, 1965. Imports of Colby cheese declined from 14.6 million pounds in 1961 to 10.3 million pounds in 1962. They amounted to 10.4 million pounds in 1963, 11.6 million pounds in 1964, and to 14.1 million pounds in 1965. In recent years the annual U.S. imports of Colby have been substantially larger than the annual section 22 quotas for Cheddar cheese.

Until 1962, virtually all U.S. imports of Colby cheese came from New Zealand. In that year, however, imports began to enter from Australia, Ireland, Bulgaria, Sweden, Denmark, and Israel. In 1965, about 45 percent of the U.S. imports of Colby cheese came from New Zealand, 32 percent came from Australia, 9 percent came from Ireland, 6 percent came from Austria, and the remaining 8 percent came from 9 other countries combined. Inasmuch as nearly all the imports from New Zealand, Australia, and Austria have been valued not over 25 cents per pound, such imports have entered at the 5-cent per pound

rate of duty (item 117.75); imports from most other countries have been valued over 25 cents per pound and entered at the 20 percent ad valorem rate of duty (item 117.80).

