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UNITED STATES TARIFF COMMISSION



DAIRY PRODUCTS

Report to the President on Investigation No. 22-26
Under Section 22 of the
Agricultural Adjustment Act, as Amended



TC Publication 211
Washington, D. C.
June 1967

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,

June 15, 1967.

To the President:

Pursuant to your request of April 7, 1967, the U.S. Tariff Commission has completed an investigation under subsections (a) and (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether certain dairy products are being, or are 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 price-support programs of the U.S. Department of Agriculture for milk and butterfat, and to determine related questions.

Specifically, you referred to the following articles in your request:

(1) American-type cheese, including Colby, washed curd, and granular cheese (but not including Cheddar) and cheese and substitutes for cheese containing, or processed from, such American-type cheese;

(2) Cheese and substitutes for cheese containing, or processed from Edam and Gouda cheeses;

(3) Italian-type cheeses, made from cows' milk, not in original loaves (Romano made from cows' milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz), and cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves; and

(4) Articles containing over 5.5 percent but not over 45 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being

used for any edible purpose for which products containing butterfat are used (except articles currently subject to quotas under Section 22 of the Agricultural Adjustment Act, as amended, cheeses, and articles 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).

You also requested that, if the Commission finds and recommends that quotas be imposed on any of the aforementioned articles, the Commission determine--

(a) whether items 950.08, 950.09, and 950.10, Tariff Schedules of the United States (TSUS), can be modified to include any or all of the articles described in the foregoing subdivisions (1), (2), and (3), respectively, with an increase in the existing quotas by the amounts of the recommended quotas for any or all of the articles in the respective subdivisions (1), (2), and (3), and

(b) whether, in lieu of imposing any recommended quotas for the products (except frozen milk and cream) described in the foregoing subdivision (4), the quota quantity specified for the products in item 950.05 of the TSUS can be enlarged by an amount of such products which, in the judgment of the Tariff Commission, would have to the extent practicable a total combined butterfat content approximately equivalent to the total combined butterfat content of the products in subdivision (4) (other than frozen milk or cream) included in any recommended quota therefor--with a corresponding reduction in any such recommended quota for subdivision (4),

without rendering or tending to render ineffective or materially interfering with the said programs of the Department of Agriculture.

You further requested that the Commission, in its investigation, consider and report its findings and recommendations whether--

Section 22 quotas on dairy products [can] be changed from the present fiscal-year basis, with allocations of certain quotas being made three times a year, to a calendar-year basis, with semi-annual allocations when the yearly quota is periodically allocated

without rendering or tending to render ineffective or materially interfering with the price-support programs for milk and butterfat. 1/

1/ Public notice of the institution of the Commission's investigation was issued on Apr. 10, 1967. The notice was posted at the Commission's offices in Washington, D.C., and in New York City, and was published in the Federal Register (32 F.R. 6011) and in the Apr. 26, 1967, issue of the Customs Bulletin. A public hearing was held May 15-17; interested parties were afforded opportunity to produce evidence and to be heard. In addition to the information submitted at the hearing, the Commission obtained information from briefs of interested parties, from fieldwork, from other Government agencies, and from other appropriate sources.

FINDINGS

On the basis of its investigation, the Commission unanimously finds:

1. That the articles described below are not now being, but are 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 price-support programs of the United States Department of Agriculture for milk and butterfat:

(a) American-type cheese, including Colby, washed curd, and granular cheese (but not including Cheddar) and cheese and substitutes for cheese containing, or processed from, such American-type cheese; and

(b) Articles containing over 5.5 percent but not over 45 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose for which products containing butterfat are used, all the foregoing which are classifiable for tariff purposes under item 182.91 of the Tariff Schedules of the United States (TSUS) (except articles 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).

2. That the articles described below are not being, nor are they practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support programs of the United States Department of Agriculture for milk and butterfat:

(a) Cheese and substitutes for cheese containing, or processed from, Edam and Gouda cheeses;

(b) Italian-type cheeses, made from cows' milk, not in original loaves (Romano made from cows' milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz), and cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves; and

(c) Articles which would fall within the product descriptions in the foregoing finding 1(b) but for the fact that they are not classifiable under item 182.91 of the TSUS.

3. That, in lieu of a separate quota for the products described in finding 1(a), the present quota description for "Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese" can be modified to include all of the American-type cheese and cheese and substitutes for cheese containing, or processed from such American-type cheese described in finding 1(a), with an increase in the existing quota by the amount of the quota hereinafter recommended with respect to the products described in finding 1(a), without rendering or tending to render ineffective or materially interfering with the said programs of the Department of Agriculture.

4. That, in lieu of imposing the quota hereinafter recommended for the products described in finding 1(b), the annual quota quantity specified for the products in item 950.05 of the TSUS can be enlarged by 58,596,340 pounds, with a reduction in the recommended annual quota for the products described in finding 1(b) of 106,538,800 pounds, without rendering or tending to render ineffective or materially interfering with the said programs of the Department of Agriculture.

5. That the section 22 quotas on dairy products can be changed from the present fiscal-year basis, with allocations of certain quotas

being made three times a year, to a calendar-year basis, with semi-annual allocations when the yearly quota is periodically allocated, without rendering or tending to render ineffective or materially interfering with the price-support programs of the Department of Agriculture for milk and butterfat.

6. That for the purposes of the 50-percent clause in the first proviso to section 22(b) the representative period for imports described in findings 1(a) and (b) is the calendar years 1961 through 1965, inclusive.

RECOMMENDATIONS

The Tariff Commission recommends that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, establishing effective July 1, 1967, quantitative limitations on the following imports as indicated:

- 1. Articles described in finding 1(a) [American-type cheese, including Colby, washed curd, and granular cheese (except Cheddar) and cheese and substitutes for cheese containing, or processed from, such American-type cheese]:

For the period July 1, 1967 through December 31, 1967, an aggregate quantity of----- 23,000,000 lbs.

For each calendar year after 1967 an aggregate quantity of----- 46,000,000 lbs.

- 2. Articles described in finding 1(b) [Articles classifiable under item 182.91 of the TSUS, if containing over 5.5 percent but not over 45 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose for which products containing butterfat are used, except articles 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 article⁷:

For the period July 1, 1967 through
December 31, 1967, an aggregate
quantity of----- 53,800,000 lbs.

For each calendar year after 1967
an aggregate quantity of----- 107,600,000 lbs.

It is recommended that the foregoing calendar year quotas be so administered that not more than half of the quota quantities be permitted entry during the first half of each year.

The Commission further recommends that the above proposed quotas be regulated by means of a licensing system administered by the Department of Agriculture in such a manner as to provide an equitable distribution of the quotas for such articles among importers and users; and that the quotas be allocated to such products of various countries in accordance with the provisions of Article XIII of the General Agreement on Tariffs and Trade, taking into account the historic pattern of shipments of such products to the United States by each country, and with due account being taken of any special factors which may have affected or may be affecting the trade in these products, such as the restraint exercised by some countries in not increasing their exports of Colby cheese and butterfat-sugar mixtures to the U.S. market.

The Commission has no recommendation as to whether the proposed quota for products described in finding 1(a) should be merged with the present quota for products described in item 950.08 of the TSUS, such as Cheddar cheese, with merged product descriptions. It also has no

recommendation as to whether the proposed quota quantity for products described in finding 1(b) should be lowered with a corresponding increase in the present quota quantity for products described in item 950.05 of the TSUS 1/, said increase to be based on butterfat content of the products covered by finding 1(b).

If the two cheese quotas were to be merged, it would be necessary (1) to allocate the merged quotas in such a manner that imports of the products now subject to quotas would not be further restricted in violation of the authority in section 22(d), and (2) to allocate a portion of the merged quota to the cheese and cheese substitutes initially being subjected to the new quota to the extent necessary to avoid a violation of the criterion in section 22(b) that import restrictions shall be no lower than 50 percent of the average imports of such products during a representative period of such imports.

If the quota quantity for the products described in finding 1(b) is to be reduced from the Commission's recommended quota level with a corresponding increase in the quota quantity applicable to products described in item 950.05, it will be necessary to establish a minimum quota quantity of 50 percent of the average annual imports during the representative period of the products described in finding 1(b) for such products if the authority to impose quotas under section 22(b) is not to be exceeded.

The Commission also recommends that the President issue a proclamation pursuant to section 22(d) of the Agricultural Adjustment Act,

1/ Butter, and fresh or sour cream containing over 45 percent of butterfat, provided for in part 4B of schedule 1 of the TSUS.

as amended, to change the quotas on dairy products from the present fiscal-year basis, with allocations of certain quotas being made three times a year, to a calendar-year basis, with semi-annual allocations when the yearly quota is periodically allocated and with unused portions of the first semi-annual allocations to carry over to the latter half of each calendar year.

CONSIDERATIONS BEARING ON THE COMMISSION'S
FINDINGS AND RECOMMENDATIONS

The United States, a leading world producer of milk and dairy products, generally supplies nearly all of its own requirements. Imports of dairy products supplied less than 1 percent of U.S. consumption prior to 1966. Section 22 quotas have been imposed on U.S. imports of certain manufactured dairy products, however, because it was found that their unrestricted entry would materially interfere with the Government's price-support program for milk and butterfat. The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the prices of whole milk, butterfat, and products made therefrom, at such level between 75 percent and 90 percent of parity as will assure an adequate supply. To support the prices, the Department of Agriculture maintains a purchase program for three manufactured dairy products--butter, Cheddar cheese, and nonfat dry milk; the Department stands ready at all times to purchase these products at designated support prices.

During 1966 and in early 1967, imports of some dairy products not subject to the aforementioned quotas rose sharply. In terms of milk equivalent, aggregate imports of all dairy products in 1966 amounted to 2,775 million pounds compared with 918 million pounds in 1965. Imports of dairy products in January-April 1967 were double those in the corresponding period of 1966--1,363 million pounds, compared with 668 million pounds, respectively.

The recent increase in U.S. imports of dairy products reflected largely the rapidly expanding trade in Colby cheese and butterfat-sugar mixtures--products not subject to section 22 quotas. U.S. imports of Colby cheese increased from 14.1 million pounds in 1965 to 46.0 million pounds in 1966, while imports of butterfat-sugar mixtures increased from less than a million pounds in 1965 to 107.6 million pounds in 1966. These two products combined accounted for 92 percent of the increase in annual imports of dairy products between 1965 and 1966. In the absence of quota restrictions, U.S. imports of these products are practically certain to continue to increase substantially. Entries of both products were materially larger in the first quarter of 1967 than in the corresponding period of 1966. The U.S. prices for butterfat, the lower limits of which are determined by the price-support program for dairy products, have made the U.S. market for Colby cheese and butterfat-sugar mixtures attractive to foreign producers. The annual output of milk in other countries, moreover, was about 2 percent greater in 1966 than in 1965; it is expected to be still higher in 1967. Imports of some dairy products other than Colby cheese and butterfat-sugar mixtures also increased in 1966 and early 1967; such imports, however, were far smaller than imports of Colby cheese and butterfat-sugar mixtures. The Commission deems that, unless quantitative restrictions are imposed, imports of Colby cheese and butterfat-sugar mixtures will materially interfere with the Department of Agriculture's price-support program for dairy products;

it does not believe that imports of the other dairy products presently free of quota are practically certain to do so.

The annual U.S. production of milk has declined significantly since 1964. The domestic output of milk in 1966 was materially lower than in most years during the preceding decade. The output in that year--120 billion pounds--was 6 percent lower than in 1964. The latest forecast by the Department of Agriculture indicates that the U.S. production of milk in 1967 will remain nearly as low as in 1966. In the spring and summer of 1966, to encourage the U.S. production of milk, the Secretary of Agriculture raised the purchase (support) prices of butter, Cheddar cheese, and nonfat dry milk--the products supported directly by the Department of Agriculture. Support prices were increased, on the average, by about a fifth. With the reduced milk supply in 1966, however, the market prices of the three products were substantially above the prices at which the Commodity Credit Corporation (CCC) stood ready to buy. Because of the strong commercial market for dairy products in that year, CCC acquisitions of butter, Cheddar cheese, and nonfat dry milk were only a small fraction of the annual purchases in preceding years (when imports were far smaller than in 1966). Moreover, about half of the Government purchases in 1966 were acquired at market prices exceeding the support prices in order that the CCC might be able to meet commitments under school lunch and other non-price-support programs. At the end of 1966, CCC stocks of dairy products were almost nonexistent, although commercial stocks were somewhat larger than in preceding years.

Late in 1966 the market price of butter declined to the CCC purchase price and, in the early months of 1967, the market price of Cheddar cheese declined nearly to the CCC purchase price. Meanwhile, the market price of nonfat dry milk continued slightly above the CCC purchase price--as it had been for many months.

The rapidly growing imports of Colby cheese and butterfat-sugar mixtures in late 1966 and early 1967 contributed to the decline in the U.S. market prices of Cheddar cheese and butter. In terms of milk equivalent, imports of Colby cheese and butterfat-sugar mixtures in January-April 1967 were fourfold those in the corresponding period of 1966--910 million pounds compared with 232 million pounds, respectively. The decrease in domestic prices also reflected the declining consumption of manufactured dairy products at the same time that their production was being expanded. As a result of the price changes, Government purchases of butter and Cheddar cheese rose sharply in January-April 1967. During that period, Government acquisitions of dairy products at support prices (in terms of milk equivalent) equaled nearly 8 percent of the U.S. production of milk--a high level of Government purchasing. With the likelihood of greater imports of Colby cheese and butterfat-sugar mixtures if restrictions are not imposed, Government acquisitions are practically certain to become substantially larger--a clear indication of prospective material interference with the Department of Agriculture's price-support programs. The Secretary's purpose in raising support prices in 1966 was

to increase U.S. milk production and not to stimulate imports in such volume as to negate the objectives of the program.

The quota restrictions on imports of Colby cheese and butterfat-sugar mixtures proposed by the Commission would permit entries of the respective products in the volumes that were imported in 1966. With the low U.S. production of milk in 1966 and the steady annual domestic consumption of fluid milk, the utilization of domestic milk in manufactured dairy products in 1966 was 3.8 billion pounds below that in 1965. Despite the increased imports of manufactured dairy products in 1966, U.S. supplies of manufactured dairy products were smaller in that year than in 1965. In mid-1966, when the Secretary of Agriculture increased support prices materially to encourage U.S. milk production, he recognized in effect that supplies of milk and butterfat were not adequate. In view of the Department of Agriculture's current prediction that domestic milk production in 1967 will approximate the output in 1966, imports of dairy products in about the same volume that entered in 1966 are necessary to assure an adequate supply of milk. Imports in such volume will not interfere with the price-support program.

In the course of the current investigation, the Department of Agriculture and other interested parties repeatedly stressed that the importation of the products concerned constituted an "evasion" of the existing section 22 quotas, implying that such "evasion" provided grounds for the restriction or exclusion altogether of the products concerned. Under the provisions of section 22, however, imports of

articles are not appropriately subject to restriction merely because they evade current quotas. The Commission had occasion previously to deal with this question. In 1955 the Department of Agriculture sought clarification of the original restrictions imposed on dairy products by Presidential Proclamation 3019 in order to encompass therein Italian-type cheeses cut into portions (not in original loaves) on the ground that such imports constituted "evasions" of the import quotas on Italian-type cheeses in original loaves. In commenting on the Department's expressed fear of wholesale evasion of the quotas, the Commission stated:

We do not discount the possibility that some of the fears of the Department of Agriculture of wholesale avoidance of the restrictions on articles covered by Proclamation 3019 might develop. However, section 22 contemplates the imposition of restrictions on imports thereunder only if imports are being or are practically certain to be entered under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, an agricultural program. (Report to the President on Specified Dairy Products, July 1955, p. 5-6; underscoring supplied.)

Colby, washed curd, and granular cheeses

The President's letter of April 7 directed that the Tariff Commission's investigation should include Colby, washed curd, and granular cheeses. These cheeses, together with Cheddar cheese (which is presently subject to an import quota under section 22), are all used primarily in the production of pasteurized process American cheese, and (under regulations of the Food and Drug Administration) only they are eligible to be so used. The production of pasteurized process

American cheese has constituted the principal outlet for domestic Cheddar cheese and by far the major outlet for imported Cheddar and domestic and imported Colby. The four cheeses are interchangeable with one another when used to make such process cheese. Producers of such cheeses, moreover, can readily utilize their milk supply to make any of the four.

The annual U.S. consumption and production of Colby cheese about doubled over the last decade. The annual U.S. consumption and production of Cheddar--with which Colby competes directly--increased substantially. The annual consumption and production of washed curd and granular cheeses were small.

During the period 1961-65, annual U.S. imports of Colby cheese averaged 12 million pounds. In 1966, however, attracted by the high prices in the United States, imports of Colby cheese totaled nearly 46 million pounds. In the early months of 1967, the imports of Colby continued to increase; in January-March, they totaled nearly 24 million pounds (an annual rate of 96 million pounds), compared with 11 million pounds in the corresponding months of 1966. U.S. imports of washed curd and granular cheeses were nil or negligible, as they always have been.

The imports of Colby cheese in 1966 did not interfere materially with the Department of Agriculture's price-support program. Market prices of Cheddar cheese during that year were materially above the CCC purchase price for that product. Government acquisitions of Cheddar were small; moreover, they were purchased at market prices

(above support prices) because the Department of Agriculture needed the cheese for various programs. If imports of Colby cheese should increase substantially above the 1966 volume, however, the price of Cheddar is likely to decline sufficiently to cause large acquisitions of Cheddar under the Department's purchase program. The experience of the early months of 1967--when imports of Colby and Government acquisitions of Cheddar both rose sharply--indicates such likelihood. If material interference with the Government's price-support program is to be avoided, therefore, annual U.S. imports of Colby cheese must be restricted to the volume that entered in 1966. ^{1/} Because of the ability of producers to shift between Colby, washed curd, and granular cheeses, and in view of the interchangeability of those cheeses in the production of pasteurized process American cheese, the quota should encompass all three cheeses.

In terms of the effect on the price-support programs, it probably would matter little whether a separate quota for Colby, washed curd, and granular cheeses were established, or whether such quota were combined with the existing quota on Cheddar cheese. In the latter event, most of the imports entering under the quota would probably consist of Cheddar rather than Colby, in part because of the lower U.S. import duty applicable to Cheddar. Problems involved in administering the

^{1/} For purposes of section 22, the Commission has determined that the representative period for imports of Colby cheese is the period 1961-65. Section 22 provides that imports cannot be restricted to less than 50 percent of the average annual imports in the representative period. The quota recommended by the Commission is above this statutory minimum.

quotas are discussed in a later section on "Administration of the quotas."

Process Edam and Gouda cheeses

Imports of natural Edam and Gouda cheeses have been subject to import quotas under section 22 since 1953. Process Edam and Gouda cheeses, on the other hand, are free of quota. They differ markedly from the natural cheeses from which they are made. The texture and flavor of the cheeses are altered materially by the processing. The process Edam and Gouda cheeses, moreover, are packaged and marketed in different forms, and are generally higher priced, than the natural product.

Little, if any, process Edam and Gouda is produced in the United States. Imports of these cheeses have increased gradually over the past decade, in response to the expanding consumption of this specialty. In terms of milk equivalent, the increase in imports has been trivial, compared with the aggregate increase in imports of dairy products; the milk equivalent of the imports, moreover, is insignificant in relation to U.S. milk production. Hence, although imports of process Edam and Gouda will probably continue to increase gradually, they are not practically certain to affect materially the Department of Agriculture's price-support programs for milk and butterfat.

Italian-type cheeses (not in original loaves)

Italian-type cheeses in original loaves have been subject to quantitative import restrictions under section 22 since 1953. Such

cheeses not in original loaves, however, are free of quota. They are identical to the respective cheeses in original loaves, except that the cheese has been cut into slices or pieces, or has been grated.

Italian-type cheeses not in original loaves have been imported into the United States for a number of years. The imports in 1966 (450,000 pounds) are believed to have been somewhat larger than in any year of the preceding decade. Nevertheless, they were negligible, compared with U.S. consumption of Italian-type cheeses--accounting for only about a half of 1 percent of such consumption. The milk equivalent of imported Italian-type cheeses not in original loaves, moreover, is insignificant in relation to U.S. milk production. Although imports of Italian-type cheeses not in original loaves will be larger in 1967 than in 1966, such imports will not have an observable effect on the Department's price-support program for milk and butterfat.

Articles containing over 5.5 percent but not over 45 percent of butterfat

The President's letter directing the Tariff Commission to conduct this investigation specified that, among other articles, the Commission should investigate imports of the following--

(4) Articles containing over 5.5 percent but not over 45 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose for which products containing butterfat are used (except articles currently subject to quotas under Section 22 of the Agricultural Adjustment Act, as amended, cheeses, and articles 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).

The principal articles encompassed in the above description that have been imported in recent years are butterfat-sugar mixtures, frozen cream, condensed or evaporated milk, and chocolate crumb. Butterfat-sugar mixtures account for the great bulk of recent U.S. imports of these articles; they also account for the predominant share of the aggregate increase in imports of the articles that occurred in 1966 and early 1967. For these and other reasons specified below, the Commission has recommended that imports of butterfat-sugar mixtures should be made subject to an import quota, but that imports of the other articles should not.

Butterfat-sugar mixtures.--The imported butterfat-sugar mixtures that fall within the above description all contain just under 45 percent of butterfat. The principal mixture imported consists by weight of approximately 44 percent of butterfat and 56 percent of sugar; similar products have about the same proportion of butterfat, but contain various proportions of sugar and other ingredients. ^{1/} U.S. imports of mixtures that contain more than 45 percent of butterfat are embargoed as a result of action taken by the President in 1957 under section 22. The imported butterfat-sugar mixtures are used to replace part of the cream used in the manufacture of ice cream. Such mixtures are not manufactured for commercial purposes in the United States.

^{1/} The butterfat-sugar mixtures are imported under various trade names, such as Ernex, Isex, Junex, and Lorex. The amount of sugar contained in imported butterfat-sugar mixtures is influenced by quotas imposed in 1966 under the Sugar Act on imports of such mixtures containing more than 25 percent of sugar. Before the quotas were imposed, U.S. imports of the mixtures generally contained 56 percent of sugar. Currently, imports entering under the quota contain 56 percent of sugar; some of the imported products, however, contain only about 24 percent of sugar, and thus are free to enter outside of the quota.

Imports of butterfat-sugar mixtures of the types considered here first entered the United States in appreciable volume in 1961; they averaged 2 million pounds annually in 1961-65. In 1966, when U.S. production of milk was low and supplies of butterfat for manufacturing purposes declined, such imports increased to 107.6 million pounds. In that year the butterfat content of the imported mixtures was equivalent to about 1 percent of the U.S. production of butterfat, and to about 12 percent of the butterfat in the ice cream produced in the United States. Because of the reduced U.S. production of milk, the increased imports of the butterfat-sugar mixtures in 1966 did not result in substantial CCC acquisitions of dairy products in that year.

In the absence of restrictions, imports of butterfat-sugar mixtures will continue to increase. In the first quarter of 1967, imports totaled 38 million pounds (an annual rate of 152 million pounds), compared with less than 5 million pounds in the first quarter of 1966. Since imports of butterfat-sugar mixtures are likely to increase substantially above the 1966 volume, U.S. acquisitions of dairy products are practically certain to be at a level detrimental to the price-support program. If material interference with the Government's price-support program is to be avoided, therefore, annual U.S. imports of such mixtures should be restricted to the volume that entered in 1966. 1/

1/ For the purposes of section 22, the Commission has determined that the representative period for imports of butterfat-sugar mixtures is the period 1961-65. Section 22 provides that imports cannot be restricted to less than 50 percent of the average annual imports in the representative period. The quota recommended by the Commission is above this statutory minimum.

As regards its effect on the price-support program, it probably would matter little whether a separate quota for the butterfat-sugar mixtures were established, or whether a quota for such products were added to the existing quota on butter. The quota volume of butterfat-sugar mixtures recommended by the Commission can be converted into its butter equivalent. Butterfat-sugar mixtures contain approximately 44 percent of butterfat, and commercial U.S. butter ordinarily contains 80 percent of butterfat; hence, 100 pounds of the mixtures are equivalent to 55 pounds of butter. Problems involved in administering the quotas are discussed in a later section on "Administration of the quotas."

Frozen cream, condensed or evaporated milk, and chocolate crumb.--U.S. imports of frozen cream, condensed or evaporated milk (in bulk), 1/ and chocolate crumb have been negligible compared with the domestic output of directly competitive counterparts. In 1966, imports of frozen cream were equivalent to materially less than 1 percent of the U.S. production of cream; imports of condensed or evaporated milk in bulk containers were equivalent to a similarly low share of U.S. output of such milk; and the whole milk solids contained in imports of chocolate crumb were equivalent to about 2 percent of the whole milk solids contained in U.S. production of milk chocolate. Accordingly, the milk equivalent of the aggregate imports of these

1/ Imported condensed or evaporated milk in retail-sized containers are excluded from this investigation.

products is trivial compared with U.S. milk production. Imports of these products have accounted for only a small share of the recent increase in imports of dairy products. As indicated by data presented in later sections of the report, they are not likely, moreover, to become major factors in the U.S. import trade in dairy products. Largely for these reasons, the Commission has concluded that imports of frozen cream, condensed or evaporated milk in bulk, and chocolate crumb are not interfering, and are not practically certain to interfere, materially with the Department of Agriculture's price-support programs on milk and butterfat.

Administration of the quotas

The Commission has recommended that the proposed quotas be administered by means of a licensing system to assure an equitable distribution of the quotas among importers, users, and supplying countries. Such licensing procedures, to be administered by the U.S. Department of Agriculture, would be in keeping with the administration of nearly all other quantitative restrictions on U.S. imports of dairy products.

To be equitable, the allocation of the quotas among supplying countries, while based upon the shares they supplied during a representative period, must reflect any special factors that have affected or may currently be affecting trade in the articles concerned. For example, various countries, at the request of the United States Government, restricted their exports of Colby cheese and butterfat-sugar mixtures to the United States in recent years. These countries

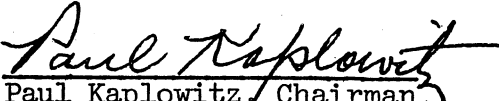
should not now be penalized in the allocation of quota shares by virtue of their cooperation in such efforts. The Commission suggests that the principles set forth in article XIII of the General Agreement on Tariffs and Trade (GATT) be fully observed in the administration of the quotas. This article provides rules for the administration of quantitative restrictions to which the United States and the other GATT members have agreed (see appendix C).

If the proposed quota on Colby, washed curd, and granular cheeses is combined with the existing quota on Cheddar, and if the bulk of the proposed quota on butterfat-sugar mixtures is added to the existing quota on butter, special licensing problems will arise. Some of the major countries that have recently shipped Colby cheese to the United States are not among those which have established a historical position in shipping Cheddar to this country. Similarly, the major suppliers of the butterfat-sugar mixtures do not in all instances hold a major share of the existing butter quota. If the respective quotas are combined, countries sharing in the existing quotas and those supplying the products proposed to be placed under quota should be accorded equitable treatment to the fullest extent practicable.

The Commission recommends that all quotas on dairy products be placed on a calendar-year basis, and that the existing quotas on cheese, as well as the quotas proposed herein, be so administered that not more than half of the quota quantities be permitted entry during the first half of the year. U.S. imports of cheese presently under quota are now controlled in such a manner that not more than a

third of the annual quantity may be imported during the first 4 months of the quota year and not more than two-thirds during the first 8 months. Because the current quotas are imposed for 12-month periods ending June 30, the first 4 months of the quota year are July-October, and the second 4 months are November-February. Under present circumstances, therefore, an importer could, if he chose, enter all of his allotted amount in the last 4 months of the quota year (March-June), but he could not enter more than a third in the first 4 months, or more than two-thirds in the first 8 months. Importers of the cheeses now under quota have urged that the quotas be changed to a calendar-year basis, and the Secretary of Agriculture has supported their request. If the cheese quotas were placed on a calendar-year basis with semiannual allocations, importers could delay the importation of as much of their annual allotment as they deemed advisable and enter such quantities toward the end of the calendar year--the period of largest sales of imported cheese. Semiannual limitations on entries under license would afford importers further flexibility in entering the permitted quantities; the Secretary of Agriculture has stated that the Department could administer semiannual allocations more efficiently than those currently employed.

Respectfully submitted.


Paul Kaplowitz, Chairman

INFORMATION OBTAINED IN THE INVESTIGATION

The Domestic Dairy Situation

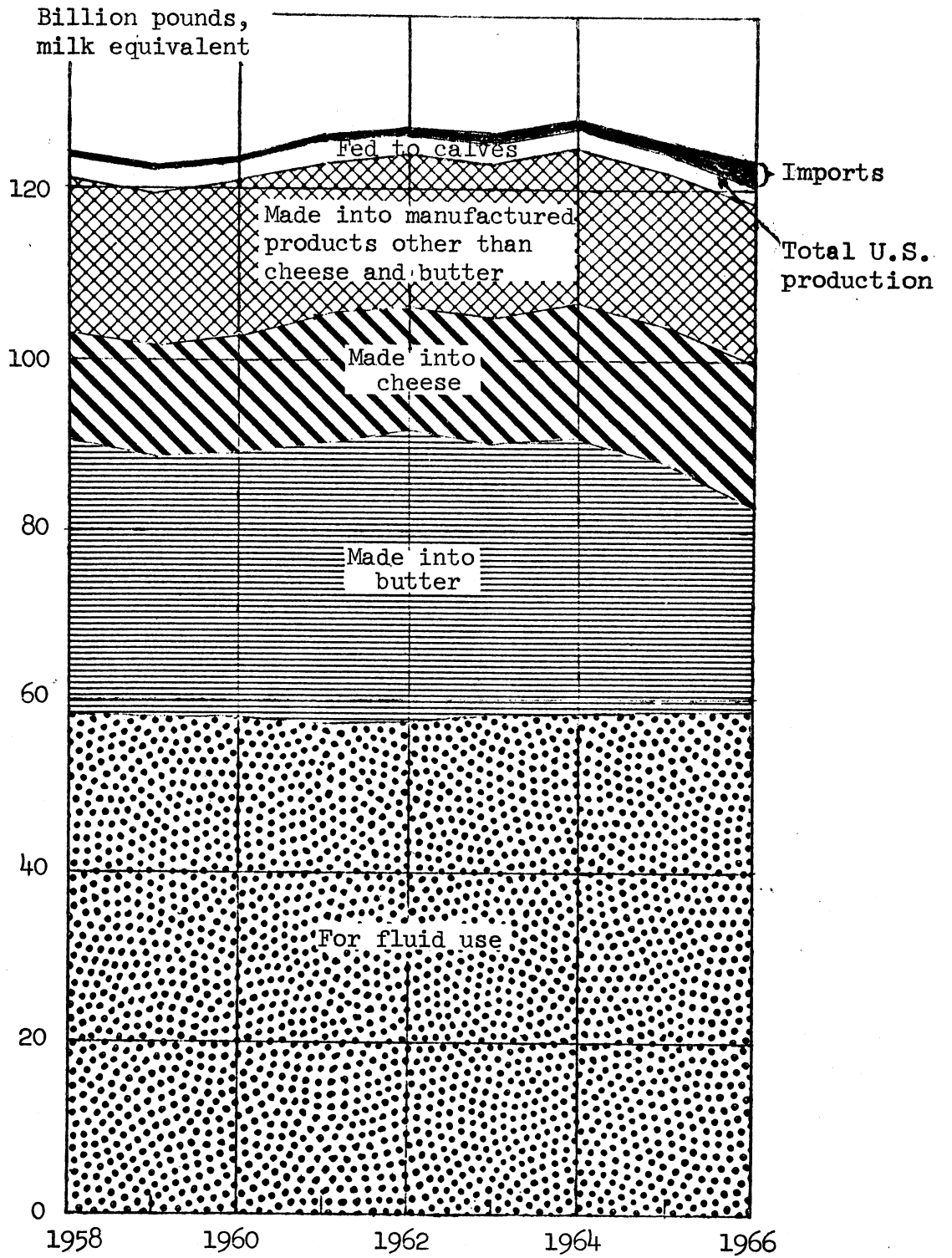
The U.S. output of milk for sale in the fluid state is generally produced near the large population centers, whereas milk used in manufactured products is produced largely in the East North Central and West North Central regions of the United States. In recent years, these two regions combined have accounted for nearly 70 percent of the milk used in manufactured 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 1966, 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 half of the U.S. production of milk for human consumption has been consumed in the fluid form; the remainder has been used to manufacture dairy products (fig. 1). In 1966 about 40 percent of the volume used in manufactured dairy products was used in butter; 30 percent was used in cheese; 15 percent, in frozen dairy products (principally ice cream); and the remaining 15 percent, in a variety of products, including condensed and evaporated milk.

Recent trends in the U.S. production of milk

During the past decade the U.S. annual production of milk has usually varied less than 2 percent from year to year (table 1). It increased irregularly from 121 billion pounds in 1953 to a record of 127 billion pounds in 1964. By 1966, however, the production of milk

Figure 1.--U.S. production and use of milk, U.S. imports and total available supply, 1958-66



had declined to 120 billion pounds, or 5.5 percent below the level of 1964. The output of milk in 1966 was valued at \$5.8 billion. The decline in milk production in recent years has been associated with more favorable returns in alternative farm enterprises, particularly livestock, and increasing opportunities for off-farm employment.

From time to time over the years, the Secretary of Agriculture has increased the price-support levels when the output of milk has declined. Within a period of 3 months in early 1966 (April 1 to June 29), the Secretary increased by nearly a fifth the level of support for manufacturing milk. Between October 1966 and March 1967, he took additional actions intended to increase the income of dairy farmers. These actions are discussed in detail in the following section of this report.

In December 1966 the U.S. output of milk was higher than in December 1965, after being below year-earlier levels in each month since February 1965. The output in January-April 1967 was 0.3 percent larger than year-earlier levels. In March 1967 the Department of Agriculture attributed the increased output of milk that had occurred since December 1966, principally to increasing gains in the average output per cow. (Dairy farmers continued to cull dairy cows at the high rate that had prevailed for several years.) In March the Department forecast that "Higher dairy prices and income indicate that milk

output during the first half of 1967 will continue above year-earlier low levels." 1/ In May 1967, however, the Department reported that the average output per cow had declined and the rapid gains in average output per cow occurring in 1966 and early 1967 probably would not continue. The Department further forecast that "Unless this decline in milk cow numbers slows considerably in the last half of the year, milk production in the last half of 1967 could fall below year-earlier levels." 2/ Accordingly it appears that the U.S. output of milk in 1967 will increase only slightly from the 1966 level.

Since the early 1950's U.S. dairy farmers have altered their operations considerably, through improvements in breeding, feeding, disease control, and management. In 1953, the average annual output of milk per cow was about 5,500 pounds. By 1966, the average was 8,500 pounds. Concurrently the number of milk cows on U.S. farms declined from 22 million head to 14 million head. The decline in the number of dairy farms in operation was at a greater rate than that in the number of dairy cows. The number of U.S. farms selling milk has decreased by about 10 percent annually in recent years. The average number of cows on U.S. dairy farms increased from 20 per farm in 1954 to 26 per farm in 1959; 3/ currently, the number of cows per farm probably averages considerably more than 30.

1/ The Dairy Situation, March 1967, p. 3.

2/ The Dairy Situation, May 1967, p. 5.

3/ Data from Census of Agriculture.

In 1966, some 500,000 farms sold milk and cream in the United States. About 200,000 of that total were large commercial operations. Such commercial farms, whose numbers have increased in recent years, accounted for some 75 percent of the U.S. output of milk and cream. The farmers continuing to sell 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 with a lower butterfat content and have marketed a larger 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.

Manufactured dairy products as an outlet for milk

The share of the total output of milk utilized in making cheese and frozen dairy products has increased in recent years, whereas that going to butter has decreased (table 2). In terms of milk equivalent, the aggregate per capita consumption of fluid milk and dairy products has declined (table 3), notwithstanding the increase in the consumption of cheese and frozen dairy products.

The U.S. output of major dairy products in recent years is shown in the following tabulation:

Year	Butter	Cheese	Frozen dairy products ^{1/}
	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>gallons</u>
1962-----	1,537	1,592	933
1963-----	1,420	1,632	963
1964-----	1,442	1,724	1,000
1965-----	1,323	1,756	1,034
1966-----	1,119	1,873	1,042

^{1/} Excludes water ices and frozen desserts not containing butterfat.

In 1966 the output of butter was lower than in any year since 1920; indeed, it was more than 25 percent lower than in 1962. A lengthy and severe decline in U.S. output of butter had resulted largely from the competition of oleomargarine. U.S. production of both cheese and frozen dairy products was at record levels in 1966, and was considerably larger in that year than in 1962.

During the period 1962-66, the price of cheese rose relative to the price of butter. As the demand for cheese increased rapidly, virtually all of the rising output of cheese was absorbed, and stocks were small. In recent years the demand for cheese has risen 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. The commercial demand for frozen dairy products, which has been increasing, has been associated with increased per capita disposable income. Because of the stronger demand for cheese and frozen dairy products and the reduced supplies of milk, producers of manufactured dairy products have paid increasing

prices to farmers for manufacturing milk in recent years. The average domestic market price of such milk increased from \$3.30 per hundred pounds in the 1964 marketing year (beginning April 1) to \$4.24 in the period June 30, 1966-March 31, 1967 (table 4). In October 1966 the price averaged \$4.42, the highest monthly level attained since World War II. After October, the price declined somewhat more than seasonally; on April 1, 1967, it averaged \$4.07. The prices paid to the farmer for manufacturing milk in March 1967 were 23 percent higher than in 1964.

When the U.S. output of milk increased in late 1966 and early 1967, the additional supplies of milk were used to manufacture dairy products. As the output of manufactured products rose, commercial stocks, particularly those of butter and cheese, increased. In 1966, commercial yearend stocks of dairy products were larger than in any year since 1961 (table 5). Stocks of dairy products acquired by the Federal Government under its price-support operations, on the other hand, were lower than in most recent years. Trade sources indicate that some firms which manufacture and/or assemble cheese had not foreseen that the output of milk would increase in late 1966. Hence, commercial firms accumulated stocks of dairy products during the year in order to assure themselves of an adequate supply. There was also some feeling that the levels at which the Federal Government would support the prices of dairy products might be further increased. Should that have occurred it would have been more profitable for producers of butter and assemblers of cheese to sell their current

production to the CCC and to use their accumulated stocks for processing or for distribution through normal trade channels.

U.S. foreign trade in dairy products

Although the United States has generally been a net exporter of dairy products since World War II, imports exceeded exports in 1966 (table 1). Exports have been small compared with domestic production. In recent years, moreover, most of the U.S. exports of dairy products have been subsidized by Government programs. U.S. commercial exports of dairy products have been negligible, primarily because 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 6,872 million pounds, or from 0.5 percent to 5.4 percent of domestic production. Exports were larger in 1963 and 1964 relative to domestic production (equivalent to 4.0 percent and 5.4 percent, respectively) than in preceding years, principally because of the low levels of milk production in Western Europe. In 1966, however, U.S. exports of dairy products were equal to only 0.6 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, annual imports of all dairy products increased from 525 million pounds to 918 million pounds. A large part of the increase

occurred after 1958, when products not subject to section 22 quotas (mainly Colby cheese and Junex and similar products) began to be imported. ^{1/} In 1966, imports of dairy products increased sharply, amounting to 2,775 million pounds (fig. 2). Products subject to section 22 quotas accounted for 279 million pounds. The bulk of the imports in 1966 were accounted for by Junex and similar products and Colby cheese. The quantities (milk equivalent) of these products imported in 1965 and 1966 are shown in the following tabulation (in millions of pounds):

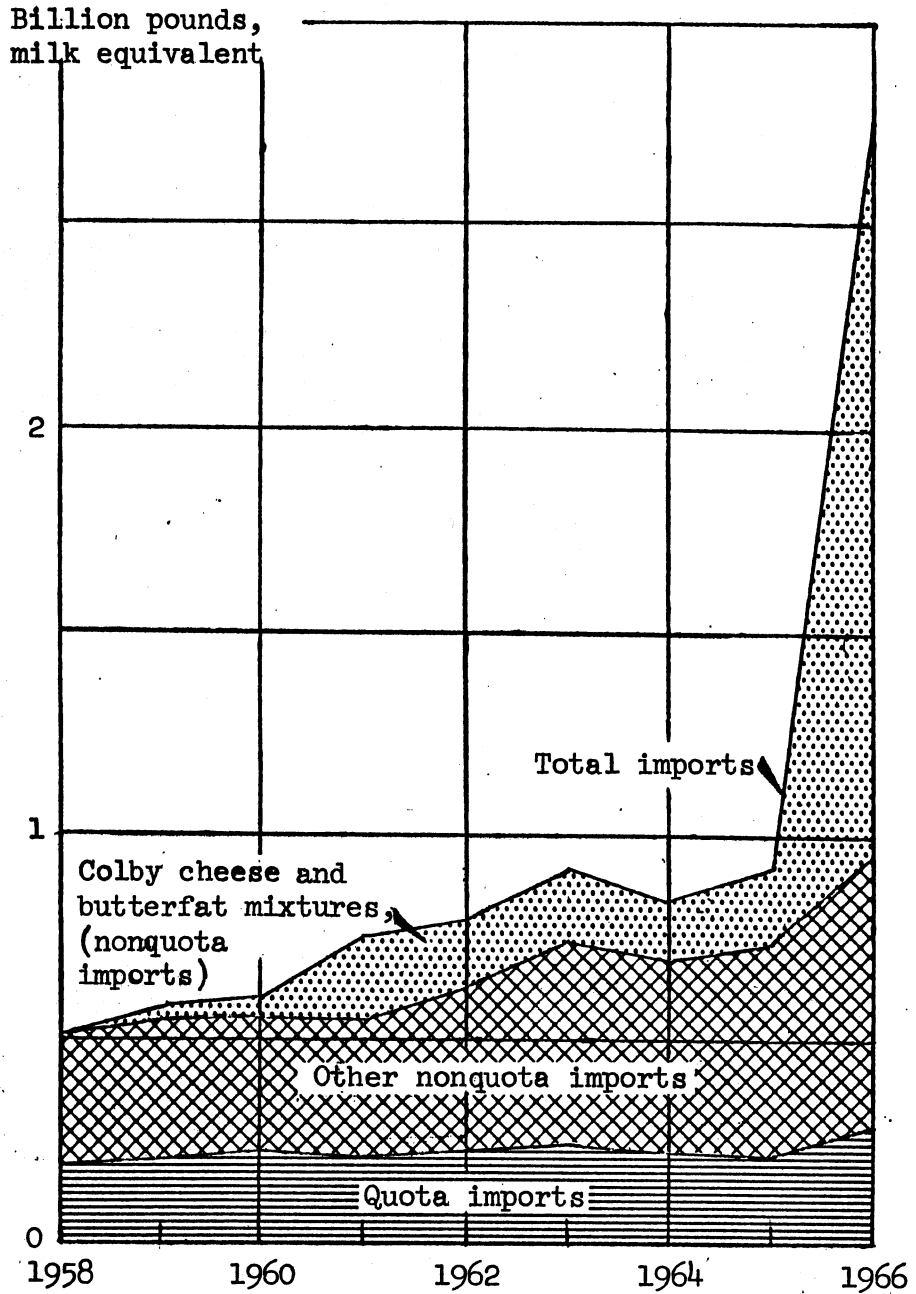
<u>Commodity</u>	<u>1965</u>	<u>1966</u>
Junex and similar products---	8	1,276
Colby cheese-----	175	552
Total-----	183	1,828

Imports of the above products in 1966 accounted for about 70 percent of the U.S. imports of all dairy products (tables 6 and 7).

The U.S. annual imports of all dairy products were equivalent to 0.4 percent of the U.S. production of milk in 1953, 0.7 percent in 1965, and 2.3 percent in 1966. In that year the U.S. price of butterfat was exceedingly high relative to world prices. The wholesale price of butter (about 80 percent butterfat) in January 1967 at London (a principal market) was 37.5 cents per pound; in Chicago, it was 66.5 cents per pound. The annual world output of milk, which rose about 2 percent from 1965 to 1966, will probably increase further in 1967. Under current conditions, U.S. imports of dairy products in 1967 will probably exceed those in 1966.

^{1/} Sec. 22 quotas are discussed in the section of this report on U.S. nontariff import restrictions on dairy products.

Figure 2.--U.S. imports of dairy products, by quota status, 1958-66



The Price-Support Program

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the prices of whole milk, butterfat, and products made therefrom, at such level between 75 percent and 90 percent of parity as will assure an adequate supply of milk. 1/ To achieve this objective, the Department of Agriculture maintains a purchase program for three manufactured dairy products--butter, Cheddar cheese, and nonfat dry milk. In many areas, the Department also establishes minimum prices to be paid to farmers for milk under Federal Milk Marketing Orders. 2/

In advance of each marketing year (which begins April 1), the Secretary of Agriculture announces the price-support objective for milk to be used in manufacturing, and the prices at which the Department of Agriculture will purchase butter, Cheddar cheese, and

1/ The "parity price" of individual commodities is determined by the Secretary of Agriculture according to a statutory formula; it is, in effect, the price that a given quantity of a specific commodity would have to command in order to give the farmer the purchasing power equivalent to that in existence during a statutory base period (1910-14).

2/ Besides the Federal program, a number of States have programs to regulate the prices of dairy products. For a brief description of these programs, see National Commission on Food Marketing, Organization and Competition in the Dairy Industry, June 1966, pp. 42-44.

nonfat dry milk. 1/ The support objective of milk for manufacturing and the purchase prices of the three dairy products may be altered-- within the limits imposed by the legal parity objectives--whenever the Secretary deems it necessary to carry out the statute's directive. The Department's offer to purchase butter, Cheddar cheese, and nonfat dry milk is not limited to specific quantities; 2/ the products offered, however, must meet certain specifications. Since November 1965, the Secretary of Agriculture has also been authorized to purchase the three products at market prices above the purchase (support) prices, if the quantities purchased at support prices are deemed insufficient to meet commitments under various Government programs (e.g., the school lunch program). 3/ The Department of Agriculture generally stands ready to resell dairy products to the domestic commercial users for unrestricted use at announced prices, which are always above the Government purchase prices. Thus, the announced resale prices ordinarily set a ceiling on the wholesale market prices for those products. It is likely that market prices would exceed CCC resale prices only when Government stocks are low.

1/ The purchase prices of butter, Cheddar cheese, and nonfat dry milk are based on historical gross processing margins (the average spread between the price of the milk used and the market price of the product) and the support objective for milk for manufacturing.

2/ Unlike some Federal price-support programs which control output of the commodities concerned, the price-support program on dairy products does not directly limit the quantity of milk or dairy products that may be produced or marketed.

3/ Sec. 709, Public Law 89-321. See the following section on Government purchases.

In many areas of the United States, minimum prices that must be paid to farmers for milk are established under Federal Milk Marketing Orders. Currently, 73 orders are in effect; they apply to about half of the milk marketed in the United States. Minimum prices for both milk marketed for consumption in the fluid state (Class I) and milk marketed for manufacturing use (surplus milk) are established under the orders. Most Federal Milk Marketing Orders derive Class I prices from the Minnesota-Wisconsin price series, which reports market prices for manufacturing milk in that area. Class I prices are generally fixed at specified premiums above such prices. The prices on which the Minnesota-Wisconsin price series is based are influenced in part by competitive conditions in that two-State area, where about half of the U.S. output of milk for manufacturing is produced and where more than half of such milk is sold free from Milk Marketing Orders. Nevertheless, the prices of milk for manufacturing sold in Minnesota and Wisconsin are materially influenced by the Department of Agriculture purchase program for dairy products.

As indicated in the preceding section, the Secretary of Agriculture sharply increased support levels for dairy products in the spring of 1966. During marketing years 1962-65, the Department's price-support objective for manufacturing milk, which was equivalent to 75 percent of parity throughout the period, was increased gradually from \$3.11 to \$3.24 per hundred pounds. On April 1, 1966, the Secretary increased the support objective to \$3.50 per hundred pounds (78 percent

of parity), and on June 29 he further increased it to \$4.00 per hundred pounds (89.5 percent of parity). The latter objective for manufacturing milk was 23 percent higher than the Department's support objective at the close of the previous marketing year. On October 14, 1966, the Secretary announced that the support objective of \$4.00 per hundred pounds would be continued through the year ending March 31, 1968. On March 30, 1967, the Secretary further announced (a) that the purchase (support) prices for butter, Cheddar cheese, and nonfat dry milk would remain unchanged in the year ending March 30, 1968, and (b) that stocks of dairy products owned by the CCC would not be resold to the domestic market at less than 110 percent of the purchase price. In recent years the Department's resale price of dairy products for unrestricted use has generally been about 105 percent of the purchase price of the product concerned.

Because of the increased spread between the purchase price and the resale price, commercial stocks of butter and cheese may be larger in the spring and summer of 1967 than would otherwise have occurred. During the flush period of milk production in 1967--i.e., in the spring and summer, when prices paid to farmers for milk for manufacturing generally decline--butter dealers and cheese assemblers will probably store larger-than-usual stocks for use in the fall--a time of year when the output of milk seasonally declines. With users of butter and cheese seeking supplies and with dealers and assemblers trying to assemble substantial stocks, prices currently being paid to the farmer for manufacturing milk may be higher than they would have been if the resale price had not been raised.

The price-support program has generally played a central role in determining market prices of milk and dairy products in the United States in recent years. Market prices of butter, Cheddar cheese, and nonfat dry milk--the products directly supported--have usually approximated the Government's purchase prices (table 4). In recent years, the margin by which average market prices of milk for manufacturing have exceeded the support objective has gradually increased. In the last part of the 1966 marketing year, the spread amounted to 24 cents, compared with 8 cents in the 1962/63 marketing year. On April 1, 1967, however, the average market price of milk for manufacturing was only 7 cents higher than the support objective. This sharp reduction in the spread resulted indirectly from both an increase in the purchase prices for butter, Cheddar cheese, and nonfat dry milk and a decline in the market prices of some of those products. The market price of butter (Grade A at Chicago) had been materially above the Government's purchase price, but declined until it equaled the purchase price on April 1 (table 4). The market price of Cheddar cheese also declined in the spring of 1967, but remained higher than the Government's purchase price; ^{1/} the price of nonfat dry milk increased slightly in the spring of 1967 and was slightly above the Government's purchase price.

^{1/} Moreover, trade sources report that assemblers generally do not sell Cheddar cheese to the Government until market prices decline about 1 cent below the CCC prices.

Government purchases

Dairy products have been removed from the commercial market by the U.S. Government through both the Department of Agriculture's purchase program and the Payment-in-Kind (PIK) export program (see following section). 1/ The great bulk of the dairy products so removed have been acquired by the Government under the purchase program, which is conducted by the Commodity Credit Corporation (CCC). 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 1953-66, is shown, by years, 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	6,449	5.2
1966-----	120,230	648	.5
Jan.-Mar.:			
1966-----	29,479	200	.7
1967-----	29,582	2,300	7.8

1/ Under the Agricultural Act of 1949, as amended, the Department of Agriculture conducts school milk programs under which Federal grants are given to subsidize local purchase of milk for school children. The Congress directed, however, that the grants thereunder were not to be regarded as amounts expended for the purpose of carrying out the price support program. Data on the annual cost of the school milk programs are given in table 9.

The amounts of butter, Cheddar cheese, and nonfat dry milk purchased annually under the price-support program varied considerably during the period 1953-66 (table 8). In 1966, the Government purchases of butter and nonfat dry milk were substantially lower than in any year during the 1953-66 period; purchases of Cheddar cheese were lower than in any such year except 1960. Indeed, the Department of Agriculture did not purchase any cheese from October 1965 through October 1966, nor did it purchase any butter during the period April-September 1966. It appears that the strong commercial demand for butter and cheese kept market prices above the support prices during those months.

When the Department began to purchase butter and cheese in October and November 1966, respectively, such purchases were, for the first time, made under section 709 of Public Law 89-321. As noted earlier, the Secretary of Agriculture is authorized under section 709 to use CCC funds to purchase dairy products at market prices (rather than at support prices) if stocks of dairy products owned by the CCC are deemed insufficient to meet commitments under various Government programs such as the school lunch program. Nine of the 23 million pounds of butter purchased by the Department of Agriculture in 1966, or about 40 percent of the total, were purchased under the authority of section 709; all of the cheese was so purchased. Nonfat dry milk has not been purchased under section 709. By December 1966, when the market prices for butter had declined to support levels, and the market prices for Cheddar cheese were closer to support levels than earlier, Government purchases under section 709 were discontinued. Since then purchases by the Department have been made at support prices.



Purchases of butter and cheese by the Department of Agriculture were larger in January-March 1967 than during the corresponding months of 1966, though not materially larger than in the corresponding months of 1964 or 1965 (table 8); the purchases of nonfat dry milk during January-March 1967 were substantially smaller than in the corresponding months of the 3 previous years.

Disposition of Government stocks

The dairy products acquired by the Government under the price-support programs are disposed of predominantly through two channels--domestic welfare outlets and sales or donations abroad. Domestic disposal has been to welfare recipients, the school lunch program, military and veteran hospitals, and penal and correctional institutions. Disposal abroad has been through sales for local currency, barter, long-term supply contracts, and donations to famine relief.

Inasmuch as the dairy 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 8). At the end of 1966, the uncommitted supplies of butter and Cheddar cheese owned by the Government totaled 6 million and 8 million pounds, respectively; nonfat dry milk amounted to 64 million pounds. The uncommitted supplies at the end of March 1967 were materially larger than at the end of 1966, though generally not as large as uncommitted supplies at the end of other recent years.

The purchases of butter and Cheddar cheese in recent years have generally 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 quantities of nonfat dry milk and small amounts of butter were exported under the U.S. Government PIK program. In 1963-65 export sales of butter and nonfat dry milk were also made through the CCC's export sales program, and considerable quantities of butter were donated abroad.

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--principally grain) 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 for dairy products had been temporarily suspended until the domestic dairy supply situation again justified its use; by May 1, 1967, the program had not been reinstated.

Costs of the dairy price-support programs

The net 1/ Government expenditures on the dairy price-support and related programs reached record levels in 1962-63, as the Government purchased increased quantities of butter, Cheddar cheese, and

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

nonfat dry milk (table 9). The expenditures declined sharply, however, in the year ending June 30, 1966. In the current year, which ends June 30, 1967, expenditures have been substantially higher than in 1966.

The U.S. Department of Agriculture's net expenditures on butter, Cheddar cheese, and nonfat dry milk for the fiscal years 1963-66 are shown in the following tabulation (in millions of dollars): ^{1/}

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
1966-----	-	3	76	^{1/} 98

^{1/} Includes net expenditures of \$19 million for condensed and evaporated milk exported to South Vietnam under Public Law 480.

The total net Government expenditures on the price-support programs for dairy products have declined in recent years.

^{1/} The Dairy Situation, March 1967, p. 24.

U.S. Nontariff Import Restrictions on Dairy Products 1/

For a number of years, U.S. imports of designated dairy products have been subject to a variety of nontariff import controls. Absolute quotas have been imposed on some products under section 22 of the Agricultural Adjustment Act, as amended. For sanitary and other purposes, importers of some dairy products have been required to have entry permits under the Federal Import Milk Act of 1927. In 1966, the Department of Agriculture imposed quotas on imports of certain mixtures containing principally sugar and butterfat under section 206 of the Sugar Act of 1948. Certain foreign countries, moreover, have committed themselves in recent years to limit their exports of specific dairy products to the United States. Some of the aforementioned controls, particularly those established under section 22, have undoubtedly restricted imports of certain dairy products.

In recent years, many dairy products have not been subject to U.S. import quotas imposed under section 22. These have included fluid milk and cream, condensed and evaporated milk, certain products containing not over 45 percent of butterfat, Colby cheese, process Edam and Gouda cheeses, Italian-type cheeses (not in original loaves), Swiss cheese, and "specialty-type" cheeses, such as Roquefort and other sheep's-milk cheeses, and Gruyere-process and miscellaneous cheeses. This investigation is concerned with imports of some of the products mentioned above.

1/ The tariff restrictions on the products considered in this investigation--including the "tariff quota" on cream--are discussed in the sections on the respective products.

The Contracting Parties to the General Agreement on Tariffs and Trade (GATT) have frequently criticized the United States for its continued maintenance of the absolute quotas under section 22 of the Agricultural Adjustment Act. They have, however, granted the United States a waiver of its obligations "to the extent necessary to prevent a conflict with such provisions of the general agreement in the case of action required to be taken by the Government of the United States under section 22."

Section 22 quotas on imports of dairy products

For a number of years the United States has imposed absolute quotas on imports of a variety of dairy products under the provisions of section 22 of the Agricultural Adjustment Act, as amended. 1/

Current quotas.--The annual quotas in effect for the year ending June 30, 1967 (except where noted) are as follows:

1/ Quotas on dairy products under section 22 were first imposed in mid-1953. Imports of some dairy products had been subject to quota before then under the provisions of the Second War Powers Act of 1942 and the Defense Production Act of 1950. The historical development of U.S. quotas on imports of dairy products is described briefly in appendix B.

<u>Commodity</u>	<u>Quantity</u>
Butter-----	707,000 lbs.
Butter substitutes containing more than 45 percent of butter- fat and butter oil.	1,200,000 lbs. <u>1/</u>
Certain articles containing more than 45 percent of butterfat.	None
Dried whole milk-----	7,000 lbs.
Dried buttermilk-----	496,000 lbs.
Dried cream-----	500 lbs.
Dried skimmed milk-----	1,807,500 lbs.
Malted milk, and compounds or mixtures of or substitutes for milk or cream.	6,000 lbs. (Aggregate quantity)
Cheddar cheese, and cheese and substitutes for cheese contain- ing, or processed from, Cheddar cheese.	2,780,100 lbs. (Aggregate quantity)
Edam and Gouda cheese-----	9,200,400 lbs. (Aggregate quantity)
Blue-mold (except Stilton) cheese, and cheese and substitutes for cheese containing, or processed from, blue-mold cheese.	5,016,999 lbs. (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).	11,500,100 lbs. (Aggregate quantity)

1/ Calendar year 1967.

Most of the import quotas shown above were established in 1953. However, the quota on butter substitutes containing more than 45 percent of butterfat and butter oil and that on certain articles containing more than 45 percent of butterfat were established in 1957. The quota on imports of butter substitutes and butter oil was 1,800,000 pounds for the 1957 calendar year, but since then has been at the

level shown in the tabulation. On July 1, 1960, the annual quota on Edam and Gouda cheeses was increased from 4,600,200 to the amount shown in the tabulation, and that on Italian-type cheeses, from 9,200,100 pounds to the amount shown. On March 29, 1962, the quota on blue-mold cheese was increased from 4,167,000 pounds to the amount shown. The quota on Cheddar cheese was increased to 3,706,800 pounds for a single quota year--that ending June 30, 1966; it has been at the amount shown in the tabulation for all other quota years since 1953.

The maximum permissible quantity of dairy products that can currently be imported under the quotas amounts to 292 million pounds (milk equivalent)--an amount equal to two-tenths of 1 percent of U.S. milk consumption in 1966. While the amounts of some individual dairy products permitted entry under the quotas are very small compared with U.S. output of the respective products, the quantities of others permitted entry are large compared with U.S. production. The quantities specified in the existing quotas on butter, Cheddar cheese, and dried milk products, for example, are infinitesimal compared with the domestic output of these products. The butterfat equivalent of the annual quota on butter substitutes containing over 45 percent of butterfat and butter oil has been small compared with the domestic production of butterfat. The quotas on blue-mold cheese and on Italian-type cheeses, however, were equivalent to about 22 percent and 14 percent, respectively, of the domestic output of those cheeses in 1966, while that on Edam and Gouda cheeses has been larger than the domestic output in recent years.

Although U.S. imports of natural Edam and Gouda cheeses and Italian-type cheeses in original loaves have been materially smaller in recent years than the amounts authorized under the quotas, the quotas on most other dairy products (except dried cream) have been substantially filled. In the quota years (ending June 30) 1962-66, the annual quota on butter was 89 to 96 percent filled (table 10); that on Cheddar cheese, 84 to 96 percent (table 11); that on Edam and Gouda cheese, 57 to 77 percent (table 12); and that on Italian-type cheeses in original loaves, 64 to 87 percent (table 13). Except for that on dried cream, the quotas on the other dairy products have generally been filled. The quota on dried cream (500 pounds) apparently is not sufficiently large to attract commercial shipments.

Administration of section 22 quotas.--Most of the section 22 quotas on dairy products are administered by the Department of Agriculture through a system of import licenses. Imports of all dairy products under quota, except butter substitutes and butter oil, are subject to the licensing procedure; the quota for butter substitutes is administered by the Bureau of Customs on a first-come, first-served basis. In general, dairy products under quota may be imported into the United States only by, or for the account of, a person or firm licensed by the Department of Agriculture, and only in accordance with the terms of the license. Licenses usually authorize a particular firm to enter designated quantities of a specific dairy product from a designated country through a specified port of entry; licenses for entries of the various cheeses (but not the other dairy products

under quota) further require that not more than one-third of the designated quantity can be imported in the first 4 months of the quota year and not more than two-thirds of the first 8 months. 1/

When issuing licenses the Department of Agriculture must, to the fullest extent practicable, assure (1) the equitable distribution of the respective quotas among importers or users, and (2) the allocation of shares of the respective quotas among supplying countries, based upon the proportion supplied by such countries during previous representative periods, taking due account of any special factors that may have affected or may be affecting the trade in the articles concerned. In accord with these directives, the Department generally regards an importer who entered a dairy product during a base period as eligible for a license; such importer usually would be granted a share of the respective annual quota proportionate to his share of total imports of the product in question in the base period. Importers seeking to enter the trade may be licensed to enter nominal quantities of a single product. 2/ Licenses may not be transferred or assigned to others except as authorized by the Department of Agriculture.

As noted earlier, U.S. imports of cheese that are under quota must be controlled in such a manner that not more than one-third of the annual amount may be imported during the first 4 months of the

1/ The administrative regulations established by the Department of Agriculture are published in 7CFR6.

2/ At present the so-called new business quota for Italian-type cheeses is 5,000 pounds; Edam and Gouda cheeses, 10,000 pounds; blue-mold cheese, 2,500 pounds; and Cheddar cheese, 1,000 pounds.

quota year and not more than two-thirds during the first eight months. Because the quotas are imposed for 12-month periods ending June 30, the first 4 months of the quota year are July-October, and the second 4 months are November-February. Under present circumstances, therefore, an importer could, if he chose, enter all of his allotted amount in the last 4 months of the quota year (March-June), but as indicated he could not enter more than a third in the first 4 months, or more than two-thirds in the first 8 months. Importers of the cheese under quota have strongly urged that the quotas be changed to a calendar-year basis. Imports of cheese reflect a strong seasonal factor. In 1966, for example, two-fifths of the imports of cheese not under quota (i.e., not restricted to stipulated time periods) entered during the last quarter of the year; sales of many imported cheeses are heavy preceding and during the yearend holiday seasons. If the cheese quotas were on a calendar-year basis, importers could hold as much of their annual license as they deemed advisable for entry during the 4-month period September-December, the period of largest imports of cheese. Semiannual limitations on entries under license, rather than thrice-yearly limitations as at present, would obviously accord further flexibility to the importers in entering the permitted quantities; the Secretary of Agriculture has stated that semiannual limitations would be more efficient for his department to administer.

Quotas under the Sugar Act of 1948, as amended

In 1966, imports of Junex and similar products, which are mixtures largely of sugar and butterfat, increased sharply above the levels of annual imports in the immediately preceding years. The Department of Agriculture determined that the sugar in such products was of sufficient quantities as to substantially interfere with the attainment of objectives of the Sugar Act of 1948, as amended. Accordingly, on July 13, 1966, under the provisions of that act, the Department established absolute quotas on imports of mixtures of sugar and butterfat or flour or both that contained more than 25 percent of sugar. The quota limitations do not apply to mixtures containing 25 percent or less of sugar.

For the calendar year 1966, the following quotas were established (31 F.R. 9495-96):

<u>Country</u>	<u>Quota</u>
Australia-----	2,240,000 lbs.
Denmark-----	350,000 lbs.
Other-----	The quantity containing 200,000 lbs., raw value, of sugar or liquid sugar, (187,000 lbs. of refined sugar).

Under the quota provisions, however, the import restriction for any country, including Australia and Denmark, was to be automatically increased to permit the entry of shipments imported in 1966 prior to the effective date of the quotas (July 13), plus shipments entered within 30 days after the effective date of the quotas, provided that the shipment concerned had departed the port of lading prior to that date

or that an irrevocable contract had been entered into prior to June 15, 1966. Because of the rapidly expanding trade in the mixtures concerned during the first half of 1966, and the large imports of such products from several countries, the quotas applicable to entries from several countries were automatically increased to an amount substantially in excess of the originally established quotas. Indeed, imports of these products that were subject to the quota provisions (more than 25 percent of sugar) amounted to nearly 100 million pounds in 1966. The sugar contained in such imports was equivalent to about one-half of 1 percent of the domestic sugar production in that year; the butterfat contained therein was equivalent to about 1 percent of the domestic output of butterfat.

For the calendar year 1967, the Department of Agriculture modified the quotas to establish the following limitations (31 F.R. 16518-20): 1/

<u>Country</u>	<u>Quota</u>
Australia-----	14,090,000 lbs.
Austria-----	827,000 lbs.
Belgium-----	14,090,000 lbs.
Canada-----	11,650,000 lbs.
Denmark-----	1,926,000 lbs.
Sweden-----	397,000 lbs.
United Kingdom--	2,159,000 lbs.
Other-----	The quantity containing 200,000 lbs., raw value, of sugar or liquid sugar, (187,000 lbs. of refined sugar).

1/ The quota amounts for each country except Australia were established on the basis of the average annual U.S. imports during 1964-66. Beginning in 1963 Australia had agreed to limit its exports of butterfat-sugar mixtures to the United States. Consequently, exports from that country to the United States did not expand in 1966 as did those from other countries. Inasmuch as Australia had been limiting its exports of Junex and similar products to the United States in the base period, the Department of Agriculture established an import quota for Australia equal to that for the country having the largest average annual imports in the base period (Belgium).

In the first 4 months of 1967, total U.S. imports of butterfat-sugar mixtures amounted to 49.7 million pounds. Of this amount, mixtures containing more than 25 percent of sugar and, therefore, subject to the quotas, amounted to 26.4 million pounds; mixtures containing 25 percent or less of sugar (not subject to the quotas) amounted to 23.3 million pounds. The size of the quotas and the quota and non-quota imports, by country, for January-April 1967 are shown in the following tabulation (in thousands of pounds): 1/

Country	Quota	Imports		
		Quota	Nonquota	Total
Australia-----	14,090	6	-	6
Austria-----	827	-	-	-
Belgium-----	14,090	14,029	4,362	18,391
Canada-----	11,650	11,631	2,292	13,923
Denmark-----	1,926	-	1,500	1,500
France-----	<u>1/</u>	110	4,641	4,751
Netherlands-----	<u>1/</u>	-	3	3
New Zealand-----	<u>1/</u>	-	10,411	10,411
Sweden-----	397	-	-	-
United Kingdom-----	2,159	650	81	731
Total-----		26,426	23,290	49,716

1/ The quantity containing 200,000 pounds of sugar or liquid sugar.

Belgium and Canada, which have large quotas, have virtually filled their quotas and also shipped substantial quantities of nonquota mixtures. No other country shipped substantial quantities of mixtures subject to quota. Virtually no mixtures have entered from Australia, which has one of the largest quotas. New Zealand, which has a very small quota, supplied nearly half of the imports of nonquota mixtures in the period January-April 1967.

1/ Based on data from the Department of Agriculture.

The Federal Import Milk Act

Under the Federal Import Milk Act of 1927, as amended (21 U.S.C. 141 et seq.), the importation into the United States of milk and cream is prohibited unless the person shipping or transporting such products into the United States holds a valid permit from the Secretary of the Department of Health, Education, and Welfare. Although the primary purpose of the act is to ensure that imported milk and cream meet certain health standards, the statute also states that the promotion of the dairy industry of the United States is an objective of the act. Applicants for permits--and, at regular intervals, holders of permits--must establish that (1) the cows in herds producing milk for export to the United States are free from tuberculosis and are otherwise healthy and (2) the dairy farms and processing plants producing milk or cream for export to the United States meet specified sanitary standards. The holder of a permit is authorized to ship specified products into the United States. Under the law, however, a shipment of milk or cream intended to be imported by the holder of a permit may be refused entry at the port if either the bacteria count or the temperature of the product is greater than specified limits. The provisions of the act are administered by the Food and Drug Administration (FDA) of the U.S. Department of Health, Education, and Welfare.

Fluid and frozen milk and cream, yoghurt and other fermented milk, and condensed and evaporated milk are subject to the provisions of the Federal Import Milk Act. Currently, only four permits are in

effect--the New Zealand Dairy Products Marketing Board holds a permit to ship frozen cream to the United States, a Danish firm and a Canadian firm hold permits to ship sweetened condensed milk to the United States, and a Canadian firm holds a permit to ship concentrated milk to the United States. An application from a Canadian firm requesting a permit to ship sweetened condensed milk is pending. From time to time the FDA has issued temporary permits to import specified products that are subject to the act. Until recently the FDA had allowed imports of condensed and evaporated milk from foreign firms not holding permits, if such milk was packed in 6-ounce or 14-ounce hermetically sealed tins. In September 1966, however, the FDA modified its policy; it announced that, henceforth, U.S. imports of milk and cream were to be restricted to shippers holding valid permits.

Commitments by exporting countries

From time to time in recent years, New Zealand, Australia, and Ireland, after representations by the United States, have undertaken to restrict their exports of certain dairy products to the United States. On October 9, 1963, the Secretary of Agriculture announced "For some time the U.S. Department of Agriculture has been working with other agencies of the U.S. Government with regard to the problem of imports of certain dairy products which have become a matter of concern to U.S. dairy producers." 1/ The dairy products involved

1/ U.S. Department of Agriculture Release 3375-63.

have not been subject to U.S. import restrictions under section 22 of the Agricultural Adjustment Act. The respective foreign countries and the export restrictions agreed upon are shown in the following tabulation:

Commodity	1962	1963	1964	1965
Colby cheese: <u>1/</u>				
New Zealand-----million pounds--	11.60	6.72	6.72	6.72
Australia-----do-----	-	-	3.36	3.36
Ireland-----do-----	-	-	1.12	1.12
Junex: <u>2/</u>				
Australia-----do-----	-	2.20	2.20	2.20
Frozen cream: <u>2/</u>				
New Zealand-----million gallons--	-	1.50	1.50	1.50

1/ For years ending June 30.

2/ For calendar years.

Generally the export limitations listed above were closely observed by exporters in the foreign countries concerned during the periods they were in effect. The restrictions on exports of Colby cheese were terminated on June 30, 1965, and those on exports of Junex and frozen cream, on December 31, 1965. During 1965, imports of such products from countries other than those that had agreed to limit their exports of Colby cheese and Junex to the United States increased substantially. Moreover, the U.S. output of milk declined

in that year; domestic prices of milk and dairy products increased, causing the U.S. market to become more attractive for the imported products.

American-type Cheeses

The term "American-type" cheese is used herein to identify Cheddar cheese and other varieties of cheese competitive therewith in the major U.S. market for Cheddar (i.e., in the manufacture of pasteurized process American cheese). Cheddar cheese, Colby cheese, washed curd cheese, and granular cheese are identified by the U.S. Food and Drug Administration (FDA) as suitable for manufacturing into pasteurized process American cheese. Cheddar, one of the first types of cheese to become subject to U.S. quantitative import restrictions, and the only one of the aforementioned cheeses currently subject to such restrictions, has long been referred to in the trade as American cheese. In recent years, the U.S. production of Cheddar has accounted for the major share (nearly 60 percent) of the domestic output of cheese. The production of pasteurized process American cheese has constituted the principal outlet for the U.S. production of Cheddar cheese (about 55 percent) and nearly the sole outlet for the other American-type cheese. 1/

The cheeses enumerated above are all used in the production of pasteurized process American cheese, and only they are eligible to be

1/ "Process" cheese, as defined by the Food and Drug Administration, is a mixture of one or more varieties of "natural" cheese that has been heated, emulsified, and stirred into a plastic mass.



so used. 1/ The FDA has established standards, which Cheddar cheese, washed curd cheese, Colby cheese, or granular cheese, or mixtures thereof must meet to entitle the finished product to be designated as pasteurized process American cheese. 2/ The FDA also establishes standards which the above named cheeses must meet before they can be marketed under the respective names.

In 1965, about 70 percent of the pasteurized process American cheese produced in the United States was made from Cheddar and 30 percent, from the other varieties of cheese referred to above. Pasteurized process American cheese manufactured in the United States may consist in whole or in part of imported or domestic cheese; to date, however, Colby has been the only cheese to be imported and so used.

1/ In reporting data on the U.S. output of cheese, the Department of Agriculture designates Cheddar, Colby, granular, washed curd, high and low moisture Jack, and Monterey cheeses as American cheese. The Standards of Identity established by the Food and Drug Administration do not allow high and low moisture Jack or Monterey cheeses to be designated as "American cheese," when marketed as process cheese.

2/ The Standards of Identity for pasteurized process cheese (21 CFR 19.750) state that "in case . . . [pasteurized process cheese] is made of Cheddar cheese, washed curd cheese, Colby cheese, or granular cheese or any mixture of two or more of these, it may be designated 'pasteurized process American cheese'; or when Cheddar cheese, washed curd cheese, Colby cheese, or granular cheese or any mixture of two or more of these is combined with other varieties of cheese in the cheese ingredient any of such cheeses (i.e., Cheddar, washed curd, Colby, or granular) or such mixture may be designated as 'American cheese'."

If another variety of cheese (Swiss cheese) is processed with one or more of the aforementioned cheeses, the finished product may be designated as pasteurized process Swiss and American cheese. In such use, however, the aforementioned standards must be met if the term "American" is used in the marketing of such process cheese.

Cheddar, Colby, washed curd, and granular cheeses are all made from cow's milk. These cheeses are interchangeable with each other when used for processing. They generally range from semi-soft to semi-hard in texture and from white to yellowish-orange in color. A large part of the Cheddar produced in the United States is in a 500-pound plastic-lined, barrel-shaped, steel container. Such cheese, commonly called barrel Cheddar, is especially adapted for processing, inasmuch as labor costs are lower and cheese wastes are smaller than when the smaller size cheeses are processed. The remainder is generally made in loaves (blocks or wheels) that vary in weight from several pounds to about 60 pounds each; in the United States the bulk of the output of Cheddar cheese, except barrel Cheddar, is made in the form of 40 pound blocks.

It is difficult to distinguish Colby cheese from Cheddar. Nevertheless, different Standards of Identity have been established for these two cheeses. ^{1/} The texture of Colby is generally not as compact as that of Cheddar; in making Colby, the curd is not subjected to "matting" and "milling" as is the curd of Cheddar. The Standards of Identity allow Colby to contain not more than 40 percent of moisture, which is 1-percentage point higher than the maximum for Cheddar cheese. There is often little difference, however, in the moisture content of the two cheeses. Colby and Cheddar cheeses destined for making process cheese are generally not aged more than 60 days; such cheeses are

^{1/} The Standards for Colby are specified in 21 CFR 19.510; those for Cheddar in 21 CFR 19.500.

generally made from pasteurized or heat-treated milk. Cheddar not destined for processing (i.e., to be consumed as natural cheese) is generally made from heat-treated milk. Such cheese is sometimes made from unpasteurized milk. Cheddar not used for processing is aged for periods varying from 4 months to 16 months.

In making granular cheese, no water is added to the curd while it is being stirred and cooled, as is done in making Colby cheese. The small curd particles, therefore, do not bond well. Thus, the cheese is granular in texture and checkered in appearance. Most granular cheese is used to make process cheese.

In making washed curd cheese, the curd is matted and milled as is done in making Cheddar. In making washed curd, however, the curd is washed with water before it is salted. Washing the curd increases the moisture content of the cheese, reduces the lactose (milk sugar) content and acidity, and increases the openness of texture. Washed curd cheese is generally cured for only 1 or 2 months because of its high moisture content (42 percent). It is used almost exclusively in the manufacture of process cheese.

The President's letter of April 7 requesting the Tariff Commission to conduct this investigation directed that it should encompass "substitutes for cheese containing or processed from American-type cheeses". There are currently no known substitutes for cheese containing or processed from Cheddar, Colby, washed curd, or granular cheeses.

Comparability of Colby and Cheddar

Cheddar accounts for about 60 percent, and Colby for about 15 percent, of all cheese produced in the United States. Cheddar is made and used so widely in the United States that it is often called "American" rather than Cheddar cheese. U.S. production and imports of Cheddar and Colby cheeses in recent years were as follows (in millions of pounds):

Year	Production		Imports	
	Cheddar	Colby <u>1/</u>	Cheddar	Colby
1962-----	956	139	3	10
1963-----	965	143	3	10
1964-----	1,009	148	2	11
1965-----	1,007	152	2	14
1966-----	1,074	160	4	46

1/ Includes small quantities of washed curd, granular, Monterey, and Jack cheeses.

As noted earlier, fresh (unaged) Colby, washed curd, and granular cheeses are direct substitutes for, and competitive with, fresh Cheddar cheese in making pasteurized process American cheese. More than half of the U.S. output of Cheddar and most of the output of Colby has been used in making pasteurized process American cheese; about 80 percent of the imported Cheddar and virtually all of the imported Colby has been so used. (Virtually all imports of Cheddar from Canada--20 percent of total U.S. imports of Cheddar--are consumed as natural cheese.) Hence, in 1966 Cheddar cheese (virtually all domestic) supplied about 70 percent and Colby (largely domestic) supplied about 30 percent of the natural cheeses that went into the manufacture of pasteurized process American cheese. Only small quantities of washed curd and granular cheese are domestically produced; imports have been negligible or nil.

The small quantities of Colby, washed curd, and granular cheeses that are aged are trivial relative to the large volume of Cheddar cheese that is aged.

U.S. tariff treatment

The rates of duty currently applicable to imports of the cheeses herein considered (except Cheddar) from countries other than those designated as being under Communist control are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Cheese not elsewhere enumerated:	
117.75 (pt.)	Valued not over 25¢ per pound-----	5¢ per lb.
117.80 (pt.)	Valued over 25¢ per pound-----	20% ad val.

These rates of duty, which have been in effect since August 1951, reflect a concession granted by the United States in the General Agreement on Tariffs and Trade. The duty collected on total imports of Colby cheese under item 117.75 (pt.) in 1966 was equivalent to 21 percent ad valorem; the average unit values of imports from the principal supplying countries ranged from 22 cents to 25 cents per pound.

U.S. consumption

Although this investigation is concerned with imports of American-type cheeses other than Cheddar, Colby is the only such cheese produced domestically and imported in substantial quantities. As noted in an earlier section, U.S. imports of washed curd and granular cheeses have been negligible or nil, and domestic output of those cheeses has been small. This section, and those immediately following, therefore, discuss only Colby.

U.S. annual consumption of Colby cheese has been expanding for a number of years (table 14). ^{1/} Apparent annual consumption of Colby has more than doubled in the last decade, increasing from 95 million pounds in 1957 to 206 million pounds in 1966. In recent years Colby has been supplying a larger share of the natural cheese used to make pasteurized process American cheese, the U.S. output of which has been increasing.

U.S. producers and production

Colby cheese has been produced in the United States for many years. U.S. production of Colby cheese increased from 95 million pounds in 1957 to 160 million pounds in 1966. About 200 plants produced Colby cheese in 1965. Most of these plants sent their natural Colby to concerns known as cheese assemblers, who made pasteurized process American cheese. Wisconsin, Indiana, Michigan, Missouri, Idaho, and Ohio combined accounted for about 75 percent of the U.S. production of Colby cheese in 1965.

U.S. stocks of Colby cheese in commercial warehouses have been small inasmuch as Colby cheese is generally not aged. Producers of Colby and Cheddar cheese can readily utilize their milk supply to make either variety of cheese. Hence, if the Government's purchase price for Cheddar, or the market price therefore, becomes more attractive than the market price for Colby, producers of Colby can produce Cheddar

^{1/} The data on consumption and production in this section include small quantities of washed curd, granular, Monterey, and Jack cheeses.

instead; they have an assured outlet for Cheddar at the price-support levels announced by the U.S. Department of Agriculture.

U.S. exports and imports

U.S. exports of Colby cheese have been negligible for a number of years. Prices of such cheese in foreign markets generally have been lower than domestic prices.

With the exception of Colby, U.S. imports of the American-type cheeses other than Cheddar have been negligible or nil for many years. U.S. imports of Colby cheese were negligible or nil until 1958. Early in that year, the Bureau of Customs ruled that Colby was neither classifiable in the tariff provision for Cheddar, nor subject to the quantitative restrictions imposed on Cheddar cheese under section 22 of the Agricultural Adjustment Act, as amended. ^{1/} Thereafter, imports increased sharply from 500,000 pounds in 1958 to 15 million pounds in 1961. During the period 1962-65, annual imports ranged from 10 million pounds to 14 million pounds. In late 1965 and in 1966 U.S. prices of Cheddar cheese advanced rapidly. The output of milk in foreign countries expanded in 1965; such expansion continued into 1967. In 1966, U.S. imports of Colby cheese totaled nearly 46 million pounds. In January-March 1967 they amounted to nearly 24 million pounds; based on the volume of imports in January-March, total imports in 1967 may approximate some 100 million pounds.

The average annual unit value of U.S. imports of Colby cheese has increased in recent years; it rose from 23.8 cents per pound in 1964

^{1/} The Bureau based its decision principally on trade information and on the Standards of Identity established for the two cheeses by the Food and Drug Administration (C.I.E. 153/58).

to 27.3 cents per pound in 1966. In 1964 only 3 percent of the imported Colby cheese was valued over 25 cents per pound; in 1966, 60 percent of the imported Colby was valued over 25 cents per pound. During January-March 1967, imports valued over 25 cents per pound accounted for 99 percent of the volume of total entries.

Before 1962, virtually all U.S. imports of Colby cheese came from New Zealand. In that year, however, imports began to enter from other countries. In 1966, New Zealand, France, Denmark, and Australia were the principal suppliers of imports; small quantities of Colby were imported from a number of other countries (tables 15 and 16). Imports from France and Denmark had been negligible prior to 1966.

The marked increase in the importation of Colby cheese from France is attributable in part to payments made by the French Government to the cheese producers on cheese that was exported. These inducements are offered within the framework of European Economic Community (EEC) regulations. Such export inducements, which began about June 1966 and which were employed to complement the country's price-support program for dairy products, were set originally at about 27 cents per pound; shortly thereafter they were reduced to 24 cents per pound and later to about 23 cents per pound. Government payments for the 9 million pounds of Colby cheese exported from France to the United States in 1966 are estimated to have amounted to about \$2 million or the equivalent of about 23 cents per pound. ^{1/} At this level, the payment on French Colby cheese

^{1/} Data on export payments are from a Foreign Agricultural Service report on French dairy products, dated March 20, 1967 (unclassified); data on the volume of trade are from U.S. official import statistics.

probably was equivalent to 50 percent or more of the U.S. market price for Colby cheese. In 1966, the average unit dutiable value of imports from France reported in official U.S. import statistics was 27 cents per pound. The average unit value of imports from the other major foreign suppliers ranged from 26 cents per pound for those from New Zealand, Australia, Belgium, and Austria to 33 cents per pound for those from Denmark and Ireland.

The Treasury Department is presently considering whether to apply countervailing duties to the U.S. imports of Colby cheese from France. The U.S. Government, moreover, has formally protested a new program of payments on exports for processed agricultural commodities, recently instituted by the EEC: the U.S. Government contends that the program violates the letter and spirit of the EEC's commitments under the General Agreement on Tariffs and Trade.

During some recent years, New Zealand, Australia, and Ireland agreed to limit their exports of Colby cheese to the United States (see the section of this report on commitments by exporting countries).

Prices of domestic Cheddar cheese and imported Colby cheese

Wholesale price movements for domestic Cheddar cheese follow closely the auction prices reported 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. The following tabulation compares the average annual wholesale price

of Cheddar cheese at Wisconsin assembly points with the prices reported by the Cheese Exchange during the period 1962-66 (in cents per pound):

<u>Year</u>	<u>Prices reported by Wisconsin Cheese Exchange</u>	<u>Wisconsin assembly points ^{1/}</u>
1962-----	33.9	36.0
1963-----	34.3	36.1
1964-----	35.0	36.8
1965-----	35.8	39.8
1966-----	43.6	46.3

^{1/} Year beginning April 1.

In the 9 months from July 1965 to March 1966, the monthly average price for domestic Cheddar cheese at Wisconsin assembly points rose successively from 37.3 cents per pound to 45.7 cents per pound. On April 1, 1966, the Tariff Commission instituted a supplemental investigation under section 22 to ascertain whether increased imports of Cheddar cheese could be permitted without materially interfering with the Department of Agriculture's price-support programs for milk and butterfat. On April 7 the price of Cheddar cheese at Wisconsin assembly points was reduced to 42.7 cents per pound--the first price reduction in nearly a year. On April 1, 1966, the Secretary of Agriculture increased the CCC purchase price for Cheddar cheese from 36.1 cents per pound to 39.3 cents per pound; on June 29, 1966, he further increased it to 43.7 cents per pound. Meanwhile, the monthly average assembly point price advanced from 42.9 cents per pound in May 1966 to 49.4 cents in August and September, the highest level at which it had been for many years. Thereafter, the price declined; in March 1967 it averaged 44.9 cents per pound. During the most recent months, both

the domestic output and stocks of Cheddar cheese have been higher, and imports of Colby cheese larger, than in the comparable period a year earlier. Moreover, as described in the next paragraph, the prices of alternative protein sources have declined in recent months.

The strong U.S. market price for Cheddar cheese in recent years reflects the net impact of many factors, each of which alone cannot be appraised precisely. Over the past decade, a slow but steady rise has occurred in the aggregate demand for Cheddar, which doubtless stems from both population growth and rising per capita consumption. Increasingly, cheese has been used in a wide variety of manufactured foods. After 1965, moreover, prices of important protein foods (such as meat and fish), increased sharply, contributing, in turn, to increased prices for cheese, an alternative source of protein. The wholesale price index of processed meat, poultry, and fish (1957-59 = 100) increased from 91 in 1964 to 101 in 1965, to 110 in 1966, and to 115 in February 1966. Thereafter, it declined irregularly until March 1967, when it averaged 102.

There are no published prices for imported Colby cheese. The average unit values of imported Colby, calculated from data recorded in U.S. import statistics, have increased in recent years. Trade sources indicate that the price of the imported cheese, delivered in Wisconsin, is generally at least 1 cent per pound, and sometimes as much as 4 cents per pound, below the price of domestic Cheddar cheese. Direct price comparisons, however, are misleading. The imported cheese has a higher butterfat content than domestic Cheddar (about 52 percent

compared with 50 percent). Thus, when the imported Colby is made into process cheese, the additional butterfat serves as an extender when it is mixed with domestic cheeses.

Edam and Gouda Cheeses (Process)

Edam and Gouda cheeses are made from cow's milk. The Standards of Identity established by the Food and Drug Administration require, among other things, that the solids of Edam cheese shall contain not less than 40 percent of milk fat and those of Gouda not less than 46 percent. Both imported and domestic cheeses must conform to these standards to be labeled and sold in the United States as Edam or Gouda.

Process Edam and Gouda cheeses differ markedly from the natural cheeses from which they were made. The texture of the natural cheeses is changed substantially by processing; process Edam and Gouda is smoother and more homogeneous than the natural cheese. Many deem that the flavor of the process cheese is more bland than that of the natural cheese. Some process Edam and Gouda is flavored with ingredients such as onions and spices, which are added during the processing; natural Edam and Gouda rarely, if ever, contains added ingredients.

Process Edam and Gouda cheeses--nearly all from abroad--are imported in the form of small foil-wrapped wedges or blocks that weigh no more than a few ounces each; small quantities are imported in the form of link shapes. These wedges, blocks, and links of process Edam and Gouda cheeses are ready for immediate sale at the retail level. They are marketed in boxes, or in gift packages that frequently contain a variety of cheeses, meats, and other specialty foods. In contrast to the process cheese, natural Edam and Gouda are invariably marketed in the United States in the form of the loaves in which they are produced. A large part of the domestic and imported natural Gouda

is of a type known as "Baby Gouda", which is made in a disc-shaped loaf usually weighing less than a pound. Other natural Gouda and natural Edam cheeses are made in distinctive loaves generally weighing from 5 to 25 pounds each. Virtually all the natural loaves of Edam and Gouda cheeses are covered with an inedible protective coating of wax and are wrapped in a transparent film. The wax coatings on Edam and "Baby Gouda" cheeses are invariably red in color, whereas those on the larger Gouda cheeses are orange.

U.S. tariff treatment

The rate of duty currently applicable to imports of natural and process Edam and Gouda cheeses from countries other than those designated as being under Communist control is as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
117.25	Edam and Gouda cheeses-----	15% ad val.

This rate of duty, which has been in effect since January 1948, reflects a concession granted by the United States in the General Agreement on Tariffs and Trade.

Since July 1, 1953, imports of natural Edam and Gouda cheeses have been subject to an annual absolute quota imposed under section 22 of the Agricultural Adjustment Act, as amended. Processed Edam and

Gouda, however, have been exempt from the quota. 1/ In 1960, the annual quota of 4,600,200 pounds was increased to 9,200,400 pounds. 2/ For the quota year ending June 30, 1966, 91 percent of the quota for these two cheeses was allocated to the Netherlands, 4 percent to Denmark, 2 percent to Sweden, and 3 percent to Argentina, Finland, Portugal, and Norway combined.

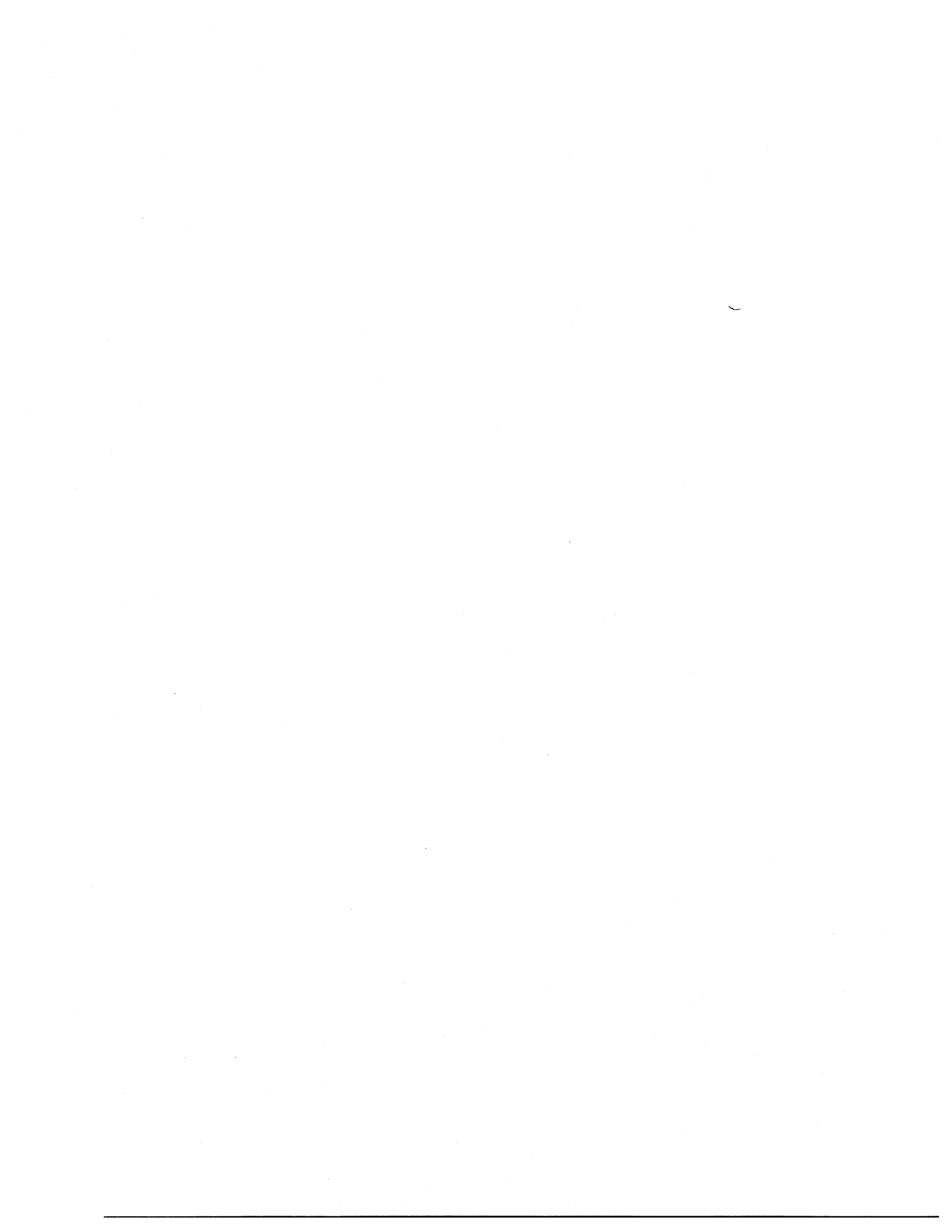
U.S. consumption

During the period 1962-66, the annual U.S. consumption of process Edam and Gouda increased regularly, rising from 1.1 million pounds in 1962 to 3.0 million pounds in 1966 (table 18). It had been substantially smaller in earlier years. Imports are believed to have supplied virtually all of the domestic consumption.

The annual U.S. consumption of natural Edam and Gouda has also increased in recent years, rising from 12.2 million pounds in 1962 to 15.5 million pounds in 1966. U.S. consumption has been supplied about equally by domestic production and imports.

1/ Proclamation 3019 of June 1953, which established the section 22 quota on "Edam and Gouda cheese", did not specify whether or not process Edam and Gouda should be subject to import controls. Subsequently, the question arose. On June 15, 1954, the United States Department of Agriculture determined that "Processed Edam and Gouda cheese and cheese, and substitutes for cheese containing or processed from Edam and Gouda cheese, are not subject to import control." Accordingly, process Edam and Gouda has been permitted entry outside the quota (CIE 1922/64). The chief customs specialist on cheese in New York City reports that merely slicing or separation of the original loaf of cheese does not constitute processing.

2/ TSUS item 950.09.



U.S. producers and production

Little process Edam and Gouda cheese is produced in the United States. No data on such output are available.

No more than 6 plants, all located in Wisconsin, produce natural Edam and Gouda cheeses in the United States. The domestic production of such cheeses is estimated to have increased from 4.0 million pounds in 1958 to 4.6 million pounds in 1960, the year in which the import quota on Edam and Gouda was enlarged by 100 percent. Notwithstanding the increase in the quota, the domestic production has continued to increase. In 1966 it amounted to an estimated 7.6 million pounds. Most of the domestic output in recent years has been of the "Baby Gouda".

U.S. exports and imports

U.S. exports of Edam and Gouda cheeses, whether processed or natural, have been negligible or nil. Prices of such cheeses in foreign markets generally have been lower than domestic prices of the U.S. product.

In recent years, annual U.S. imports of process Edam and Gouda cheeses have increased regularly. In 1962 such imports are estimated to have amounted to 1.1 million pounds (equal to 16 percent of aggregate imports of all Edam and Gouda); they amounted to 3.0 million pounds (27 percent of the total) in 1966 (table 18).

The bulk of the imports of process Edam and Gouda cheeses have come from Denmark, West Germany, Norway, Ireland, and the Netherlands. Only one of these countries has been allocated a substantial share of

the annual import quota for natural Edam and Gouda; two of them have no share. The following tabulation presents data on the amount of natural Edam and Gouda permitted entry under the quota, the actual U.S. imports of such cheese, the amount of the quotas unused, and imports of process Edam and Gouda cheeses, by the principal suppliers of the process cheese, in the year ending June 30, 1966 (in thousands of pounds):

Country	Natural Edam and Gouda			U.S. imports of process Edam and Gouda
	Aggregate im- ports permitted under the quota	Actual imports	Unused licenses	
Netherlands-----	8,412	6,642	1,770	117
Denmark-----	406	195	211	1,231
West Germany-----	-	-	-	446
Norway-----	11	10	1	242
Ireland-----	-	-	-	171
All other-----	371	226	145	72
Total-----	9,200	7,073	2,127	2,279

As shown above, the four largest foreign suppliers of process Edam and Gouda (which is free of quota)--Denmark, West Germany, Norway, and Ireland--were each allocated only a small share, or none, of the quota for natural Edam and Gouda cheeses. Imports of process Edam and Gouda from the Netherlands were small in volume compared with the quantity of natural Edam and Gouda that was licensed for entry from that country but not imported.

Italian-type Cheeses
(Not in Original Loaves)

The cheeses that are termed herein "Italian-type cheeses" are Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolone, and Sbrinz. This investigation is concerned with imports of Italian-type cheeses not in original loaves, and cheeses and substitutes for cheese containing or processed from Italian-type cheeses. These cheeses not in original loaves are identical to the respective cheeses in original loaves, except that the cheese has been cut into slices or pieces, or been grated. The quantities of cheese processed from Italian-type cheese, if any, are negligible; there are no known substitutes for cheeses containing Italian-type cheeses. Italian-type cheeses in original loaves have been subject to quantitative import restrictions under section 22 since 1953.

Romano, Reggiano, Parmesano, and Sbrinz 1/ cheeses are used predominantly for grating. The grating is done either by producers of such cheese, by assemblers, or by housewives. In the United States, most of the grated Italian-type cheese, whether domestic or imported, is generally marketed at retail in cylindrical cardboard containers or glass jars that hold several ounces of cheese. The grated cheese sold at retail is used by the housewife in a variety of foods such as salads, soups, alimentary pastes, and pizzas. Grated cheese sold in bulk containers goes largely to food manufacturers, restaurants, and

1/ Sbrinz is not produced in the United States; imports generally have been nil.

other institutional users. Some Romano, Reggiano, and Parmesano is retailed in small plastic-wrapped blocks or wedges.

Provoloni and Provolette, which are softer cheeses than the other Italian-type cheeses, lend themselves to table use inasmuch as they do not crumble when cut. The cheeses in original loaves are often cut or sliced and sold at retail in packages, each holding less than 1 pound. Sometimes Provolette, which in the original loaf is the smaller of the two cheeses, is sold in the original loaf.

U.S. tariff treatment

The rates of duty currently applicable to imports of Italian-type cheeses, whether or not in original loaves, from countries other than those designated as being under Communist control, are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Cheese:	
117.40 (pt.)	Sbrinz-----	25% ad val.
117.55	Romano made from cow's milk, Reggiano, Parmesano, Provo- loni, and Provolette.	20% ad val.

The rate for Sbrinz, which reflects a concession granted by the United States in a bilateral agreement with Argentina, has been in effect since November 1941. The rate for the other cheeses, which reflects a concession granted by the United States in the General Agreement on Tariffs and Trade, has been in effect since August 1951.

Since July 1, 1953, imports of these Italian-type cheeses in original loaves have been subject to an annual absolute quota under section 22 of the Agricultural Adjustment Act, as amended. Initially

the quota amounted to 9,200,100 pounds; it was increased to 11,500,100 pounds in 1960 (TSUS item 950.10).

U.S. consumption

The annual U.S. consumption of the Italian-type cheeses considered herein (whether or not in original loaves) is estimated to have increased from 68 million pounds in 1961 to 89 million pounds in 1966 (table 19). ^{1/} At the wholesale level, about three-fifths of the Italian-type cheeses sold in the United States has been either in the grated form or cut into pieces; much of the remainder probably has been cut or grated by the retailer before sale to the consumer. The loaves in which Italian-type cheeses originally are made are, for the most part, too large for use by the housewife; furthermore, many consumers do not wish to grate these hard cheeses themselves.

In 1964, the latest year for which data are available, about 40 percent of the Italian-type cheese consumed was Provoloni, 40 percent was Parmesano, and most of the remainder was Romano.

U.S. producers and production

Some 25 U.S. producers make Romano, Reggiano, Parmesano, Provoloni, and Provolette cheeses; most of them are located in Wisconsin and nearby States. Some producers not only age and grate their output, but also package it for marketing under brand names; others sell the

^{1/} The consumption of certain soft Italian-type cheeses (which are not subject to this investigation) increased considerably more during 1961-65 than did the consumption of the hard types, largely because of the increased use of the soft types in such foods as pizzas, lasagna, and cheese sandwiches.

unaged cheese in original loaves to assemblers who perform these functions. Plants manufacturing Italian-type cheeses rarely produce other types of cheese because of the problems associated with bacterial contamination. Few, if any, U.S. producers have foreign affiliates producing Italian-type cheese.

The domestic output of Italian-type cheeses in original loaves increased from about 60 million pounds in 1961 to 81 million pounds in 1966.

U.S. exports and imports

U.S. exports of Romano, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz, whether or not in original loaves, are believed to have been negligible in recent years.

In recent years U.S. imports of the Italian-type cheeses named above not in original loaves have been small; imports of cheese processed from these Italian-type cheeses are believed to have been negligible. U.S. imports of cheeses not in original loaves amounted to 322,000 pounds in 1964, 97,000 pounds in 1965, and 451,000 pounds in 1966 (table 20). ^{1/} Such imports accounted for 5 percent or less of total imports of Italian-type cheeses, and supplied less than 1 percent of U.S. consumption of such cheese, in each of those years. In January-March 1967, imports of these cheeses not in original loaves amounted to 277,000 pounds, compared with 67,000 pounds in the

^{1/} Statistics on annual imports of these cheeses not in original loaves in years before 1964 are not available; it is unlikely, however, that the trade was appreciably larger in those years than in 1964-66.

corresponding months of 1966. Most of the imported Italian-type cheeses not in original loaves has been either in pieces wrapped in a transparent plastic film or grated. Importers generally package the grated cheese in retail-size containers.

In 1964-66, Argentina and Italy together accounted for virtually all U.S. imports of Italian-type cheeses not in original loaves. That imported from Italy has generally been in pieces or wedges and has been used as table cheese or for grating; it is generally higher in price than both Italian-type cheeses imported from other countries or those produced in the United States. That from Argentina has been imported chiefly in grated forms; it is lower in price than both cheeses from Italy or those produced in the United States. Italian-type cheeses from Argentina are considered by the trade to be lower in quality than those produced in Italy. Argentina has no aging standards, and the Argentine producers often sell their cheese before it is adequately ripened.

U.S. annual imports of Italian-type cheeses in original loaves, which are subject to quota under section 22, ranged from 7.7 million to 8.6 million pounds in 1964-66. The import quota was from 65 to 87 percent filled in the 1964-66 quota years (ending June 30). According to the trade, Italian-type cheeses had generally been imported in earlier years in original loaves because they retained their flavor longer and were less subject to spoilage in that form than after they had been cut, sliced, or grated. In recent years, however, improvements in packaging have reduced losses in flavor and spoilage of

Italian-type cheeses not in original loaves. Imports of Italian-type cheeses in all forms supplied from 9 to 13 percent of U.S. consumption of such cheeses in each of the quota years 1961-65.

Only a few U.S. firms currently import Italian-type cheeses not in original loaves. Some of them grate, mix, and package both imported and domestic cheese. Most firms that import Italian-type cheese, whether or not in original loaves, are long established dealers who trade in several varieties of domestic and imported cheeses.

Articles Containing 5.5 to 45 Percent of Butterfat

It would be difficult to enumerate the vast array of products which may be encompassed within the scope of subsection (4) of the notice of investigation--

(4) Articles containing over 5.5 percent but not over 45 percent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose for which products containing butterfat are used (except articles currently subject to quotas under Section 22 of the Agricultural Adjustment Act, as amended, cheeses, and articles 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).

The principal articles included in the above description that have been imported in recent years are frozen cream, condensed or evaporated milk, chocolate crumb, and Junex and similar products. As indicated above, many articles might be encompassed within the scope of the description. Ice cream in bulk, for example, would be one such article, although it is believed not to have been imported in recent years.

Information concerning the principal articles listed above is discussed in the following section.

Cream

Cream is the fatty liquid separated from whole milk. All milk produced in the United States contains cream inasmuch as whole milk contains milk fat, commonly called butterfat. About half of the U.S. output of whole milk is sold at retail in the fluid form. The so-called combined U.S. output of cream--i.e., the cream that is actually separated from milk plus the cream in whole milk used directly in

manufacturing dairy products--is "produced" from the remaining half of the U.S. output of whole milk. About a fifth of the combined output of cream is sold at retail for consumption in the fluid form; four-fifths is used in manufacturing dairy products.

In recent years the only cream imported as such has been frozen. None of the imported cream is consumed in the fluid form. Both domestic and imported cream are interchangeable when used in producing manufactured dairy products.

U.S. tariff treatment.--The rates of duty currently applicable to imports from countries, other than those designated as being under Communist control, are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Fluid cream <u>1/</u> , fresh or sour, containing over 5.5 percent but not over 45 percent of butterfat:	
115.20	For not over 1,500,000 gallons entered in any calendar year.	15¢ per gal.
115.25	Other-----	56.6¢ per gal.

1/ Frozen cream is classifiable in the tariff provision for fluid cream (CIE 2239/65).

The rate of duty for item 115.20, which reflects a concession granted by the United States in the General Agreement on Tariffs and Trade, has been in effect since June 1951. The rate for item 115.25 is the original statutory rate provided in the Tariff Act of 1930.

Imported cream having more than 45 percent butterfat is dutiable as butter under the Tariff Schedules of the United States (TSUS) and subject to an absolute quota. 1/

1/ TSUS 950.05.

A tariff quota permits imports of cream up to a maximum of 1.5 million gallons per year to enter at a rate of 15 cents per gallon; imports in excess of 1.5 million gallons in any calendar year are dutiable at 56.6 cents per gallon. Based on imports in 1966, the rate of duty of 15 cents per gallon was equivalent to 8 percent ad valorem and that of 56.6 cents per gallon, to 29 percent ad valorem. The great bulk of the imports within the respective TSUS item numbers had roughly equivalent unit values.

Imports of cream are subject to the provisions of the Federal Import Milk Act discussed in the section of this report on U.S. Non-tariff Import Restrictions on Dairy Products.

U.S. producers and production.--A large number of dairy plants separate cream from whole milk for the purpose of producing manufactured dairy products. Although some farmers separate cream from whole milk, their number, which is unknown, has declined greatly during recent decades. Inasmuch as the North Central and North Atlantic States have supplied the bulk of the whole milk used in manufactured dairy products, these States have supplied the bulk of the U.S. output of cream.

The U.S. production of cream is exceedingly large. The combined U.S. output, i.e., that contained in whole milk used for manufactured dairy products plus that separated from whole milk, has averaged some 800 million gallons annually in recent years. 1/ Of that total about 325 million gallons were used to make butter, 120 million

1/ On the basis of cream containing 40 percent of butterfat.

gallons for ice cream and other frozen dairy desserts, and 180 million gallons for a variety of other dairy products including cheese and evaporated and condensed milk. The remaining 175 million gallons of cream was sold as such for fluid consumption.

U.S. exports and imports.--Until recently, cream (except dried cream) has not been an important article in international trade. U.S. exports of cream have been negligible or nil. U.S. imports were negligible before 1962, but they have increased sharply since then. In recent years, techniques of preparing (freezing) and transporting cream have improved. In 1961, moreover, the U.S. Department of Health, Education, and Welfare (HEW) issued a permit to the New Zealand Dairy Products Marketing Board enabling it to export frozen cream to the United States. This permit is the only one issued by HEW authorizing imports of frozen cream.

Although U.S. imports of frozen cream were negligible or nil before 1962, they increased materially thereafter. Annual U.S. imports in the period 1962-66 were as follows: 1/

<u>Year</u>	<u>1,000 gallons</u>
1962-----	149
1963-----	850
1964-----	1,076
1965-----	1,181
1966-----	1,555

In January-March 1967 imports amounted to 658,000 gallons compared with 809,000 gallons in the corresponding months of 1966.

In 1966 U.S. imports of cream were equivalent to less than 0.2 percent of the combined domestic output of cream. Imports in 1966

1/ Data reported by the Bureau of Customs.

exceeded the tariff quota of 1.5 million gallons for the first time-- by some 55,000 gallons.

On March 31, 1967, the U.S. tariff quota for cream for the current calendar year was 44 percent filled. The highest period of fluid milk production in New Zealand, however, does not occur until October. Since U.S. prices for butterfat are expected to remain high relative to world prices, U.S. imports of cream in 1967 will probably equal, or possibly exceed, the tariff quota for cream.

Unlike imports of some dairy products, frozen cream has been entered at ports throughout the United States. In 1966, the bulk of the imports entered at San Francisco, Charleston (South Carolina), Philadelphia, and Galveston. The imported cream is generally packed in 50 to 60 pound plastic containers.

Before 1966 the imported cream was purchased primarily by producers of ice cream. In 1966 such producers found it advantageous to use imported butterfat mixtures (Junex, etc.) rather than imported frozen cream. Nevertheless, as noted earlier, imports of cream in that year reached a record high; the bulk of the imported cream was purchased by producers of soups and dairy products other than ice cream.

Trade sources indicate that the prices of imported frozen cream follow closely those of domestic cream. The annual average wholesale price of domestic cream has been increasing in recent years as milk production has declined and as the support objective for milk was increased. The following tabulation shows the annual average

wholesale price of cream, 40 percent butterfat, at Philadelphia in 1964-66:

<u>Year</u>	<u>Per gallon</u>
1964-----	\$2.58
1965-----	2.60
1966-----	2.85

Since it appears that the U.S. output of milk in 1967 may slightly exceed that of 1966, the price of cream in 1967 is likely to average somewhat lower than in 1966. Nonetheless, the U.S. price will probably be high relative to the world price.

Condensed or evaporated milk and cream

Condensed milk consists of milk from which a portion of its water has been removed by evaporation under a partial vacuum. It usually has a caramelized flavor since the milk sugar has been slightly cooked in the condensing process. If packaged without sugar being added, it is known as plain condensed milk and is perishable; plain condensed milk is usually sold in bulk. If sugar is added, the product, which is called sweetened condensed milk, is usually canned; it is not sterilized because the sugar content is sufficient to prevent spoilage. Evaporated milk is similar to plain condensed milk in that water has been removed by evaporation under a partial vacuum and no sugar has been added. Evaporated milk, however, is both homogenized and sterilized; it is put up in hermetically sealed metal cans, generally of consumer size. The characteristic caramelized flavor of condensed milk is less pronounced in evaporated milk. In the United States, condensed or evaporated

milk is used primarily in home cooking and in the preparation of baby formulas, candy, and ice cream. Condensed or evaporated cream is not an important article of commerce.

This investigation is concerned, inter alia, with imports of condensed or evaporated milk and cream made from whole milk that is in bulk containers (i.e., not in retail-size containers). Imported condensed and evaporated milk made from skim milk (which have less than 5.5 percent of butterfat), as well as condensed and evaporated milk made from whole milk in retail-size containers, are not a subject of this investigation. About four-fifths of the domestic and imported condensed and evaporated milk made from whole milk is packaged in retail-size containers; all or virtually all of the evaporated milk, and about a fifth of the condensed milk is so packaged. Consequently, bulk condensed and evaporated milk made from whole milk--which is the subject of this investigation--accounts for only a moderate share of U.S. imports and production of those products.

U.S. tariff treatment.--The rates of duty currently applicable to imports of condensed and evaporated milk from countries, other than those designated as being under Communist control, are as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
	Condensed or evaporated milk and cream;	
	In airtight containers:	
115.30	Not sweetened-----	1¢ per lb.
115.35	Sweetened-----	1.75¢ per lb.
115.40	Other-----	1.5¢ per lb.

These rates of duty, which have been in effect since January 1948, reflect concessions granted by the United States in the General Agreement on Tariffs and Trade. Bulk condensed or evaporated milk is largely dutiable at the rate under item 115.40. The duty collected on imports under item 115.30 in 1966 was equivalent to 9 percent ad valorem; the bulk of the imports had approximately the same unit value. The duty on imports under item 115.35 was equivalent to 10 percent ad valorem; the average unit values of imports from the principal supplying countries ranged from 14 cents to 25 cents per pound. The duty collected on imports under item 115.40 was equivalent to 21 percent ad valorem; the bulk of the imports had approximately the same unit value.

Imports of condensed or evaporated milk and cream are subject to the provisions of the Federal Import Milk Act, discussed elsewhere in this report.

U.S. consumption, production, and stocks.--The United States is both the world's largest consumer and producer of condensed or evaporated milk. During 1962-66, evaporated milk accounted for about four-fifths, and condensed milk, about one-fifth, of the aggregate U.S. consumption of the two products. During these years the annual U.S. consumption of condensed and evaporated milk made from whole milk declined from 2,378 million pounds in 1962 to 2,057 million pounds in 1966 (table 21). Condensed and evaporated milk in bulk probably accounted for about a fifth of the aggregate consumption shown. The decline in consumption of condensed and evaporated

products made from whole milk apparently resulted in part from a shift to the use of condensed skim milk, which is very low in butterfat; the annual consumption of that product in the years concerned increased slightly more than the decline in consumption of condensed and evaporated milk (made from whole milk).

The annual domestic production of condensed and evaporated milk has approximated the annual consumption. The annual U.S. production of condensed and evaporated milk covered by the investigation has remained about the same in recent years; it amounted to 393 million pounds in 1965 (the latest year for which data are available), compared with 406 million pounds in 1962. Domestic production has supplied virtually all of domestic consumption (and small exports). In 1966 nearly 5 billion pounds of whole milk, equivalent to 4 percent of the U.S. production of milk, was used to make evaporated and condensed milk.

Stocks of bulk condensed and evaporated milk at condenseries generally are negligible. In 1962-66 yearend stocks of evaporated and condensed milk ranged from 139 million pounds on December 31, 1963, to 205 million pounds on December 31, 1966. Most of the stocks, all of which were commercially owned, consisted of evaporated milk in retail-sized containers. The stocks on hand at the end of 1966 were equivalent to 9 percent of the domestic production in that year; average yearend stocks in 1962-65 were equivalent to 7 percent of average domestic production in those years.

U.S. producers.--Some 200 plants (condenseries) produced condensed and evaporated milk in 1965. Most of them probably market such milk in bulk, as well as in retail-size containers. Most of these condenseries are owned by large concerns, which manufacture other dairy products and other foods. California, Kentucky, Pennsylvania, Wisconsin, and Tennessee were the leading producing States in 1965. Condenseries usually pay the farmer a premium price over the price of milk used for producing most other dairy products. Producers of condensed and evaporated milk can readily convert their facilities to produce butter, Cheddar cheese, or nonfat dry milk, which the U.S. Government purchases under the price-support program.

U.S. exports.--U.S. exports of condensed and evaporated milk in bulk containers amounted to 577,000 pounds in 1965 and 1.4 million pounds in 1966. While these exports were very small compared to exports of condensed and evaporated milk in retail-sized packages, they were substantially larger than U.S. imports of such milk in bulk (tables 22 and 23).

The principal markets for U.S. exports of all condensed and evaporated milk were South Vietnam and Mexico. Nearly all of the exports to South Vietnam consisted of condensed milk that was paid for in local currencies under the provisions of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.). Exports have gone largely to countries having warm climates; condensed and evaporated milk can withstand spoilage better than can fluid milk.

U.S. exports of condensed and evaporated milk have been small compared with domestic production. In 1966 total exports were equivalent to 5 percent of output of such milk; exports of such milk in bulk containers were equivalent to less than 1 percent of output of milk in that form.

U.S. imports.--Annual U.S. imports of condensed and evaporated milk in bulk containers increased from 2,000 pounds in 1962 to 576,000 pounds in 1966; in January-March 1967, no such milk was imported. Imports in bulk of condensed and evaporated milk in 1966 were equivalent to about one-tenth of one percent of U.S. production of such milk. West Germany, the Netherlands, and Denmark were the only foreign suppliers (table 26). Imports of condensed and evaporated milk in this form in recent years have been small relative to imports of such milk packed in retail-size airtight containers. Imports of the product in retail-size containers have generally been several times larger than imports of the product in bulk.

As indicated earlier, one firm in Canada and one firm in Denmark hold permits, issued by the U.S. Food and Drug Administration (FDA), to export sweetened condensed milk to the United States. In late 1966 a temporary 60-day permit was issued to a firm in Australia; this permit expired on March 1, 1967. Before September 1966, however, it had been a long-standing practice of the FDA to allow imports of condensed and evaporated milk from foreign firms not holding permits, if such milk was packed in 6-ounce or 14-ounce hermetically-sealed tins (but not in bulk). Hence, significant quantities of evaporated

milk and of condensed milk from countries other than Canada and Denmark had been imported. In 1966, more than half of the condensed milk and all of the evaporated milk imported came from firms not holding import milk permits. In the aggregate, these imports comprised nearly two-thirds of the total imports in 1966. In September 1966, the FDA decided that it must discontinue this practice. It concluded that "the Federal Import Milk Act (21 U.S.C. 141 et seq.) prohibits the importation of all imported milk and cream, whether sterilized or not, unless the shipper holds a valid import milk permit. There is no authority to waive this requirement." 1/

Chocolate crumb

The product commercially known as chocolate crumb 2/ is a subject of this investigation because it contains more than 5.5 percent of butterfat--generally 8 percent to 10 percent--and is, therefore, encompassed in subsection 4 of the President's letter to the Commission. Chocolate crumb consists of incompletely processed chocolate produced by concentrating, under vacuum, fresh whole milk, sugar, and chocolate liquor (the ground mass of roasted cocoa bean nibs). It is shipped in the form of coarse powder, or "crumb." The final concentration typically contains 90 percent total solids composed of 55 percent sugar, 30 percent whole milk solids, and 15 percent chocolate liquor. The chief use of chocolate crumb is in the manufacture of milk chocolate coatings for the confectionery industry.

1/ F.R. Doc. 66-9943; filed September 9, 1966.

2/ Chocolate crumb is frequently termed "milled" milk chocolate.



To make milk chocolate with the use of chocolate crumb, the manufacturer has only to add cocoa butter, lecithin, salt, and vanillin to the crumb, and subject the mixture to the usual fine grinding operation.

Milk chocolate manufactured from chocolate crumb is generally regarded as having a better flavor and texture than that made by adding whole milk powder to chocolate liquor, cocoa butter, and sugar. Chocolate crumb loses less flavor in storage and transportation than do the separate components. Some U.S. firms have recently used imported chocolate crumb to expand their output in times of high seasonal demand. In recent years, a large part of the U.S. imports of chocolate crumb have consisted of interplant transfers between units of large international business organizations. Annual production and consumption of chocolate in the United States increased by a third in the period 1960-66.

U.S. tariff treatment.--The current rate of duty applicable to imports of chocolate crumb from countries other than those designated as being under Communist control is as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
156.30	Chocolate, sweetened, in any form other than in bars or blocks weighing 10 pounds or more each.	10% ad val.

This rate of duty, which has been in effect since June 6, 1951, reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. In 1959, the Bureau of Customs determined

that chocolate crumb was classifiable as sweetened chocolate under paragraph 777(b) of the Tariff Act of 1930, as amended. 1/ Moreover, the Bureau ruled that the quota limitations for dairy products provided for in part 3 of the appendix to the Tariff Schedules of the United States (TSUS) did not include chocolate crumb even though the milk solids content of the product accounted for about a third of the total value thereof. In 1963, following a determination by the U.S. Food and Drug Administration (FDA) that chocolate crumb could not be labeled "sweetened chocolate," the Bureau of Customs classified chocolate crumb under TSUS item 182.91, as an edible preparation not specially provided for and dutiable at 20 percent ad valorem. 2/ In 1964, the FDA reconsidered its ruling of 1963 and determined that chocolate crumb could be labeled as "sweetened chocolate." Accordingly, the Bureau classified chocolate crumb in TSUS item 156.30. 3/

U.S. consumption.--The U.S. consumption of chocolate crumb, as such, in recent years has roughly approximated the volume of imports. Little, if any, is produced for commercial sale in the United States. Within some plants that manufacture chocolate, however, chocolate crumb is produced as an intermediate product to be manufactured into milk chocolate coatings and solid chocolate confectionery. The use of imported chocolate crumb is presently limited to a small number of chocolate and confectionery manufacturers.

1/ T.D. 54830 (10).
2/ T.D. 56041 (21).
3/ T.D. 56382 (30).

U.S. exports and imports.--Exports of chocolate crumb have been nil.

Chocolate crumb has been an item of commerce in Europe since the mid-1950's. U.S. imports, however, were negligible before 1960. ^{1/} U.S. imports of chocolate crumb in 1966 are estimated to have amounted to approximately 6.5 million pounds, valued at \$1.2 million, compared with imports in 1965 of about 2 million pounds, valued at \$360,000. During the first quarter of 1967, imports of chocolate crumb amounted to approximately 2.6 million pounds, valued at \$470,000, compared with 600,000 pounds, valued at \$103,000 in the corresponding period of 1966. In 1966 Ireland supplied about 4 million pounds, and the United Kingdom about 2,500,000 pounds. Ireland supplied the whole of the imports in 1965.

About 2 million pounds of whole milk solids were contained in the imports of chocolate crumb in 1966. In terms of milk equivalent, the whole milk solids contained in the imported chocolate crumb were equal to less than 0.01 percent of the U.S. output of milk in 1966.

The annual U.S. production of milk chocolate, which amounts to approximately 600 million pounds, contains about 90 million pounds of whole milk solids. At least half of the milk content in the milk chocolate produced is supplied from fresh whole milk and the remainder is supplied from dried whole milk.

^{1/} U.S. imports of chocolate crumb have not been separately reported in official statistics, but are included in the data on imports of sweetened chocolate in forms other than bars or blocks weighing 10 pounds or more each.

"Junex" and similar articles

"Junex" is a trade name used to identify a product that consists by weight of approximately 44 percent butterfat and 56 percent sugar. Similar products--such as "Isex," "Lorex," and "Ernex"--contain about the same proportion of butterfat (43 to 44 percent) but various proportions of sugar and other ingredients. These products, hereafter referred to collectively as butterfat-sugar mixtures, are used to replace part of the cream used in the manufacture of ice cream. The portion of the domestic cream that was replaced by butterfat-sugar mixtures was used primarily in the manufacture of butter. The U.S. output of butter, discussed in the section of this report on the Domestic Dairy Situation, has been declining. The imported (frozen) cream that was replaced by butterfat-sugar mixtures was used in the manufacture of soups and in dairy products other than ice cream.

Before the quotas under the Sugar Act (described earlier) were imposed on such imported products, the imported mixtures contained 56 percent sugar. After the quotas were imposed, they generally continued to contain 56 percent sugar until the quotas were filled; thereafter the sugar content was generally reduced to 24 percent, with the remainder usually made up of nonfat milk solids.

Butterfat-sugar mixtures, which have much the same appearance as butter, are solids at room temperatures. They become thick oily liquids at high temperatures. They are usually stored and shipped under refrigeration, generally in polyethylene-lined cardboard boxes

containing 56 pounds each. If properly refrigerated, butterfat-sugar mixtures can be stored for about a year without deterioration of quality.

Butterfat-sugar mixtures are presently used only in the manufacture of ice cream; attempts to promote their use in the confectionery and baking industries have thus far been unsuccessful. In the preparation of ice cream, the mix is heated in a blending tank. Heating facilitates the dissolving and blending of the mix and pasteurizes the various ingredients contained therein. When the producer of ice cream blends and heats butterfat-sugar mixtures with fresh cream and other ingredients in the blending tank, the mixtures are readily incorporated into the ice cream mix. Inasmuch as most commercial ice cream plants have blending tanks, they do not need additional equipment to utilize butterfat-sugar mixtures.

The principal constituents of ice cream are milk fat, nonfat milk solids, sugar, and water. The formulas for making ice cream vary widely, depending on the ingredients available, costs, competition, and the desired quality of the finished product. The butterfat content of ice cream ranges from about 8 percent to 20 percent, with the average being about 11 percent. ^{1/} Sources of butterfat used in making ice cream include fresh and frozen milk and cream, butter, butter oil, condensed and evaporated milk, and recently, butterfat-sugar mixtures. The proportion of butterfat, nonfat milk

^{1/} Ice milk, which accounts for about 20 percent of the U.S. output of frozen desserts, contains from 2 percent to about 7 percent butterfat.

solids, and sugar in the butterfat-sugar mixtures is not the same as that found in ice cream; therefore, other ingredients must be added to the mix, generally to increase the proportion of nonfat milk solids and to decrease the proportion of sugar. The sugar in butterfat-sugar mixtures, moreover, is generally all sucrose (cane or beet sugar) whereas ice cream manufacturers usually use dextrose or dextrose sirup (corn sugar or corn sirup) to provide about 30 percent of the sugar in ice cream; the dextrose improves the body, texture, flavor, and shelf life of ice cream.

When butterfat-sugar mixtures are used as a source of butterfat in the ice cream mix, they generally do not provide more than half of the butterfat content of the finished ice cream. Seldom, if ever, do they provide the exclusive source of butterfat. Fresh milk and cream are usually added to mixes containing butterfat-sugar mixtures to increase the amount of nonfat milk solids in the mix and to insure the quality imparted from fresh milk or cream.

U.S. tariff treatment.--The current rate of duty applicable to imports of butterfat-sugar mixtures is as follows:

<u>TSUS</u> <u>item</u>	<u>Commodity</u>	<u>Rate of duty</u>
182.91	Edible preparations, not specially provided for.	20% ad val.

This rate of duty is the same as that provided for in the Tariff Act of 1930.

Beginning in 1966, U.S. imports of butterfat-sugar mixtures containing more than 25 percent sugar were made subject to an absolute

quota under the provisions of the Sugar Act of 1948. The terms of the quotas are described in an earlier section of the report. Imported butterfat-sugar mixtures are made from butter or butter oil rather than from cream. If made from cream, such mixtures would be classifiable for tariff purposes as an article of milk or cream, n.s.p.f., under TSUS item 118.30. They would be subject to the annual absolute quota of 6,000 pounds applicable to U.S. imports of malted milk and other articles of milk or cream; this quota was imposed under section 22 of the Agricultural Adjustment Act, as amended. 1/

U.S. consumption and trade.--The butterfat-sugar mixtures used in the production of ice cream in the United States are supplied entirely by imports. The ingredients that make up such mixtures--butterfat, sugar, and nonfat milk solids--are used in large quantities in ice cream and many other food products. Trade in the product has developed principally because U.S. prices for butterfat and sugar are generally high in relation to world prices. In addition, stocks of butterfat in many of the countries that export butterfat-sugar mixtures to the United States are large. Moreover, the importation of butterfat into the United States in this form has not been subject to section 22 quantitative restrictions as have many dairy products.

As mentioned earlier, butterfat-sugar mixtures are nearly all used in the manufacture of ice cream; some may be used in ice milk.

1/ If an article contained less than 5.5 percent of butterfat--the minimum specified in subsection 4 of the President's letter--and the remaining components were in chief value of milk or cream, that article would also be classifiable under TSUS item 118.30. If the components were in chief value of articles other than milk or cream they would be classifiable under TSUS item 182.91.

The production of ice cream in the United States has increased during the last 2 decades; the per capita annual consumption, however, has ranged only from 15 to 16 quarts. The production of ice milk increased rapidly in the same period; per capita consumption increased from less than a quart to about 5 quarts annually. U.S. production of ice cream and ice milk, the amount of butterfat contained therein, and the amount of butterfat in imported butterfat-sugar mixtures is shown in the following tabulation:

Year	Ice cream <u>1,000</u> <u>gallons</u>	Ice milk <u>1,000</u> <u>gallons</u>	Butterfat in ice cream and ice milk <u>Million</u> <u>pounds</u>	Butterfat in imported butterfat- sugar mixtures <u>Million</u> <u>pounds</u>
1961-----	699,376	163,979	363	1
1962-----	704,428	188,140	370	2
1963-----	717,597	203,348	379	1
1964-----	738,743	217,722	391	<u>1/</u>
1965-----	757,047	230,995	403	<u>1/</u>
1966-----	754,230	241,925	404	47

1/ Less than 500,000 pounds.

Imports of butterfat-sugar mixtures first entered the United States in 1961. Prior thereto mixtures were not articles of commerce, either in the United States or abroad. Imports are estimated to have totaled 2.5 million pounds in 1961, 4.1 million pounds in 1962, and 3.3 million pounds in 1963. 1/ In 1964 they were negligible and in 1965 they amounted to only 684,000 pounds. In 1966, when the U.S. production of milk declined and the domestic prices of dairy

1/ Separate quantitative data were not reported prior to September 1963.

products rose, imports amounted to 107.6 million pounds, valued at \$24.6 million (table 27). In the first 3 months of 1967 imports continued at a high level, amounting to 38.3 million pounds, valued at \$8.1 million, compared with 4.5 million pounds, valued at \$1.1 million, in the corresponding months of 1966. In the period 1961-65, imported butterfat-sugar mixtures provided less than 0.5 percent of the butterfat used in the manufacture of ice cream in the United States. In 1966, the butterfat in such mixtures was equivalent to 12 percent of the butterfat content of ice cream and ice milk and 1 percent of the total butterfat production in the United States.

The bulk of the imports are handled by about 10 large firms, some of which process and market ice cream and other dairy products; some of them export dairy products. 1/

The principal sources of imported butterfat-sugar mixtures in 1966 were Canada, Belgium, Denmark, the United Kingdom, Switzerland, Australia, Austria, and France. Stocks of butter in Western Europe totaled some 515 million pounds on January 1, 1967, substantially larger than annual average stocks of 324 million pounds in the preceding 5 years.

The bulk of the U.S. imports of butterfat-sugar mixtures have entered the northeastern States, principally New York, which is the leading State in the production of ice cream. The principal ports of entry in 1966 were New York City; Ogdensburg, New York; Detroit, Michigan; St. Albans, Vermont; Savannah, Georgia; Buffalo, New York; Boston, Massachusetts; and Baltimore, Maryland (table 28).

1/ U.S. exports of ice cream have been negligible for many years.

As noted in an earlier section, the quantity of butterfat-sugar mixtures exported from Australia to the United States was limited by a voluntary agreement in which Australia undertook to limit its exports to the United States to 2,240,000 pounds annually during 1963-65. In 1966, a quota on imports of such mixtures containing more than 25 percent sugar was established pursuant to the Sugar Act of 1948. Butterfat-sugar mixtures containing 25 percent or less sugar are not subject to the quota. In 1966 imports of such "non-quota" mixtures amounted to about 9.7 million pounds, or about 9 percent of the total imports.

Appendix A
Statistical Tables

Appendix A

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

Period	Exports				Imports				Export or import (-) or balance				
	Total milk production	Sales ^{1/}	Donations ^{2/}	Total exports ^{1/}	Quantity	Ratio to total milk production	Quantity	Ratio to total milk production					
										Million pounds	Million pounds	Million pounds	Million pounds
Average:													
1935-39-----	105,924	3/	3/	138	138	0.1	679	0.6	-541				
1945-49-----	117,623	1,898	1,968	3,866	3,866	3.3	218	.2	3,648				
Annual:													
1953-----	120,521	675	694	1,369	1,369	1.1	525	.4	844				
1954-----	122,294	707	1,340	2,047	2,047	1.7	441	.4	1,606				
1955-----	123,045	919	5,743	6,662	6,662	5.4	458	.4	6,204				
1956-----	124,860	1,432	4,797	6,229	6,229	5.0	514	.4	5,715				
1957-----	124,628	1,028	1,675	2,703	2,703	2.2	661	.5	2,042				
1958-----	123,220	757	2,047	2,804	2,804	2.3	507	.4	2,297				
1959-----	121,989	651	503	1,154	1,154	.9	578	.5	576				
1960-----	123,109	755	21	776	776	.6	604	.5	172				
1961-----	125,707	645	10	655	655	.5	760	.6	-105				
1962-----	126,251	434	853	1,287	1,287	1.0	795	.6	492				
1963-----	125,202	554	4,482	5,036	5,036	4.0	915	.7	4,121				
1964-----	126,967	368	6,504	6,872	6,872	5.4	830	.7	6,042				
1965-----	124,173	414	1,422	1,836	1,836	1.5	918	.7	918				
1966-----	120,230	774	-	774	774	.6	2,775	2.3	-2,001				

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

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

^{3/} Not available.

Table 2.--Milk: U.S. utilization of domestic output, 1953-66 ^{1/}
(In billions of pounds of milk or milk equivalent)

Year	Manufactured dairy products										Grand total
	Fluid use ^{2/}	Butter ^{3/}	Ameri-can	Other	Total	Evapo-rated milk	Con-densed milk	Frozen prod-ucts	Other factory prod-ucts ^{4/}	Total	
1953	55.0	32.4	10.2	3.1	13.3	5.4	0.8	7.8	2.5	62.2	117.2
1954	56.2	32.9	10.5	3.3	13.8	5.4	.7	7.7	2.3	62.8	119.0
1955	57.5	31.2	10.1	3.5	13.6	5.5	.8	8.2	3.0	62.3	119.8
1956	58.7	31.5	9.9	3.8	13.7	5.4	1.0	8.5	2.9	63.0	121.7
1957	59.2	31.4	10.0	3.5	13.5	5.2	1.0	8.4	3.0	62.5	121.7
1958	58.7	31.7	9.5	3.2	12.7	4.6	1.0	8.8	3.0	61.8	120.5
1959	58.5	30.3	9.2	3.4	12.6	4.6	1.1	9.4	2.8	60.8	119.3
1960	58.3	30.7	9.7	3.7	13.4	4.3	1.1	9.5	3.3	62.3	120.6
1961	57.4	32.9	11.2	3.7	14.9	4.2	1.2	9.6	3.1	65.9	123.3
1962	57.7	34.0	10.7	3.7	14.4	3.9	1.1	9.7	3.1	66.2	123.9
1963	58.4	31.5	10.9	3.9	14.8	3.9	1.1	9.8	3.5	64.6	123.0
1964	58.7	31.9	11.5	4.2	15.7	3.8	1.2	10.2	3.3	66.1	124.8
1965	58.8	29.0	11.5	4.3	15.8	3.5	1.2	10.4	3.4	63.3	122.1
1966	58.8	24.2	12.2	4.6	16.8	3.5	1.2	9.2	4.6	59.5	118.3

^{1/} Does not include milk fed to calves.

^{2/} Beginning in 1960, includes sales plus farm use.

^{3/} Includes farm and nonfarm butter.

^{4/} Includes dry whole milk, malted milk, dry ice cream mix, creamed cottage cheese, and other miscellaneous products.

Source: Compiled from official statistics of the U.S. Department of Agriculture, Economic Research Service, Dairy Section.

Table 3.--Milk: U.S. per capita civilian consumption of selected dairy products, 1953-66
(In pounds of milk or milk equivalent)

Year	Manufactured dairy products										Grand total
	Fluid use 1/	Butter 2/	Ameri-can	Cheese		Evapo-rated milk	Con-densed milk	Frozen prod-ucts	Other factory prod-ucts 3/	Total	
1953	347.4	171.4	51.0	22.5	73.5	33.0	4.7	48.3	12.3	343.2	690.6
1954	347.6	179.0	55.3	22.9	78.2	31.6	4.7	47.1	11.0	351.6	699.2
1955	348.1	182.1	53.7	24.0	77.7	30.1	4.8	48.7	14.9	358.3	706.4
1956	348.2	176.6	54.2	24.4	78.6	29.0	5.3	49.7	14.8	354.0	702.2
1957	342.6	170.8	50.6	23.3	73.9	27.8	5.4	49.3	15.2	342.4	685.0
1958	335.3	175.8	53.2	21.1	74.3	24.8	5.6	49.5	14.5	344.5	679.8
1959	327.8	168.7	50.7	22.3	73.0	23.8	5.7	52.2	14.4	337.8	665.6
1960	320.3	160.0	52.3	22.9	75.2	22.4	5.8	51.5	16.7	331.6	651.9
1961	309.8	157.7	55.0	22.1	77.1	21.3	6.0	51.5	15.8	329.4	639.2
1962	306.4	156.9	58.9	23.2	82.1	20.4	5.5	51.6	16.3	332.8	639.2
1963	305.1	148.0	59.8	23.5	83.3	19.1	5.2	51.9	17.2	324.7	629.8
1964	302.2	148.5	60.8	24.4	85.2	18.4	5.5	52.8	17.2	327.6	629.8
1965	299.3	138.3	60.5	24.9	85.4	17.3	5.3	53.7	17.1	317.1	616.4
1966	296.1	121.7	62.2	26.4	88.6	16.0	5.1	53.4	22.1	306.9	603.0

1/ Beginning in 1960, includes sales plus farm use.

2/ Includes farm butter.

3/ Includes dry whole milk, malted milk, dry ice-cream mix, creamed cottage cheese, and other miscellaneous products.

Source: Compiled from official statistics of the U.S. Department of Agriculture, Economic Research Service, Dairy Section.

Table 4.--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 1953-66 and Apr. 1, 1967

Marketing year beginning Apr. 1	(In cents per pound)									
	Butter (Grade A)		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing			
	Market price at Chicago	CCC purchase price	Market price (Wisconsin assembly points)	CCC purchase price	Market price (U.S. average)	CCC purchase price	Market price (U.S. average)	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, (1961)---	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, (1961)---	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, (1962)---	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	14.6	3.45	3.24	75	
1966:										
Apr. 1-										
June 29--	62.8	61.0	43.4	39.3	16.9	16.6	3.70	3.50	78	
June 30-										
Mar. 31, (1967)---	71.2	66.5	46.9	43.8	19.5	19.6	4.24	4.00	89.5	
1967:										
Apr. 1----	66.5	66.5	44.9	43.8	20.1	19.6	4.07	4.00	87	

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; for Cheddar cheese for the period 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.

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

Table 5.--Dairy products: Commercial and U.S. Government yearend stocks, 1953-66

(In millions of pounds)								
Year	Butter	American cheese	Other cheese	Evaporated and condensed milk	Dry whole milk	Cream	Milk equivalent	Nonfat dry milk
Commercial								
1953-----	30	159	31	268	10	11	3,246	74
1954-----	35	162	30	211	8	7	3,187	56
1955-----	28	213	27	218	9	9	3,586	88
1956-----	23	210	40	234	11	8	3,607	78
1957-----	32	206	34	230	9	15	3,684	86
1958-----	28	238	44	199	6	8	3,795	88
1959-----	20	245	38	236	6	9	3,734	97
1960-----	21	291	41	228	7	9	4,197	103
1961-----	20	366	53	231	7	8	4,990	133
1962-----	31	307	38	147	5	7	4,342	99
1963-----	32	283	39	138	5	5	4,134	82
1964-----	37	272	42	193	7	8	4,325	109
1965-----	27	270	38	141	5	8	3,919	58
1966-----	30	322	50	206	7	13	4,791	119
U.S. Government								
1953-----	252	242	-	-	-	-	7,515	466
1954-----	344	357	-	-	-	-	10,517	268
1955-----	135	279	-	-	-	-	5,509	162
1956-----	3	191	-	-	-	-	1,960	123
1957-----	55	171	-	-	-	-	2,785	137
1958-----	41	11	-	-	-	-	981	155
1959-----	11	21	-	-	-	-	433	60
1960-----	56	1	-	-	-	-	1,195	280
1961-----	205	54	-	-	-	-	4,912	355
1962-----	328	79	-	-	-	-	7,824	576
1963-----	239	39	-	-	-	-	5,557	405
1964-----	34	24	-	-	-	-	973	65
1965-----	25	1/	-	-	-	-	543	96
1966-----	2	-	-	-	-	-	44	-
Total								
1953-----	282	401	31	268	10	11	10,761	540
1954-----	379	519	30	211	8	7	13,704	324
1955-----	163	492	27	218	9	9	9,095	250
1956-----	26	401	40	234	11	8	5,567	201
1957-----	87	377	34	230	9	15	6,469	223
1958-----	69	249	44	199	6	8	4,776	243
1959-----	31	266	38	236	6	9	4,167	157
1960-----	77	292	41	228	7	9	5,392	383
1961-----	225	420	53	231	7	8	9,902	488
1962-----	359	386	38	147	5	7	12,166	675
1963-----	271	322	39	138	5	5	9,691	487
1964-----	71	296	42	193	7	8	5,298	174
1965-----	52	270	38	141	5	8	4,462	154
1966-----	32	322	50	206	7	13	4,835	119

1/ Less than 500,000 pounds.

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

Table 6.--Dairy products: U.S. imports for consumption, by kinds, 1961-66

Item	1961		1962		1963		1964		1965		1966	
	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value
Fluid milk and cream:												
Buttermilk-----												
Other:												
Containing not over 1 percent of butterfat-----		\$153										
Containing over 1 percent but not over 5.5 percent of butterfat (within tariff quota)-----	1,906		1,906									
Over tariff quota-----												
Containing over 5.5 percent but not over 45 percent of butterfat (within tariff quota)-----	2/ 1,898	\$462	2/ 1,09,318	23,116	2/ 7,402,072	\$1,565,618	2/ 9,975,916	\$2,013,886	2/ 12,657,322	\$2,486,521	2/ 15,029,045	\$3,195,200
Over tariff quota-----												
Milk and cream, condensed or evaporated: In airtight containers:												
Not sweetened-----	1,350	180	3,675	506	1,875	263	2,835	397	31,271	4,491	610,864	65,560
Sweetened-----	1,162,392	63,003	69,239	9,441	594,621	87,112	875,901	146,505	1,326,569	208,741	2,102,221	362,542
Other:			2,200	500	16,988	2,388	112,096	17,048	441,346	102,863	576,113	41,066
Dried milk and cream:												
Buttermilk containing not over 6 percent butterfat-----	484,332	40,151	403,970	31,149	634,428	58,659	203,532	19,294	114,494	13,115	400,556	56,592
Other:												
Containing not over 3 percent of butterfat-----	2,159,082	172,300	1,359,904	99,598	1,949,794	158,200	1,561,476	129,520	1,341,576	169,272	2,835,330	370,162
Containing over 3 percent but not over 35 percent butterfat-----	3,350	762	8,200	1,866	5,800	1,352	5,300	1,396			6,950	1,677
Containing over 35 percent butterfat-----			1,241	688								
Butter and cream containing over 45 percent butterfat-----	860,937	391,056	789,105	367,918	745,979	361,293	665,384	361,800	784,285	384,567	666,594	365,150
Oleomargarine and other butter substi- tutes 3/-----	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/	4/
Cheeses, total 5/-----	75,803,486	35,550,237	78,177,293	36,304,373	78,273,097	36,446,478	77,877,892	39,491,984	79,310,688	43,023,073	135,473,233	60,109,871
Other milk products:												
Whey:												
Fluid-----												
Dried-----												
Yogurt and other fermented milk-----												
Chocolate milk drink-----												
Ice cream-----												
Malted milk articles, not specially pro- vided for of milk or cream-----	20,976	5,869	5,919	1,812	13,875	4,770	12,039	4,020	9,390	4,983	720	489
Edible animal oils (butter oil) 6/-----	1,205,451	756,860	1,359,087	728,282	1,201,958	604,188	1,203,168	479,535	1,016,805	561,032	1,177,014	459,177
Edible preparations, not specially provided for, containing over 20 percent butterfat (juneq, etc.) 3/-----	7/ 2,511,000	8/	7/ 4,085,000	8/	7/ 3,300,000	8/	32,211	6,883	683,700	167,706	107,620,798	24,607,797

1/ Preliminary.
 2/ Converted to pounds, assuming 1 gallon equals 8.4 pounds.
 3/ Certain articles containing over 45 percent of butterfat are not permitted entry into the United States (see 30US item 950.12).
 4/ Virtually all imports for 1961-63 are believed to have been butter oil, reported under item 177.70.
 5/ Imports of cheese, by kind, are presented in table 7.
 6/ For 1961-63 the statistics reported herein include imports of oleomargarine and other products, the volume of which is known to be negligible.
 7/ Estimated.
 8/ Not available.

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

Table 7.--Cheese: U.S. imports for consumption, by types, 1961-66

Item	1961		1962		1963		1964		1965		1966 1/	
	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value	Quantity Pounds	Value
*Blue-mold cheese-----	3,821,254	\$1,815,264	4,368,516	\$2,156,687	3,909,727	\$1,941,121	4,248,811	\$2,136,449	4,400,046	\$2,208,701	5,172,908	\$2,620,439
Bryndza cheese-----	32,359	7,751	82,673	17,299	68,344	14,340	62,832	12,833	88,715	23,999	84,879	19,371
*Cheddar cheese-----	1,677,002	538,206	2,544,193	774,911	3,156,907	969,461	2,479,227	805,232	1,857,469	640,959	4,181,238	1,530,423
Colby cheese 2/-----	14,605,000	3,483,000	10,338,000	2,423,000	10,446,113	2,428,004	11,427,857	2,724,686	14,149,377	3,498,693	45,993,909	12,570,038
*Edam & Gouda cheeses-----	7,314,783	3,087,496	6,687,082	2,920,769	7,489,089	3,278,629	6,770,415	3,117,134	7,566,424	3,536,921	10,897,165	4,990,450
Gjetost cheese-----	81,672	42,158	69,900	38,933	88,725	49,761	58,727	37,388	45,964	31,010	44,224	30,824
Other Gjetost cheese 2/-----	109,745	45,513	113,470	43,412	136,032	58,805	119,867	56,762	206,942	99,301	212,987	105,265
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	1,860,917	2,102,159
*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	2,385,400	931,575	3,129,264	1,187,241
*Romano and Reggiano in original loaves-----	1,747,068	895,375	1,905,645	650,598	2,628,729	1,165,123	2,284,541	1,313,356	1,901,583	1,341,888	1,827,496	1,330,641
*Provoloni and Provolotte in original loaves-----	4,030,868	2,282,876	4,558,225	2,601,241	4,304,383	2,622,100	3,807,654	2,742,201	3,484,133	2,769,000	2,820,647	2,453,551
Romano made from cow's milk, Parmesano and Reggiano, Provoloni and Provo- lette, not in original loaves-----	3/	3/	3/	3/	4/ 112,887	4/ 57,026	322,335	180,262	96,863	63,430	450,576	223,150
Swiss or Emmenthaler 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	10,419,330	6,001,486	14,751,105	7,988,107
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	9,122,703	4,108,394
Gammelost and Nokkelost cheese-----	3/	3/	3/	3/	150,971	58,738	137,065	55,935	178,403	72,502	1,098,919	349,190
Cheeses made from sheep's milk: In original loaves and suitable for grating 2/-----	12,250,000	7,784,000	14,473,000	7,981,000	13,232,000	7,464,000	12,253,390	8,653,990	10,998,446	9,901,113	10,922,731	9,260,466
Pecorino, in original loaves not suitable for grating 2/-----	2,724,000	1,058,000	3,510,000	1,287,000	4,343,000	1,590,000	4,385,340	1,766,128	4,851,848	2,210,674	4,722,155	2,210,683
Other sheep's milk cheeses 2/-----	158,288	68,502	51,629	23,199	50,142	28,886	67,164	43,625	50,552	48,638	113,711	85,139
"Other" cheese, and substitutes for cheese 2/-----	1,157,657	3,276,136	6,496,266	2,875,154	7,070,036	3,349,767	8,287,830	3,924,519	9,204,751	4,359,679	18,065,699	6,944,360
Total-----	75,803,486	35,590,237	78,177,293	36,225,750	78,913,097	36,446,478	77,877,892	39,491,984	79,310,688	43,023,073	135,473,233	60,109,871

1/ Preliminary.

2/ Data partly estimated prior to 1964.

3/ Not separately classified; included in "other" cheese.

4/ September-December, when data were first separately classified; data for January-August included in other cheese.

* Indicates cheeses subject to sec. 22 quotas.

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

Table 8.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation and sec. 32 purchases, utilization (disposals), and CCC stocks, average 1953-57, annual 1958-66, and January-March of 1964-67

(In millions of pounds)			
Period <u>1/</u>	Purchases	Utilization	Uncommitted supplies at end of period <u>2/</u>
Butter			
Average, 1953-57-----	<u>3/</u> 236	<u>4/</u> 233	122
Annual:			
1958-----	184	208	7
1959-----	124	130	-
1960-----	145	129	16
1961-----	330	196	150
1962-----	403	259	294
1963-----	308	482	120
1964-----	259	372	18
1965-----	221	225	9
1966-----	23	32	6
January-March--			
1964-----	90	120	133
1965-----	78	39	54
1966-----	7	15	<u>5/</u>
1967-----	92	40	66
Cheddar cheese			
Average, 1953-57-----	<u>6/</u> 233	<u>4/</u> <u>6/</u> 204	228
Annual:			
1958-----	80	215	<u>7/</u> 3
1959-----	57	53	7
1960-----	<u>5/</u>	7	-
1961-----	100	70	54
1962-----	214	194	63
1963-----	113	164	19
1964-----	129	121	17
1965-----	49	56	<u>5/</u>
1966-----	11	12	8
January-March--			
1964-----	22	27	5
1965-----	28	45	5
1966-----	-	<u>5/</u>	-
1967-----	29	32	21

See footnotes at end of table.



Table 8.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation and sec. 32 purchases, utilization (disposals), and CCC stocks, average 1953-57, annual 1958-66, and January-March of 1964-67--Continued

(In millions of pounds)			
Period <u>1/</u>	Purchases	Utilization	Uncommitted supplies at end of period <u>2/</u>
Nonfat dry milk			
Average, 1953-57-----	666	<u>4/</u> 681	118
Annual:			
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	131
1966-----	364	433	64
January-March--			
1964-----	230	370	248
1965-----	318	188	182
1966-----	311	135	1
1967-----	188	125	72

1/ Calendar years unless otherwise specified.

2/ 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.

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

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

5/ Less than 0.5 million pounds.

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

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

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

Table 9.--Net U.S. expenditures on dairy price-support and related programs, years ending June 30, 1950-66

(In millions of dollars)

Year ending June 30--	Surplus disposal (price-support) programs					Total	Special milk program 5/
	CCC net expenditures 1/	Military milk program 2/	Payment-in-kind program 3/	Sec. 32 expenditures 4/			
1950-----	170.5	-	-	17.6	188.1	-	
1951-----	6/ 49.1	-	-	6/ .9	6/ 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	
1966-----	11.6	-	3.8	38.7	54.1	97.0	

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

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

Note.--Data do not include any costs of activities under titles I, II, and IV of Public Law 480; under these programs commodities are exported to various countries and are paid for in local currency.

Table 10.--Butter, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, fiscal years 1962-66

Country	Year ending June 30--				
	1962	1963	1964	1965	1966
	Quantity licensed (pounds)				
New Zealand-----	329,728	331,632	331,576	331,981	331,800
Denmark-----	211,232	211,656	211,945	211,750	211,876
Netherlands <u>1</u> /-----)					(162,624
Australia-----)	161,280	160,524	162,960	156,750	(-
Norway-----)					(-
Sweden-----)					(-
Total-----	702,240	703,812	706,481	700,481	706,300
	Quantity imported (pounds)				
New Zealand-----	315,392	316,904	331,486	330,680	331,744
Denmark-----	191,834	199,313	170,191	165,358	190,566
Netherlands-----	145,989	142,772	-	63,803	157,133
Australia-----	5,152	3,528	126,000	-	-
Norway-----	-	-	16,540	43,479	-
Sweden-----	5,040	10,192	1,680	-	-
Total-----	663,407	672,709	645,897	603,320	679,443
	Proportion of license used (percent)				
New Zealand-----	95.7	95.6	99.9	99.6	99.9
Denmark-----	90.8	94.2	80.3	78.1	89.9
Netherlands-----)					(96.6
Australia-----)	96.8	97.5	88.5	68.4	(-
Norway-----)					(-
Sweden-----)					(-
Average-----	94.5	95.6	91.4	86.1	96.2

1/ The license was not necessarily allocated to the Netherlands, but to any one of the group of countries listed in Presidential Proclamation 3019, comprised of Argentina, Australia, Canada, the Netherlands, Norway, Sweden, and Switzerland.

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

Table 11.--Cheddar cheese, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, fiscal years 1962-66

Country	Year ending June 30--				
	1962	1963	1964	1965	1966
Quantity licensed (pounds)					
New Zealand--	2,227,740	2,225,950	2,139,770	2,139,490	2,852,490
Canada-----	506,510	514,720	614,120	611,140	816,850
Australia----	16,910	17,080	16,150	16,150	21,540
Sweden-----	7,120	6,160	5,850	5,850	7,800
Ireland-----	2,360	2,390	2,250	2,250	3,000
Denmark-----	-	1,000	1,000	1,000	350
Mexico-----	1,000	-	-	-	-
Total-----	2,761,640	2,767,300	2,779,140	2,775,880	3,702,030
Quantity imported (pounds)					
New Zealand--	1,836,993	2,100,411	2,107,789	2,113,772	2,697,548
Canada-----	466,276	488,304	564,311	523,456	751,152
Australia----	-	16,631	-	-	15,751
Sweden-----	6,043	6,127	5,794	5,817	7,336
Ireland-----	1,536	2,364	1,490	2,250	2,980
Denmark-----	-	-	-	-	-
Mexico-----	-	-	-	-	-
Total-----	2,310,848	2,613,837	2,679,384	2,645,295	3,474,767
Proportion of license used (percent)					
New Zealand--	82.5	94.4	98.5	98.8	94.6
Canada-----	92.1	94.9	91.9	85.7	92.0
Australia----	-	97.4	-	-	73.1
Sweden-----	84.9	99.5	99.0	99.4	94.1
Ireland-----	65.1	98.9	66.2	100.0	99.3
Denmark-----	-	-	-	-	-
Mexico-----	-	-	-	-	-
Average--	83.7	94.5	96.4	95.3	93.9

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

Table 12.--Edam and Gouda cheese, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, fiscal years 1962-66

Country	Year ending June 30--				
	1962	1963	1964	1965	1966
	Quantity licensed (pounds)				
Netherlands--	8,187,413	8,393,635	8,458,580	8,391,673	8,412,298
Denmark-----	340,010	405,240	313,533	401,740	406,099
Sweden-----	60,000	39,360	85,250	88,810	164,074
Argentina-----	329,140	285,170	254,140	274,590	136,036
Finland-----	16,100	-	-	7,990	54,270
Portugal-----	22,651	33,900	10,000	15,000	16,400
Norway-----	11,670	14,000	10,955	19,000	10,954
France-----	4,340	-	-	-	-
Ireland-----	5,000	-	-	-	-
Total-----	8,976,324	9,171,305	9,132,458	9,198,803	9,200,131
	Quantity imported (pounds)				
Netherlands--	5,356,504	5,525,938	4,880,370	4,913,187	6,640,054
Denmark-----	208,871	269,738	207,962	220,708	194,549
Sweden-----	59,183	38,513	74,434	70,412	131,398
Argentina-----	170,473	260,612	94,750	41,275	34,148
Finland-----	-	-	-	7,975	53,012
Portugal-----	4,561	1,501	7,430	9,915	7,525
Norway-----	4,963	8,797	7,647	13,098	10,319
France-----	-	-	-	-	-
Ireland-----	1,080	-	-	-	-
Total-----	5,805,635	6,105,099	5,272,593	5,276,570	7,071,005
	Proportion of license used (percent)				
Netherlands--	65.4	65.8	57.7	58.5	78.9
Denmark-----	61.4	66.6	66.3	54.9	47.9
Sweden-----	98.6	97.8	87.3	79.3	80.1
Argentina-----	51.8	91.4	37.3	15.0	25.1
Finland-----	-	-	-	99.8	97.7
Portugal-----	20.1	4.4	74.3	66.1	45.9
Norway-----	42.5	62.8	69.8	68.9	94.2
France-----	-	-	-	-	-
Ireland-----	21.6	-	-	-	-
Average--	64.7	66.6	57.7	57.4	76.9

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



Table 13.--Italian-type cheeses, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, fiscal years 1962-66

Country	Year ending June 30--				
	1962	1963	1964	1965	1966
Quantity licensed (pounds)					
Italy-----	6,068,060	6,152,504	5,571,110	5,912,286	5,770,783
Argentina--	5,317,961	5,290,503	5,908,526	5,586,495	5,706,227
Total--	11,386,021	11,443,007	11,479,636	11,498,781	11,477,010
Quantity imported (pounds)					
Italy-----	5,246,888	5,933,732	4,999,271	5,060,780	4,189,573
Argentina--	3,038,514	3,350,648	5,023,320	3,428,142	3,110,982
Total--	8,285,402	9,284,380	10,022,591	8,488,922	7,300,555
Proportion of license used (percent)					
Italy-----	86.5	96.4	89.7	85.6	72.6
Argentina--	57.1	63.3	85.0	61.4	54.5
Average---	72.8	81.1	87.3	73.8	63.6

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

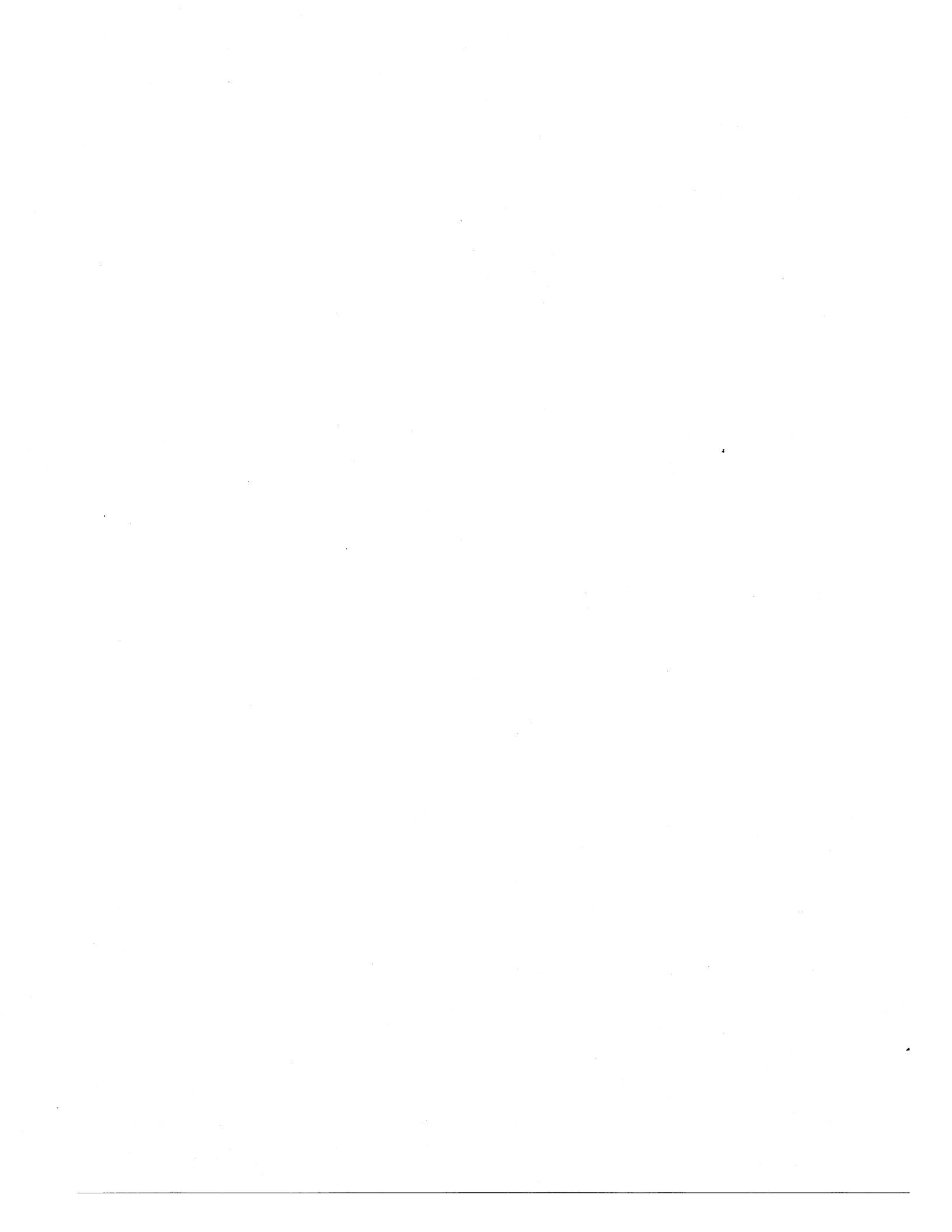


Table 14.--Colby cheese: U.S. production, imports for consumption, and apparent consumption, 1957-66

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption	Ratio of imports to consumption
	<u>1,000</u> pounds	<u>1,000</u> pounds	<u>1,000</u> pounds	Percent
1957-----	94,982	7	94,989	<u>3/</u>
1958-----	95,444	540	95,984	1
1959-----	93,372	3,092	96,464	3
1960-----	101,796	3,569	105,365	3
1961-----	127,520	14,605	142,125	10
1962-----	138,801	10,338	149,139	7
1963-----	143,017	10,446	153,463	7
1964-----	148,319	11,428	159,747	7
1965-----	151,722	14,149	165,871	9
1966 <u>4/</u> -----	<u>5/</u> 160,000	45,994	205,994	22

1/ Includes small quantities of washed curd, granular, Monterey, and Jack cheeses.

2/ Data for 1957-63 estimated by the U.S. Tariff Commission.

3/ Less than 0.5 percent.

4/ Preliminary.

5/ Estimated by the U.S. Tariff Commission.

Source: Production compiled from official statistics of the U.S. Department of Agriculture, except as noted; imports compiled from official statistics of the U.S. Department of Commerce, except as noted; consumption comprises production plus imports, exports in 1957-66 having been negligible.

Table 15.--Colby cheese, valued not over 25 cents per pound: U.S. imports for consumption, by principal sources, 1964-66 and January-March 1967

Country	1964	1965	1966 ^{1/}	January-March 1967 ^{1/}
Quantity (1,000 pounds)				
New Zealand-----	7,779	6,253	14,193	-
Australia-----	2,414	4,609	2,148	-
Austria-----	750	772	1,339	-
Belgium-----	-	134	528	-
Sweden-----	191	246	89	-
All other-----	-	439	50	^{2/} 22
Total-----	11,134	12,453	18,347	22
Value (1,000 dollars)				
New Zealand-----	1,863	1,493	3,391	-
Australia-----	557	1,157	535	-
Austria-----	174	178	318	-
Belgium-----	-	30	122	-
Sweden-----	44	56	20	-
All other-----	-	93	13	^{2/} 5
Total-----	2,638	3,007	4,399	5

^{1/} Preliminary.

^{2/} All from Hungary.

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

Table 16.--Colby cheese, valued over 25 cents per pound: U.S. imports for consumption, by principal sources, 1964-66 and January-March 1967

Country	1964	1965	1966 ^{1/}	January-March 1967 ^{1/}
	Quantity (1,000 pounds)			
France-----	-	-	8,980	1,907
Denmark-----	3	22	6,913	4,255
New Zealand-----	-	134	5,890	14,469
Belgium-----	-	-	1,880	850
Ireland-----	199	1,278	1,299	312
Austria-----	-	-	965	615
Australia-----	-	-	482	733
Bulgaria-----	-	-	441	-
Canada-----	54	-	223	-
All other-----	38	^{2/} 262	573	614
Total-----	294	1,696	27,646	23,755
	Value (1,000 dollars)			
France-----	-	-	2,397	516
Denmark-----	2	6	2,272	1,421
New Zealand-----	-	31	1,772	4,154
Belgium-----	-	-	515	219
Ireland-----	52	370	426	112
Austria-----	-	-	275	174
Australia-----	-	-	146	221
Bulgaria-----	-	-	115	-
Canada-----	21	-	85	-
All other-----	12	^{2/} 85	168	173
Total-----	87	492	8,171	6,990

^{1/} Preliminary.

^{2/} Includes 224 thousand pounds, valued at 60 thousand dollars, from the United Kingdom.

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



Table 17.--Edam and Gouda cheeses: U.S. imports for consumption, by principal sources, 1958-66

Country	1958	1959	1960	1961	1962	1963	1964	1965	1966
Quantity (1,000 pounds)									
Netherlands---	3,490	4,320	4,870	5,676	5,112	5,647	4,807	5,210	7,693
Denmark-----	355	430	625	1,047	947	996	1,251	1,395	1,702
West Germany--	-	-	-	2	30	74	129	361	467
Norway-----	240	161	214	227	230	260	266	280	338
Ireland-----	-	-	2	-	71	125	135	171	313
All other-----	260	248	283	363	297	387	182	149	384
Total-----	4,345	5,159	5,994	7,315	6,687	7,489	6,770	7,566	10,897
Value (1,000 dollars)									
Netherlands---	1,399	1,744	2,042	2,408	2,260	2,506	2,267	2,467	3,552
Denmark-----	139	173	258	446	415	445	558	658	806
West Germany--	-	-	-	1	16	33	59	170	220
Norway-----	102	68	91	95	103	117	116	121	148
Ireland-----	-	-	1	-	22	46	52	69	125
All other-----	93	87	100	137	105	132	65	52	139
Total-----	1,733	2,072	2,492	3,087	2,921	3,279	3,117	3,537	4,990
Unit value (cents per pound)									
Netherlands---	40.1	40.4	41.9	42.4	44.2	44.4	47.2	47.4	46.2
Denmark-----	39.2	40.2	41.3	42.6	43.8	44.7	44.6	47.2	47.4
West Germany--	-	-	-	50.0	53.3	44.6	45.7	47.1	47.1
Norway-----	42.5	42.2	42.5	41.8	44.8	45.0	43.6	43.2	43.8
Ireland-----	-	-	50.0	-	31.0	36.8	38.5	40.4	39.9
All other-----	35.8	35.1	35.3	37.7	35.4	34.1	35.7	34.9	36.2
Average---	39.9	40.2	41.6	42.2	43.7	43.8	46.0	46.7	45.8

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

Table 18.--Edam and Gouda cheeses: U.S. imports for consumption, by quota status, 1961-66

Year	Under quota restriction	Not under quota restriction	Total
Quantity (pounds)			
1961-----	5,383,261	1,931,522	7,314,783
1962-----	5,625,072	1,062,010	6,687,082
1963-----	6,001,483	1,487,606	7,489,089
1964-----	5,097,421	1,672,994	6,770,415
1965-----	5,477,945	2,088,479	7,566,424
1966-----	7,917,461	2,979,704	10,897,165
Percent of annual total			
1961-----	73.6	26.4	100
1962-----	84.1	15.9	100
1963-----	80.1	19.9	100
1964-----	75.3	24.7	100
1965-----	72.4	27.6	100
1966-----	72.7	27.3	100

Source: Quota imports compiled from unpublished data of the U.S. Department of Agriculture; total imports compiled from official statistics of the U.S. Department of Commerce.



Table 19.--Italian-type cheeses (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz): U.S. production, imports for consumption, and apparent consumption, 1961-66

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption	Ratio (percent) of imports to consumption
Quantity (1,000 pounds)				
1961-----	60,088	8,003	68,091	12
1962-----	<u>3/</u> 64,200	9,374	73,574	13
1963-----	<u>3/</u> 67,900	10,120	78,020	13
1964-----	71,456	8,896	80,352	11
1965-----	<u>3/</u> 76,000	7,788	83,788	9
1966-----	<u>3/</u> 81,000	8,228	89,228	9
Value (1,000 dollars)				
1961-----	36,654	3,926	40,580	<u>4/</u>
1962-----	35,882	4,455	40,337	<u>4/</u>
1963-----	38,993	4,681	43,674	<u>4/</u>
1964-----	41,491	4,993	46,484	<u>4/</u>
1965-----	48,407	5,106	53,513	<u>4/</u>
1966-----	58,580	5,195	63,775	<u>4/</u>

1/ Value estimated by the U.S. Tariff Commission.

2/ Partly estimated for 1961-63. Imports in original loaves are controlled by quotas established pursuant to sec. 22 of the Agricultural Adjustment Act, as amended. See TSUS item 950.10.

3/ Estimated by the U.S. Tariff Commission.

4/ Not meaningful.

Source: Production compiled from official statistics of the U.S. Department of Agriculture except as noted; imports compiled from official statistics of the U.S. Department of Commerce except as noted; consumption comprises production plus imports, exports in 1961-66 having been nil.

Table 20.--Italian-type cheeses (Romano, Parmesano, Provoloni, Provolette, and Sbrinz), not in original loaves: U.S. imports for consumption, by principal sources, 1964-66

Country	1964	1965	1966 ^{1/}
	Quantity (1,000 pounds)		
Argentina-----	126	39	391
Italy-----	196	50	33
All other-----	-	8	27
Total-----	322	97	451
	Value (1,000 dollars)		
Argentina-----	43	17	175
Italy-----	137	44	35
All other-----	-	2	13
Total-----	180	63	223
	Unit value (cents per pound) ^{2/}		
Argentina-----	33.8	42.6	44.8
Italy-----	70.1	88.4	107.3
All other-----	-	33.0	48.1

^{1/} Preliminary.

^{2/} The unit value for all imports is not shown because such an average is not meaningful. Calculated on the exact (i.e. unrounded figures).

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

Table 21.--Condensed and evaporated milk and cream: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1962-66

(In millions of pounds)

Year	Production	Imports	Exports	Yearend stocks	Apparent consumption
1962-----	2,408.7	0.1	114.0	147.0	2,378.8
1963-----	2,369.0	.6	122.1	139.0	2,255.5
1964-----	2,394.1	1.0	100.1	193.0	2,241.0
1965-----	2,182.1	1.8	90.5	141.0	2,145.4
1966 <u>1</u> /-----: <u>2</u> /	2,250.0	3.3	132.7	204.5	2,057.1

1/ Preliminary.

2/ Partly estimated by the U.S. Tariff Commission.

Source: Production and yearend stocks compiled from official statistics of the U.S. Department of Agriculture, except as noted; imports and exports compiled from official statistics of the U.S. Department of Commerce; apparent consumption comprises production plus imports, minus exports, and adjusted for net change in stocks.

Note.--Condensed or evaporated cream is not an important article of commerce; separate data are not available.

Table 22.--Condensed and evaporated milk and cream, in consumer containers: U.S. exports of domestic merchandise, by principal markets, 1965 and 1966

Country	1965	1966 ^{1/}
	Quantity (1,000 pounds)	
South Viet-Nam-----	61,373	91,927
Mexico-----	12,150	26,250
Philippine Republic-----	7,479	7,827
All other-----	8,920	5,242
Total-----	89,922	131,246
	Value (1,000 dollars)	
South Viet-Nam-----	14,654	22,240
Mexico-----	1,878	3,765
Philippine Republic-----	1,348	1,354
All other-----	1,789	1,011
Total-----	19,669	28,370

^{1/} Preliminary.

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

Note.--Exports by type of container are not separately reported for earlier years.

Table 23.--Condensed and evaporated milk and cream, in bulk containers:
U.S. exports of domestic merchandise, by principal markets, 1965
and 1966

Country	1965	1966 <u>1/</u>
	Quantity (1,000 pounds)	
Mexico-----	239	515
Ceylon-----	-	280
Philippine Republic-----	-	344
All other-----	2/ 338	279
Total-----	577	1,418
	Value (1,000 dollars)	
Mexico-----	38	89
Ceylon-----	-	50
Philippine Republic-----	-	49
All other-----	2/ 76	74
Total-----	114	262

1/ Preliminary.

2/ Includes 227 thousand pounds, valued at 54 thousand dollars, exported to the Netherlands.

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

Note.--Exports by type of container are not separately reported for earlier years.

Table 24.--Condensed milk, sweetened, in airtight containers: U.S. imports for consumption, by principal sources, 1962-66 and January-March 1967

Country	1962	1963	1964	1965	1966 ^{1/}	Jan.-Mar. 1967 ^{1/}
Quantity (1,000 pounds)						
Netherlands-----	59	574	633	901	903	73
Canada-----	-	-	1	-	478	919
Denmark-----	10	21	181	413	613	359
All other-----	-	-	61	13	108	^{2/} 202
Total-----	69	595	876	1,327	2,102	1,553
Value (1,000 dollars)						
Netherlands-----	8	84	104	144	137	12
Canada-----	-	-	^{3/}	-	120	247
Denmark-----	1	3	29	63	87	53
All other-----	-	-	14	2	19	^{2/} 28
Total-----	9	87	147	209	363	340

^{1/} Preliminary.

^{2/} All from Australia.

^{3/} Less than \$500.

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

Table 25.--Evaporated milk, not sweetened, in airtight containers:
U.S. imports for consumption, by principal sources, 1962-66 and
January-March 1967

Country	1962	1963	1964	1965	1966 ^{1/}	Jan.-Mar. 1967 ^{1/}
Quantity (1,000 pounds)						
Netherlands-----	-	-	-	17	609	222
Canada-----	2	2	3	13	2	-
All other-----	2	-	-	^{2/}	-	-
Total-----	4	2	3	31	611	222
Value (1,000 dollars)						
Netherlands-----	-	-	-	2	65	25
Canada-----	^{3/}	^{3/}	^{3/}	2	^{3/}	-
All other-----	^{3/}	-	-	^{3/}	-	-
Total-----	1	^{3/}	^{3/}	4	66	25

^{1/} Preliminary..

^{2/} Less than 500 pounds.

^{3/} Less than \$500.

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

Table 26.--Condensed or evaporated milk, not in airtight containers:
U.S. imports for consumption, by sources, 1962-66 1/

Country	1962	1963	1964	1965	1966 <u>2/</u>
	Quantity (1,000 pounds)				
West Germany-----	-	-	-	-	361
Denmark-----	-	-	-	-	89
Netherlands-----	-	-	-	-	126
Canada-----	-	17	112	15	-
New Zealand-----	-	-	-	426	-
France-----	2	-	-	-	-
Total-----	2	17	112	441	576
	Value (1,000 dollars)				
West Germany-----	-	-	-	-	24
Denmark-----	-	-	-	-	9
Netherlands-----	-	-	-	-	8
Canada-----	-	2	17	2	-
New Zealand-----	-	-	-	100	-
France-----	1	-	-	-	-
Total-----	1	2	17	103	41

1/ Preliminary data indicate that there were no imports in January-March 1967.

2/ Preliminary.

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

Note.--Because of rounding, figures may not add to the total shown.



Table 27.--Edible preparations, not specially provided for, containing from 20 to 45 percent by weight of butterfat: U.S. imports for consumption, by principal sources, 1961-66 and January-March 1967

Country	1961	1962	1963	1964	1965	1966 ^{1/}	Jan.-Mar 1967 ^{1/}
Quantity (1,000 pounds) ^{2/}							
Belgium-----	-	-	-	-	42	37,160	16,47
Canada-----	-	-	-	-	4	40,659	13,78
France-----	-	-	-	-	-	1,316	4,31
Denmark-----	711	5	-	-	628	6,827	1,35
United Kingdom-----	-	-	-	4	-	8,419	42
Switzerland-----	-	-	-	1	-	5,357	
Australia-----	1,800	4,080	3,300	-	-	3,285	
Austria-----	-	-	-	-	-	2,349	
West Germany-----	-	-	-	-	-	408	
All other-----	-	-	-	27	10	1,841	1,90
Total-----	2,511	4,085	3,300	32	684	107,621	38,25
Value (1,000 dollars)							
Belgium-----	^{3/}	^{3/}	^{3/}	-	10	8,743	3,35
Canada-----	^{3/}	^{3/}	^{3/}	-	1	9,050	2,79
France-----	^{3/}	^{3/}	^{3/}	-	-	327	98
Denmark-----	^{3/}	^{3/}	^{3/}	-	154	1,787	45
United Kingdom-----	^{3/}	^{3/}	^{3/}	1	-	1,662	7
Switzerland-----	^{3/}	^{3/}	^{3/}	1	-	1,280	
Australia-----	^{3/}	^{3/}	^{3/}	-	-	751	
Austria-----	^{3/}	^{3/}	^{3/}	-	-	466	
West Germany-----	^{3/}	^{3/}	^{3/}	-	-	104	
All other-----	^{3/}	^{3/}	^{3/}	5	3	438	42
Total-----	^{3/}	^{3/}	^{3/}	7	168	24,608	8,08
Unit value (per pound)							
Belgium-----	^{3/}	^{3/}	^{3/}	-	\$0.24	\$0.24	\$0.2
Canada-----	^{3/}	^{3/}	^{3/}	-	.25	.22	.2
France-----	^{3/}	^{3/}	^{3/}	-	-	.25	.2
Denmark-----	^{3/}	^{3/}	^{3/}	-	.25	.26	.3
United Kingdom-----	^{3/}	^{3/}	^{3/}	\$0.25	-	.20	.1
Switzerland-----	^{3/}	^{3/}	^{3/}	1.00	-	.24	
Australia-----	^{3/}	^{3/}	^{3/}	-	-	.23	
Austria-----	^{3/}	^{3/}	^{3/}	-	-	.20	
West Germany-----	^{3/}	^{3/}	^{3/}	-	-	.25	
All other-----	^{3/}	^{3/}	^{3/}	.19	.30	.24	.2
Average-----	^{3/}	^{3/}	^{3/}	.22	.25	.23	.2

^{1/} Preliminary.

^{2/} Data for 1961-63 estimated by the U.S. Department of Agriculture.

^{3/} Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 28.--Edible preparations containing from 20 to 45 percent by weight of butterfat: U.S. imports for consumption, by customs districts, 1966

Customs districts	Quantity	Value
	<u>1,000</u>	<u>1,000</u>
	<u>pounds</u>	<u>dollars</u>
New York City-----	58,816	13,646
Ogdensburg, N.Y-----	29,480	6,466
Detroit, Mich-----	4,575	1,045
St. Albans, Vt-----	3,866	928
Savannah, Ga-----	3,670	839
Buffalo, N.Y-----	1,679	403
Boston, Mass-----	1,579	348
Baltimore, Md-----	1,099	270
Chicago, Ill-----	1,012	230
Charleston, S.C-----	651	153
San Francisco, Calif-----	477	110
New Orleans, La-----	276	68
Houston, Tex-----	245	56
San Juan, P.R-----	86	20
Miami, Fla-----	55	13
Philadelphia, Pa-----	44	11
Honolulu, Hawaii-----	6	1
Norfolk, Va-----	4	1
Seattle, Wash-----	2	1/
Total-----	107,621	24,608

1/ Less than \$500.

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

Appendix B

Section 22 Import Quotas on Dairy Products

Since mid-1953 the quotas on imports of a variety of dairy products have been imposed under the provisions of section 22 of the Agricultural Adjustment Act.

Origin

U.S. imports of certain dairy products--butter, butter oil, dried milk products, certain articles containing over 45 percent of butterfat, and certain cheeses--were controlled by quotas in the early 1950's under section 104 of the Defense Production Act of 1950. Section 104 expired on June 30, 1953. In April, however, the President requested the U.S. Tariff Commission to institute an investigation under section 22 of the Agricultural Adjustment Act to determine whether, in the absence of the import restrictions under section 104, certain articles (including some dairy products) 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.

In accordance with the recommendations of a majority of the Commission, the President proclaimed the following annual import

quotas on dairy products, to be effective 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 for butter were determined on the basis of the average annual imports during 1930-34; those for the other imports were determined on the basis of the average annual imports during 1948-50.

1/ Presidential Proclamation No. 3019 of June 8, 1953. Licensing arrangements for the imports under quotas are discussed in the section of this report on Administration of section 22 quotas.

Changes since 1953

Since 1953 the Tariff Commission has conducted several supplementary investigations on designated dairy products under the provisions of section 22. As a result of the Commission's investigations, various import quotas on dairy products have been modified, and a quota on butter oil has been established. 1/

Butter oil.--In March 1957 the Commission recommended that a quota be imposed on U.S. imports of butter substitutes (including butter oil) containing 45 percent or more of butterfat, as follows:

For the period April 1, 1957 to June 30, 1967, inclusive, a total aggregate quantity of 450,000 pounds; for each 12-month period thereafter a total aggregate quantity of 1,800,000 pounds.

The total quantity of butter substitutes (including butter oil) that had been imported prior to the time of the Commission's report to the President in 1957 amounted to 2.4 million pounds. Of that amount, 1.8 million pounds was imported in 1956; the Commission considered the year 1956 to be as a representative period for the establishment of the size of the quota. In April 1957, the President issued a proclamation 2/ limiting imports of butter substitutes containing 45 percent or more of butterfat to 1,800,000 pounds in the 1957 calendar year and to 1,200,000 pounds in each subsequent calendar year.

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.

Certain articles containing butterfat.--In July 1957 the Commission, pursuant to section 22 of the Agricultural Adjustment Act, 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. In that investigation the Commission determined that imports of the product in question, Exylone, had entered under "abnormal" conditions; the Commission considered that Exylone had been created as an article of commerce for the purpose of avoiding the U.S. import quota on butter. Accordingly, the Commission found that there was no "representative period" for imports of the product in question, and that the imports of the articles should be embargoed. In August 1957, the President issued a proclamation prohibiting the importation of certain articles containing butterfat. 1/

Italian-type and Edam and Gouda cheeses.--Following an investigation completed in April 1960, the Commission recommended that the the existing quotas on Italian-type and Edam and Gouda cheeses be increased because conditions in the U.S. dairy industry had improved

1/ 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.

to such an extent that such quotas could be liberalized without adversely affecting the Department of Agriculture's price-support program for milk and butterfat. The President subsequently increased the annual import quota for certain Italian-type cheeses from 9,200,100 pounds to 11,500,100 pounds, and the import quota for Edam and Gouda cheese from 4,600,200 pounds to 9,200,400 pounds, effective July 1, 1960. 1/

Blue-mold and Cheddar cheese.--At the request of the President, the Tariff Commission in May 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 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. In March 1962 he increased the quota on blue-mold cheese by 283,333 pounds for the remainder of the quota year (ending June 30, 1962) and enlarged the annual quota for subsequent years from 4,167,000 pounds to 5,016,999 pounds. 3/

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

2/ T.C. Publication 32, Sept. 1, 1961.

3/ Proclamation No. 3460 of March 29, 1962.

On March 31, 1966, the President increased the existing import 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. On May 19 the Commission submitted a report to the President with respect to the emergency increase in the quota for the year ending June 30, 1966, and on June 1 it submitted a report with respect to the enlargement of the quota for subsequent years; these reports have not been released by the President. For the year ending June 30, 1967, the Department of Agriculture issued import licenses for 2,780,100 pounds of Cheddar cheese; the President has not taken any action to alter the existing quota for that period.

APPENDIX C

ARTICLE XIII OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

Non-discriminatory Administration of Quantitative Restrictions

1. No prohibition or restriction shall be applied by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation of any product destined for the territory of any other contracting party, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, contracting parties shall aim at a distribution of trade in such product approaching as closely as possible the shares which the various contracting parties might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(a) Wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3(b) of this Article;

(b) In cases in which quotas are not practicable, the restrictions may be applied by means of import licences or permits without a quota;

(c) Contracting parties shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (d) of this paragraph, require that import licences or permits be utilized for the importation of the product concerned from a particular country or source;

(d) In cases in which a quota is allocated among supplying countries, the contracting party applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other contracting parties having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the contracting party concerned shall allot to contracting parties having a substantial interest in supplying the product shares based upon the proportions, supplied by such contracting parties during a previous representative period, of the total quantity or value of imports of the product, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any contracting party from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (a) In cases in which import licences are issued in connection with import restrictions, the contracting party applying the restrictions shall provide, upon the request of any contracting party having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences granted over a recent period and the distribution of such licences among supplying countries; Provided that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(b) In the case of import restrictions involving the fixing of quotas, the contracting party applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry; Provided that they may be counted so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods; and Provided further that if any contracting party customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public notice, such practice shall be considered full compliance with this subparagraph.

(c) In the case of quotas allocated among supplying countries, the contracting party applying the restrictions shall promptly inform all other contracting parties having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

4. With regard to restrictions applied in accordance with paragraph 2(d) of this Article or under paragraph 2(c) of Article XI, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the contracting party applying the restriction; Provided that such contracting party shall, upon the request of any other contracting party having a substantial interest in supplying that product or upon the request of the CONTRACTING PARTIES, consult promptly with the other contracting party or the CONTRACTING PARTIES regarding the need for an adjustment of the proportion determined or of the base period selected, or for the reappraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally relating to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any contracting party, and, in so far as applicable, the principles of this Article shall also extend to export restrictions.

