TITLE - CERTAIN CHEESES & SUBSTITUTES FOR CHEESE, 47 CENTS PER POUND OR MORE / INVEST.# 22-29 / PUB.# TC 409 JULY 1971

UNITED STATES TARIFF COMMISSION

CERTAIN CHEESE AND SUBSTITUTES [illegible]
[illegible] CENTS PER POUND OR [illegible]

[illegible]

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
July 28, 1971.

To the President:

Pursuant to your request of March 12, 1971, 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 cheeses and substitutes for cheese described in your letter 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 or to reduce substantially the amount of products processed in the United States from domestic milk, and to determine related questions as outlined in the letter.

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

> 1. Swiss or Emmenthaler cheese with eye formation; Gruyere-process cheese; and cheese and substitutes for cheese containing, or processed from, such cheeses; all the foregoing, if having a purchase price of 47 cents per pound or more.
>
> 2. Cheese, and substitutes for cheese, provided for in items 117.75 and 117.85, subpart C, part 4, schedule 1 of the TSUS (except cheese not containing cow's milk; cheese except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat; and articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS); all the foregoing, if having a purchase price of 47 cents per pound or more.

3. Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, provided for in items 117.75 and 117.85, subpart C, part 4, schedule 1 of the TSUS (except articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS); all the foregoing, if having a purchase price of 47 cents per pound or more.

("Purchase price" as used in the above descriptions refers to a price determined in accordance with headnote 3(a)(iii) of part 3 of the Appendix to the Tariff Schedules of the United States.)

You also requested that the Commission consider the effects of imports of the above-described articles in various purchase price categories of 47 cents or more per pound. You further requested that the Commission determine, in the event quantitative restrictions should be placed upon the importation of any such articles not now subject to quantitative limitations under section 22 of the Agricultural Adjustment Act, whether the contemplated action--

(a) should establish separate quotas for such articles having a purchase price of 47 cents or more per pound; or

(b) should combine the new restrictions with the existing provisions of items 950.10B through 950.10E of Part 3 of the Appendix to the Tariff Schedules of the United States with an increase in the existing quotas by the amounts of the quotas for any or all of the articles having a purchase price of 47 cents or more per pound; or

(c) should adjust upward the level of any or all of the purchase prices specified in the existing provisions of items 950.10B through 950.10E with an increase in the existing quotas by the amounts of the quotas for any or all of the articles having a purchase price of 47 cents or more per pound.

In connection with (a) and (c), you requested that the Commission determine whether the purchase prices should be derived from and fluctuate with the support price for milk rather than remain fixed as in the existing provisions.

You requested that the Commission report its findings and recommendations on these matters to you at the earliest practicable date.

The information contained in this report was obtained from evidence submitted at the public hearing, from briefs, from other Government agencies, and from the Commission's files. 1/

Milk Equivalency Concept

Dairy products are derivatives from whole milk. In studying imports of dairy products, and in particular the effects of imports on programs of the Department of Agriculture, a method for relating these products to whole milk (i.e., the concept of "milk equivalency") was formulated. This concept, which is based upon the current solids content of whole milk, assumes that the fat- and nonfat-solids portions in whole milk are in the ratio of 1:2.3; i.e., for a given poundage of whole milk, 3.7 percent thereof is butterfat and 8.6 percent is nonfat solids. 2/

1/ Public notice of the institution of the Commission's sec. 22 investigation (No. 22-29) was issued on Mar. 18, 1971. 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 of Mar. 23, 1971, (36 F.R. 5456) and in the Apr. 7, 1971, issue of the Customs Bulletin. A public hearing was held Apr. 20-22, 1971; all interested parties were afforded opportunity to produce evidence and to be heard.

2/ U.S. Department of Agriculture, Statistical Bulletin No. 362, June 1965.

The Department of Agriculture supports the price of milk through the purchase of three products--butter (the milk-solids content of which is virtually all butterfat), Cheddar cheese (containing virtually all of the butterfat and about half of the nonfat milk solids of the whole milk from which it is produced), and nonfat dry milk (the milk-solids content of which is virtually all nonfat milk solids). It appears, therefore, that in examining the effects of imports of dairy products on the price-support programs, consideration should be given not only to the butterfat contained in the imported products, but also to the nonfat milk solids. Nevertheless, the milk equivalent of imported products, regardless of their butterfat-nonfat milk-solids ratio, has usually been computed only on the basis of their butterfat content. It is noted that imports of butter, as well as of many of the basic forms of nonfat milk solids (e.g., nonfat dry milk, dry buttermilk, and dry whey), have been subject to section 22 quotas since 1953.

As already indicated, measuring the milk equivalency of imports on a butterfat basis gives little weight to imports containing little or no butterfat. However, with respect to the imports of cheeses here under investigation, which contain virtually all of the butterfat and about half of the nonfat solids of the milk from which they are produced, measuring milk equivalency on a butterfat basis gives a fairly realistic weight to imports of the product concerned. In this report, as in previous Tariff Commission reports on dairy products, the milk-equivalency concept on a butterfat basis is used in discussions regarding total imports, production, total Government purchases, exports, and stocks of dairy products. In the portion of this report that deals with individual cheeses and substitutes for cheese, such articles are discussed primarily on a product-weight basis.

Developments Leading to the Investigation

As compared with the domestic production of whole milk, the whole-milk equivalent of U.S. imports of dairy products has been small for many years. Between 1953 1/ and 1965, annual imports of dairy products were equivalent to 0.4 to 0.7 percent of the U.S. output of milk. Imports rose sharply during 1966 and continued to increase during 1967. In each of those years they were about three times as large as in 1965; in 1967 the ratio of imports to total domestic milk production was 2.4 percent, the highest level on record (table 1). On June 30, 1967, the President imposed section 22 quotas on dairy products that had accounted for about 95 percent of the increase in imports during 1966 and the first half of 1967. The import trade then shifted largely to the articles that remained free of quotas. Because additional quotas were imposed under section 22 in 1968 and 1969, imports of dairy products in those years were smaller than in the 2 preceding years. In 1968 and 1969 such imports were equivalent to 1.5 percent and 1.4 percent, respectively, of total U.S. production

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1/ Quotas on certain dairy products under sec. 22 of the Agricultural Adjustment Act, as amended, were first imposed in mid-1953 (Presidential Proclamation No. 3019). Such dairy products had previously been subject to comparable restrictions imposed by the Secretary of Agriculture under the provisions of the Defense Production Act of 1950. Prior to that some dairy products had been subject to quotas under the Second War Powers Act, 1942.

of milk. In 1970, when imports of dairy products were larger than in 1968 or 1969, they were equivalent to 1.5 percent of U.S. production of milk. Virtually all of the increase in imports from 1969 to 1970 was accounted for by quota-free articles that were destined for further processing prior to sale at retail.

On January 1, 1971, four of the quota-free articles that entered in increased quantities in 1969 and 1970--ice cream, chocolate crumb containing 5.5 percent or less of butterfat (low-fat chocolate crumb), certain animal feeds containing milk or milk derivatives (milk replacers and bases therefor), and, if having a purchase price under 47 cents per pound, certain cheeses containing 0.5 percent or less by weight of butterfat (low-fat cheeses)--were made subject to quotas. 1/

Among the articles that in 1970 accounted for a larger share of the uncontrolled imports of milk equivalent (fat-solids basis) than those on which the President took section 22 action in January 1971 were the cheeses and substitutes for cheese having a purchase price of 47 cents per pound or more and referred to in items (1) and (2) of the President's request for this investigation. 2/ There have been no known imports of the cheeses and substitutes for cheese referred to in item (3) of the President's request--i.e., those containing

1/ Presidential Proclamation No. 4026.

2/ Such cheeses and substitutes for cheese were among the articles subject to investigation No. 332-64 under section 332 of the Tariff Act of 1930 pursuant to a resolution of the Committee on Ways and Means of the House of Representatives adopted June 23, 1970 (TC Publication 340, 1970).

On a product-weight basis, imports of these cheeses and substitutes for cheese had increased less sharply during the period 1965-70 than the products made subject to section 22 quotas in January 1971.

0.5 percent or less of butterfat and having a purchase price of 47 cents per pound or more.

The cheeses subject to this investigation accounted for about 470 million of the 1.9 billion pounds of milk equivalent (fat-solids basis) imported in 1970; imports of other dairy products not subject to current quotas, and not included in this investigation, amounted to about 200 million pounds of milk equivalent and consisted primarily of cheeses made from sheep's milk. 1/ Imports of the articles made subject to section 22 quotas on January 1, 1971, accounted for about 327 million pounds of milk equivalent in 1970. 2/ If there is no significant change in the composition of these articles when imported under the quotas, the milk equivalent of the quotas established in January 1971 would approximate 26 million pounds.

The cheeses and substitutes for cheese referred to in the President's request of March 12, 1971, are of the same varieties as the cheeses currently subject to "price break" quotas, but have a higher purchase price. These quotas limit the imports of the cheeses if they have a purchase price under 47 cents per pound, or if shipped otherwise than in pursuance to a purchase, 3/ whereas the imports of the higher priced cheeses are free of quotas.

1/ There is little, if any, U.S. production of sheep's milk cheese.

2/ Ice cream accounted for nearly all of the milk equivalent (fat-solids basis) of the four products.

3/ "Shipments otherwise than in pursuance to a purchase" refers to shipments such as consignments (shipments to agents) and intracompany transfers, for which there is no transaction price on which to base quota applicability.

Findings 1/

On the basis of the investigation--

1. The Commission finds that the articles described below are being or are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the price-support programs of the United States Department of Agriculture for milk: 2/

(a) Swiss or Emmenthaler cheese with eye formation; Gruyere-process cheese; and cheese and substitutes for cheese containing, or processed from, such cheeses; all the foregoing, if having a purchase price of 47 cents per pound or more.

(b) Cheese, and substitutes for cheese, provided for in items 117.75 and 117.85, subpart C, part 4, schedule 1 of the TSUS (except cheese not containing cow's milk; cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat; and articles with the scope of other import quotas provided for in part 3 of the Appendix to the TSUS); all the foregoing, if having a purchase price of 47 cents per pound or more.

2. Commissioners Sutton and Moore find--

(a) That the articles described below 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

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1/ Chairman Bedell did not participate. She had not taken office at the time the Commission made its findings and recommendations.

2/ Commissioners Sutton and Moore find that the articles "are being" so imported, and Commissioners Leonard and Young find that the articles are not now "being," but "are practically certain to be" so imported.

materially interfere with, the price-support programs of the United States Department of Agriculture for milk:

> Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, provided for in items 117.75 and 117.85, subpart C, part 4, schedule 1 of the TSUS (except cheese not containing cow's milk and articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS); all the foregoing, if having a purchase price of 47 cents per pound or more.

(b) That, with respect to cheese and substitutes for cheese not containing cow's milk specifically excepted above from finding 2(a), such articles are not being and are not 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, or to reduce substantially the amount of products processed in the United States from domestic milk.

(c) That, with respect to articles of the types covered by finding 2(b) and shipped otherwise than in pursuance to a purchase, or if having a purchase price under 47 cents per pound, the circumstances requiring the imposition of quantitative restrictions no longer exist.

3. Commissioners Leonard and Young find that the articles described below are not now being, and are not 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, or to reduce substantially the amount of products processed in the United States from domestic milk:

> Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, provided for in items 117.75 and 117.85, subpart C, part 4, schedule 1 of the TSUS (except articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS); all the foregoing, if having a purchase price of 47 cents per pound or more.

4. The Commission unanimously finds that, for the purposes of the 50-percent clause in the first proviso to section 22(b), the representative period for imports described in the foregoing findings is the calendar years 1963 through 1965.

5. The Commission unanimously finds that, the President should, pursuant to subsections (b) and (d) of section 22, combine the new restrictions on all of the articles described in finding 1 with the existing provisions of items 950.10B through 950.10D of part 3 of the Appendix to the TSUS, thereby eliminating the purchase price concept from the quota provisions.

6. Commissioners Sutton and Moore find that the President should, pursuant to subsections (b) and (d) of section 22, combine the new restrictions on all of the articles described in their finding 2(a) with the existing provisions of item 950.10E of part 3 of the Appendix to the TSUS, thereby eliminating the purchase price concept from the quota provisions.

Recommendations 1/

The Commission recommends that the President issue a proclamation pursuant to section 22(b) and (d) of the Agricultural Adjustment Act, as amended, to (1) establish for each calendar year after 1971 quantitative limitations on the products covered by their findings 1(a) and 1(b), and for the remainder of 1971 a prorated portion of the annual quota limitations and (2) combine the foregoing quantitative limitations with the existing quantitative limitations in the provisions of items 950.10B through 950.10D of part 3 of the Appendix to the TSUS. The annual quota quantities recommended by Commissioners Sutton and Moore and those recommended by Commissioners Leonard and Young are set forth below.

TSUS item	Description	Quota quantities (in pounds) recommended by-- Commissioners Sutton and Moore	Commissioners Leonard and Young
	Swiss or Emmenthaler cheese with eye formation; Gruyere-process cheese; and cheese and substitutes for cheese containing, or processed from, such cheeses:		
950.10B	Swiss or Emmenthaler cheese with eye formation---------------	16,000,000 2/	26,500,000 2/
950.10C	Other than Swiss or Emmenthaler with eye formation----------	8,600,000 3/	14,000,000 3/

1/ The differences between the recommendations of Commissioners Sutton and Moore and those of Commissioners Leonard and Young are explained in their individual statements.

2/ Includes the current annual quota quantity of 4,271,000 pounds for such cheese if shipped otherwise than in pursuance to a purchase, or if having a purchase price under 47 cents per pound.

3/ Includes the current annual quota quantity of 3,289,000 pounds for such cheese if shipped otherwise than in pursuance to a purchase, or if having a purchase price under 47 cents per pound.

TSUS item	Description	Quota quantities (in pounds) recommended by-- Commissioners Sutton and Moore	Commissioners Leonard and Young
950.10D	Cheese and substitutes for cheese provided for in items 117.75 and 117.85, part 4C, schedule 1 (except cheese not containing cow's milk; cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat, and articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS)------------	34,300,000 1/	46,000,000 1/

Commissioners Sutton and Moore recommend also that item 950.10E of the Tariff Schedules of the United States be modified by adding the underscored language and deleting the language struck through, as indicated below:

950.10E	Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, as provided for in items 117.75 and 117.85 of subpart C, part 4, schedule 1 (except <u>cheese not containing cow's milk and</u> articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS)~~; all the foregoing, if having a purchase price of 47 cents per pound or more:~~------------------------	8,901,000 pounds 2/

1/ Includes the current annual quota quantity of 25,090,000 pounds for such cheese if shipped otherwise than in pursuance to a purchase, or if having a purchase price under 47 cents per pound.
2/ The current annual quota quantity.

The Commission recommends that headnote 3(a) (iii) of part 3 of the Appendix to the TSUS defining purchase price be repealed for the purposes of items 950.10B through 950.10D of that part, in event finding 5 and its related recommendations are implemented. In addition, Commissioners Sutton and Moore recommend that the headnote be repealed for the purpose of item 950.10E, in event finding 6 and its related recommendation is implemented.

It is recommended that the quotas proposed above be administered by means of a licensing system to assure an equitable distribution of the quota 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 most other quantitative restrictions on U.S. imports of cheeses and other dairy products. To be equitable, all allocation of the quotas among supplying countries, while based upon the share they supplied during a representative period, must reflect any special factors that have affected or may currently be affecting trade in articles concerned. The principles set forth in article XIII of the General Agreement on Tariffs and Trade (GATT) should 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.

Statement of Commissioners Sutton and Moore

We believe that our findings and recommendations are consistent with the requirements of section 22. In support thereof, the following considerations, which have been evolved and developed from the facts obtained in this investigation and more fully set forth elsewhere in this report, are submitted.

Origin and Development of Import Controls on Dairy Products under Section 22

The Agricultural Adjustment Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk at such levels between 75 percent and 90 percent of parity as he determines necessary to assure an adequate supply. The price-support programs implemented by the Department of Agriculture in order to support the price of milk have resulted in incentives which have made the importing of dairy products, including the cheeses here under investigation, more profitable. In order to prevent imports of dairy products from interferring with the price and production objectives of the price-support programs, the United States has imposed certain import controls on dairy products.

For a short time prior to July 1, 1953, temporary import quotas were imposed on certain dairy products by the Secretary of Agriculture under authority conferred upon him by section 104 of the Defense Production Act of 1950, as amended (50 U.S.C. App. sec. 2074). In anticipation of the expiration of these temporary quotas, the

President, on the basis of a report on Investigation No. 22-6 from the Tariff Commission pursuant to section 22 of the Agricultural Adjustment Act, as amended, imposed by proclamation, effective July 1, 1953, import quotas on the same dairy products that had been subject to temporary quotas under section 104.

Since 1953, two types of actions under section 22 have been taken: (1) The original quotas imposed on four classes of cheeses (Blue-mold, Cheddar, natural Edam and Gouda, and natural Italian-type in original loaves) have been liberalized or enlarged to permit foreign products to share in the increased United States consumption of such cheeses, and (2) import quotas have been established for previously uncontrolled imports which appeared for the first time in U.S. markets in significant quantities and which, in large part, were products designed for the purpose of avoiding the then existing quota provisions. In this second category of actions were those resulting from Investigation Nos. 22-14 (1957) and 22-16 (1957) with respect to butter substitutes, including butter oil, and certain articles containing butterfat, respectively; those resulting from Investigation No. 22-26 (1967) with respect to certain fresh or frozen milk or cream, certain butterfat-sugar mixtures containing over 5.5 percent of butterfat ("Junex"), and American-type cheeses other than Cheddar (primarily Colby); those resulting from Investigation No. 22-27 (1968) with respect to certain cheeses and certain articles containing butterfat, including so-called chocolate crumb;

and those resulting from Investigation No. 22-28 (1970) with respect to ice cream, low-fat chocolate crumb, certain animal feeds containing milk or milk derivatives, and certain low-fat cheeses.

No section 22 quotas, except those applicable to the cheeses here under investigation, are administered via price-break controls. Those price-break controls were proclaimed on an emergency basis in September 1968 for Swiss or Emmenthaler cheese, Gruyere-process cheese, and certain "other cheese" (Presidential Proclamation No. 3870), while the Tariff Commission was conducting Investigation No. 22-27; they were generally continued in effect in January 1969 (Presidential Proclamation No. 3884). For certain low-fat cheese, the price-break controls were proclaimed effective January 1971 (Presidential Proclamation No. 4026) following Investigation No. 22-28.

The Current Import Problem Affecting the Price-Support Programs

The bulk of the imports of cheeses subject to the current investigation are--as with previous imports of uncontrolled dairy products--comprised of articles designed to avoid existing quotas. Virtually all the recent increase in imports of the cheeses under review (i.e., cheeses having purchase prices of 47 cents or more per pound) has consisted of cheeses previously having purchase prices considerably below 47 cents per pound. Despite the action taken by the President in June 1967 on the basis of Investigation No. 22-26 (Proclamation No. 3790) to impose import quotas on products which together accounted for about 95 percent of the increase in imports during 1966 and the first half of 1967, and his expectation that such action, coupled with the quotas then already in effect, would reduce annual imports to the "normal level" of approximately one billion pounds of milk equivalent (fat-solids basis) which prevailed before 1966, 1/ and despite further action taken by the President in January 1969 on the basis of Investigation No. 22-27 (Proclamation No. 3884) to limit imports to about 1.3 billion pounds of milk equivalent, 2/ imports of the uncontrolled dairy products--including the cheeses subject to this investigation--entered for the first time, or increased sharply in 1969 and 1970. Imports of dairy products amounted to 1.6 billion pounds of milk equivalent in 1969 and nearly 1.9 billion pounds in 1970. On the basis of Investigation No. 22-28 (Proclamation No. 4026) the President imposed section 22 quotas, effective January 1, 1971, on certain articles that had accounted

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1/ On June 30, 1967, the President issued the following statement simultaneously with the promulgation of Proclamation No. 3790: "I have today signed a proclamation which will reduce dairy imports to the normal level which prevailed before 1966. On the basis of these new quotas, annual imports will be approximately one billion pounds of milk equivalent. * * * "

2/ When Proclamation No. 3884 was issued on January 6, 1969, the U.S. Department of Agriculture announced, "It is estimated that in 1969 U.S. imports of all dairy products--both within and outside the import control system--will amount to approximately 1.3 billion pounds of milk equivalent." (U.S. Department of Agriculture press release U.S.D.A. 31-69, January 6, 1969.)

for about 327 million pounds of the total milk equivalent imported in 1970. 1/ Although the cheeses subject to this investigation (No. 22-29) had accounted for about 470 million pounds of the total milk equivalent imported in 1970, they were not included in Investigation No. 22-28. The imports of those cheeses have continued to increase during 1971, indicating that unless restricted they will remain an outlet via which milk solids of foreign origin will enter the U.S. market in increasing quantities.

Recent U.S. Price-Support Operations

From time to time over the years the Secretary of Agriculture has increased the price-support levels when the output of milk has declined. On April 1, 1970, the price-support objective for manufacturing milk was increased from $4.28 to $4.66 per hundred pounds. That higher support objective failed to make any significant difference in the output of milk in 1970. Consequently, on April 1, 1971, the support price objective was further increased to $4.93 per hundred pounds, the highest level in the last two decades. In the period January-April 1971, output was only 1.0 percent above that of the comparable period of 1970. Because of the increase in the volume of imports of the cheeses under investigation in 1970 and 1971, total supplies of dairy products in the U.S. market have been larger than otherwise would have occurred. Thus, market prices have

1/ Neither the President nor the Department of Agriculture indicated an anticipated level of imports of milk equivalent to be attained as a result of the quantitative limitations imposed by Proclamation 4026.

not been as high as they otherwise would have been and substantial quantities of dairy products were purchased by the Government at the prevailing support price in 1970 and even larger quantities were purchased in the period January-April 1971 than in the comparable period of 1970. In terms of milk equivalent, the Department of Agriculture purchased about 5.8 billion pounds of butter and Cheddar cheese in 1970, the largest volume of purchases in any year since 1967. In addition, the purchases of nonfat dry milk amounted to 447 million pounds, about 21 percent larger than the volume purchased in 1969. Total purchases have continued at an accelerated rate in 1971. The Department purchased about 3.3 billion pounds of milk equivalent and 127 million pounds of nonfat dry milk in January-April 1971 compared with 2.0 billion pounds and 108 million pounds, respectively, in the comparable period of 1970. The 470 million pounds of milk equivalent imported in 1970 in the form of cheeses subject to this investigation and the estimated 150 million pounds so imported in January-April 1971 undoubtedly displaced part of the dairy products ultimately purchased by the Government in 1970 and in January-April 1971.

The estimated net expenditures by the Government for dairy price-support and related programs for the year ending June 30, 1971, amounted to $395 million--the highest level of expenditures since 1963. For the year ending June 30, 1972, such expenditures are estimated at $510 million-the second highest level of expenditures by the Government for dairy price-support operations since the programs have been in existence.

If controls are not imposed on the cheeses and substitutes for cheese covered by our affirmative findings, the import trade in such articles will continue to increase because of the price pull of the U.S. market for dairy products. Moreover, in the absence of quantitative limitations, the character of the import trade will continue to be of such nature as to "avoid" the existing quota provisions. The high level of purchases of dairy products in 1970 and January-April 1971, and the high costs to the Government of the price-support operations resulting therefrom, leave no doubt but that the articles subject to this investigation are being or are practically certain to be imported into the United States so as to materially interfere with the price-support programs of the Department of Agriculture.

Certain cheeses and substitutes for cheese, 47 cents per pound or more

The application of the quota to the varieties of cheeses subject to this investigation, but for which the purchase price is under 47 cents per pound (the price-support level of the Department of Agriculture for Cheddar cheese in 1968), apparently was based upon the view advanced by the Department during the investigation in 1968 that processed cheese and cheese for processing--i.e., the cheese which was said to be materially interfering with the price-support programs for milk and butterfat--were so priced for export to the United States, and that "specialty" cheeses--i.e., cheeses which did not so interfere--were priced for export to the United States at 47 cents per pound or more.

It came as no surprise that almost immediately after the price-break quotas were imposed in 1968 some exporters and importers resorted to product and selling-price manipulations, thereby avoiding the quotas and entering substantial quantities of the cheeses remaining uncontrolled. These developments had been foreseen and commented on by the Commission in Investigation No. 22-27. As a result thereof, combined imports of under-quota and over-quota cheeses are, at the present time, almost equal to the total imports of such cheese prior to the imposition of the quotas. Obviously, the underlying and most dominant factor contributing to the increased imports of the cheeses under investigation is the quota restrictions imposed by the President in 1968 and the ease with which they have been and continue to be avoided. The recent substantial increase in the volume of imports of the named cheeses, regardless of their purchase prices, has diverted, and in our opinion, will continue to divert domestic milk to Cheddar cheese, butter, and nonfat dry milk, thereby increasing the interference of imports with the Department's price-support program.

Inappropriateness of the support price as a basis for import controls.--We have recommended the imposition of an over-all quota for each of the classes of cheese under review without the use of either the fixed purchase price presently used, or the substitution therefore, of a purchase price which would be derived from and fluctuate with the support price for Cheddar cheese. In order to explain our lack of confidence in the price support level for Cheddar cheese as a purchase price limitation for establishing quotas on imports, it might be helpful to explore briefly the objectives of the Department's price-support program for milk.

Prior to each marketing year (beginning April 1), the Department of Agriculture announces the price-support objective for manufacturing milk--which accounts for about half of the U.S. production of milk--and the prices at which the Commodity Credit Corporation will purchase butter (the milk solids content of which is virtually all butterfat), Cheddar cheese (which contains virtually all the butterfat and about half of the nonfat milk solids in whole milk), and nonfat dry milk--the coproduct of the production of butter--(the milk solids content of which is virtually all nonfat milk solids) in order to reflect the announced support objective for domestic milk. Butter and nonfat dry milk and Cheddar cheese utilize about 70 percent of the U.S. output of manufacturing milk or about 35 percent of the total U.S. output of milk. The over-all objective of the Department's price-support program is, by directly supporting the prices of these three products, to support the prices of all domestic milk and milk solids and products derived therefrom.

In recent years, the Department's purchase price for butter has been about 1-1/2 to 2-1/2 times greater than that for nonfat dry milk and about 25 percent to 50 percent greater than that for Cheddar cheese. When the Proclamation establishing the 47-cent "price-break" quotas was issued in September 1968, the support price for butter was 66.4 cents per pound, for nonfat dry milk, 23.1 cents per pound, and for Cheddar cheese, 47 cents per pound. Currently, the support price for butter is 67.8 cents per pound, for nonfat dry milk, 31.7 cents per pound, and for Cheddar cheese, 54.8 cents per pound.

Both nonfat dry milk and butter are relatively uniform products the prices for which do not vary greatly in relation to the support prices therefor. Cheddar cheese, on the other hand, the 1968 support price for which is being used as the price-break in the existing import quota provisions, is produced in various qualities and types and sells at prices varying widely both below and above its support price.

In practice, the Department, when called upon to purchase Cheddar at the support level, would not be offered "higher-quality" aged Cheddar at the support price; likewise, it would not pay the support price for "lower-quality" Cheddar not meeting its minimum specifications. The Department would be concerned with Cheddar that is representative of the bulk of the domestic output, i.e., Cheddar the domestic prices of which at the time of purchase are nearest to the support price thereof.

From the foregoing, it is clear that the support price for Cheddar is neither designed, nor appropriate, for defining the scope of quota provisions applicable to imports of cheeses which are produced in even more varieties, types, and qualities than the domestic cheeses. 1/ Even assuming no purchase price manipulations by foreign shippers and domestic importers, the allowance of unrestricted entry of foreign cheeses priced above the Cheddar support level permits their continued competition with the higher-priced domestic cheeses, thereby tending to lower their prices which are intended to be supported by the Cheddar support price. Assuming the existence of wide-spread price manipulation, which we believe to exist under the current quota provisions, the foreign-produced cheeses whose prices have been so manipulated are, in fact, avoiding the quota provisions intended to restrict them. Unquestionably, in both situations, the results are antithetical to the objectives of the price-support program for milk.

As demonstrated by the facts obtained in this investigation, the quotas imposed on a fixed purchase price basis have been easily avoided and, in our opinion, the imports resulting therefrom are materially interfering with the price-support program. As indicated before by the Commission in the report on Investigation No. 22-27 in December 1968, article descriptions distinguishing cheeses on the basis of their purchase-price differences are highly questionable techniques

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1/ The anomaly of using the 1968 Cheddar support price of 47 cents per pound is further illustrated in the quota provision of item 950.10E, TSUS, relating to imported cheeses containing 0.5 percent or less by weight of butterfat. The price support for comparable domestic cheeses would, in principle, be derived from the 1968 support price of 23.1 cents per pound applicable to nonfat dry milk. The use of the considerably higher support price of Cheddar in the quota definition is the likely reason why price manipulations are apparently not yet being practiced for the purpose of avoiding this quota.

in a system of absolute quotas. Prices fluctuate and therefore are not a stable basis for meaningful, consistent distinctions between products. Moreover, prices can be and, when proper incentives are present, often are manipulated with impunity; there is no practical way to administer provisions based on purchase price with any assurance that price-manipulation practices can be fully contained even if additional customs personnel were assigned for enforcement.

If the quotas were to be based on fluctuating purchase prices, their tendency would be to offset the effects of increased domestic and foreign support levels on the fixed price-break quotas, i.e., assuming no price manipulation. Fluctuating price-break quotas, however, would increase the burdens of customs administration even more than the current fixed price-break quotas. If, for quota purposes, the purchase prices of imported cheeses were derived from and fluctuated with the support price for Cheddar (or the support price for nonfat dry milk in the cases of the cheeses containing 0.5 percent or less by weight of butterfat), such purchase prices apparently would tend to decline should the support level drop. Conceivablv, if the U.S. production of milk increased substantially and CCC stocks of dairy products became exceptionally large, price supports might be reduced (within the statutory limits) in order to discourage production. Under these circumstances, imports would probably increase at a time when their impact on the price-support program would be even more pronounced.

In view of the above circumstances, we have recommended that the price-break quota system for cheese be abolished.

The recommended remedy (absolute import quotas).--We have recommended the imposition of import quotas, rather than import fees, to remedy the material interference caused by imports of the cheeses and substitutes for cheese in question. The potential impact of an additional import fee of even 50 percent ad valorem--the maximum permitted under section 22--is difficult to assess for the classes of imported cheese here under investigation, because part of them are subject to limitations involving purchase prices, which we believe have been manipulated. Consequently, the reported prices resulting from transactions involving manipulation are wholly unreliable for determining the impact on trade which would result if additional duties were recommended and imposed.

It is likewise difficult to assess the probable impact on imports if the Department of Treasury were to take any affirmative countervailing action on a complaint lodged in 1968 (and still pending) seeking redress under section 303, Tariff Act of 1930. In any event, we believe it most appropriate to extend quantitative limitations to the cheeses in question. Such a system would be consistent with, and complementary to, the outstanding controls which are already applicable to imports of most dairy products. Moreover, administration of the existing system would not be further complicated by superimposing thereon new controls based on additional duties.

The representative period for imports.--Any proclamation imposing quantitative limitations under section 22 on any article or articles cannot reduce the--

> * * * permissible total quantity to proportionately less than 50 percentum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President.

In accordance with this requirement we have found that the representative period for imports not now subject to quotas is the calendar years 1963 through 1965, inclusive. The basis for this finding is clearly delineated in the following table which shows total imports of the cheeses under investigation, regardless of purchase price, during 1963-70 (in thousands of pounds):

Article	1963	1964	1965	1966	1967	1968	1969	1970
Finding 1(a)								
Swiss or Emmenthaler cheese with eye formation; Gruyere-process cheese; and cheese and substitutes for cheese containing, or processed from such cheeses:								
Swiss or Emmenthaler cheese with eye formation-------------------	11,692	11,506	10,419	14,751	14,355	38,851	20,108	26,355
Other than Swiss or Emmenthaler with eye formation--------------	4,830	5,173	5,314	9,123	9,836	19,977	12,650	13,948
Finding 1(b)								
Cheeses and substitutes for cheese provided for in items 117.75 and 117.85, part 4C, schedule 1 (except cheese not containing cow's milk; cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat, and articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS)-	7,424	8,298	9,205	18,068	22,991	39,378	42,184	45,818
Finding 2(a)								
Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, as provided for in items 117.75 and 117.85 of subpart C, part 4, schedule 1 (except cheese not containing cow's milk and articles within the scope of other import quotas provided for in part 3 of the Appendix to the TSUS) 1/------	60	60	60	60	60	60	3,000	11,000

1/ Estimated.

It will be observed from this table that for the cheeses in question the imports in the period 1963-1965 were fairly stable; that uniformly for all classes significant increases in imports were recorded in 1966 (1969 for the cheeses in finding 2(a)) and continued at an accelerated rate through 1970. As previously stated, our analysis shows the increase in imports of these cheeses to be primarily cheeses designed to avoid the existing quota provisions. In our view, the period in which significant increases in imports occurred, especially where the increases are designed to avoid existing quotas, cannot properly be regarded as being the whole, or part, of a representative period within the meaning of the statute. To do so makes the "representative period" concept meaningless; it not only improperly increases the quantities of articles which must be permitted entry regardless of impact on the program, but also affects the equities of the foreign countries that supplied, and the importers who imported, the traditional imports of dairy products.

The recommended quota quantities.--The President's request for this investigation involves primarily new subject matter referred to the Commission in accordance with subsection (a) of section 22 of the Agricultural Act with respect to the specified cheeses having purchase prices 47 cents or more per pound. In addition, the President also invoked subsection (d) of section 22 to provide the Commission with jurisdiction in connection with the named cheeses having purchase prices under 47 cents per pound all of which are presently within the scope of quantitative limitations previously imposed under section 22.

With respect to the cheeses already subject to quota limitations, the investigation under subsection (d) of section 22 does not provide a basis for the President to make such limitations more restrictive . Accordingly, it would not be appropriate for the Commission to recommend action which would be more restrictive than the current limitations on such cheeses. However, by virtue of the jurisdiction invoked under subsection (d), there would be authority to make recommendations, depending upon the circumstances, for relaxation, removal of, or no change in such quota limitations. After reviewing the facts regarding the recent increase in imports of the named cheeses, we are convinced that purchase price is a wholly inadequate and inappropriate basis for an import quota. The net result of the purchase-price quotas imposed in 1968, as predicted by the Commission in its report on investigation No. 22-27, has been only to push the imports into the uncontrolled area (47 cents per pound or more) and thus continue import interference with the price-support program of the Department of Agriculture for milk.

With regard to the cheeses specified in items (1) and (2) of the President's request and referred to the Commission in accordance with subsection (a) of section 22, we have found that the recent increase in the volume of imports, as indicated earlier, is of such magnitude as to materially interfere with the milk price support program of the Department. With regard to the cheeses specified in item (3) of the President's request and referred to the Commission in accordance with subsection (a), we have found it is practically certain that in due course imports will so interfere. In the circumstances, we have recommended the imposition of quantitative limitations on all of the classes of cheese involved. In arriving at the amounts of the quotas for each of these classes, we have based our determinations on the imports of these cheeses in the calendar years 1963-65. We have selected these 3 years for the reason that they are, as previously stated, the representative period contemplated by the statute.

The 1963-65 imports of the cheeses in question were not under quantitative controls. The imports in these years were the last received before imports increased precipitously by virtue of practices designed to avoid the quantitative controls imposed on other dairy products. Immediately following 1965 these cheeses began to be imported in considerable quantities. Although data are not available showing the precise composition of these cheese imports in 1963-65 with respect to types, qualities, and uses thereof, such data as are available strongly suggest that the imports consisted predominantly of so-called "specialty" cheeses, i.e., cheeses of relatively high quality, intended for table use. It is the cheeses involved in the normal patterns of trade which the Commission attempted to provide for in its findings and recommendations in connection with investigation No. 22-27. Those cheeses continue to be, in our judgment, the cheeses which can be imported in approximately the same quantities as in

1963-65, without adversely affecting the price support program. We, therefore, in substance recommended for each of the classes of cheese having a purchase price of 47 cents per pound or more quota quantities based on the highest level of annual imports during the representative period.

As previously indicated, the Commission does not have authority to recommend greater restrictions with respect to the classes of cheeses under review, pursuant to subsection (d) of section 22. Also, we have expressed our views with respect to the inadequacies and inappropriateness of quota provisions defined in terms of purchase price, whether fixed or fluctuating. We feel constrained, therefore, to recommend one over-all quota for each of the classes of cheese involved regardless of its purchase price. Consequently, we have combined the amount in each of the existing quotas with the respective amount we found and recommended for each of the classes not currently under quota control.

The over-all annual quota quantities we recommended for the cheeses in question exceed the total largest annual imports of each of the cheeses in the representative period by 37 percent in the case of Swiss cheese, 62 percent in the case of Gruyere-process cheese, and 28 percent in the case of "other cheese" in finding 1(b). There were no imports of the "low-fat" cheese designated in finding 2(a) in the representative period, other than hand cheese. That cheese has a purchase price under 47 cents per pound and is already encompassed in the current quota. Moreover, since the 47-cent price break quota for "low-fat" cheese was proclaimed there have been no imports of such cheese priced over 47 cents for the reason that the purchase price requirement has been too high to attract shipments of such cheese which contain primarily nonfat milk solids and little or no butterfat. 1/ We have, therefore, recommended that no allowance be made in the quota quantity for this class of cheese having a purchase price of 47 cents or more per pound.

Articles excepted from the recommended quotas.--The foregoing recommended quota for the cheese and substitutes for cheese in finding 2(a) does not include cheeses not containing cow's milk. Such cheeses were not included in the emergency quotas imposed in September 1968, nor were they included when the emergency quotas were continued in eff ct in January 1969. When cheese and substitutes for cheese containing 0.5 percent or less by weight of butterfat (excepted from the quotas in January 1969) were made subject to quotas in January 1971, cheese not containing cow's milk was included therein, if shipped otherwise than in pursuance to a purchase, or if having a purchase price under 47 cents per pound. There have been no imported articles of the kind specified in finding 2(a) and not containing cow's milk, regardless of purchase price. As stated in findings 2(b) and 2(c), therefore, such articles (1) are not being and are not practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render

1/ We believe, however, that it is practically certain that in due course this value limitation like the others of this kind can and will be breached, particularly if action, as recommended, is taken to eliminate the avoidance practices associated with the other provisions here under review.

ineffective or materially interfere with, the price support programs of the United States Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk, and (2) the circumstances requiring the imposition of quantitative restrictions on such articles no longer exist.

Conclusion

As important as the separate quotas on defined product classes are in recognizing the equities of individual foreign countries and importers and providing for the allocation of their respective shares of historic trade in these product classes, it is also important that the quotas on these separate classes be viewed not in isolation but as an integrated whole in the larger context of their total impact on the domestic price-support programs. The recommended quota quantities, when added to the maximum permissible imports under the existing section 22 quotas, allow total annual imports of dairy products of approximately 1.4 billion pounds of milk equivalent, including those products that are to continue to be imported free from quantitative limitations under section 22--virtually all of which are cheeses made from sheep's milk. This total, which is about 0.5 billion pounds of milk equivalent smaller than the level attained in 1970, is consistent with the apparent objective of the President of limiting total imports of dairy products to 1.3 billion pounds of milk equivalent when he issued Proclamation No. 3884 in January 1969 imposing quotas on the cheeses in question, if having a purchase price under

47 cents per pound. A larger quota than recommended for any of the individual cheeses and substitutes for cheese in this investigation would tend to unstabilize the domestic market and add to the costs and burdens of program.

Statement of Commissioners Leonard and Young

Price supports and imports

The price-support programs for agricultural commodities, which are designed to improve farm income, function by removing from commercial channels of trade that quantity of the particular agricultural product for which there is no demand at the support price. The remaining supply of the product will usually flow into consumption at or above the prescribed support price. The cost of this surplus removal operation must be within reasonable bounds or the program will not be acceptable. Since the support price is usually set above world market prices, foreign producers can generally obtain higher prices for their products in the United States than in the home and some other markets. Imports drawn into the United States as a consequence of the higher market prices assured by the price-support program may displace domestic products which must be removed from trade channels by the price-support program. A burden is thereby placed on the price-support program and increases its cost.

The quantity of these imports and the conditions under which they are entered may result in material interference with the price-support programs and in some instances may render the programs ineffective. Furthermore, depending upon the nature of the price-support program, the amount of products processed in the United States from the price-supported commodity may be substantially reduced.

Purpose and test of section 22

To prevent the foregoing conditions from continuing and thus to protect the integrity of the price-support programs, Congress enacted section 22 of the Agricultural Adjustment Act of 1933, as amended (7 USC 624), which authorizes import restrictions either in the form of quotas or fees. 1/ Regardless of the level at which farm prices are supported pursuant to the provisions of other legislation, section 22 is clearly intended to protect the price-support programs.

The test for imposing import restrictions under section 22 is entirely different from that established by Congress in legislation concerning the escape clause, dumping, and unfair trade acts, where the imposition of quotas, duties, or exclusion orders rests in large part on whether a domestic industry has been injured. To make an injury determination in connection with such legislation, the effect of imports is measured by the degree to which the U.S. market is penetrated, the amount U.S. prices have been suppressed or depressed, the loss of profits, the unemployment or underemployment created, the idling of productive facilities, et cetera. In section 22, however, only the adverse effects of imports on the price-support or other farm programs or the substantial reduction in the amount of products processed in the United States from the domestic price-supported

1/ Congress enacted sec. 22 to protect not only price-support programs but also any other program or operation of the Department of Agriculture, or of any agency operating under its direction, with respect to any agricultural commodity or product thereof. This discussion, however, relates only to price-support programs, the only kind of program involved in the instant investigation.

article must be determined. Market penetration of even less than 0.1 percent of domestic consumption has had sufficient impact on a price-support program to produce import restrictions under section 22.

In an investigation under section 22, the Commission is to determine whether the complained-of imports 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, any program or operation of the U.S. Department of Agriculture, or to reduce substantially the amount of any product processed in the United States from any article for which there is such a program or operation. The disjunctive nature of the statute permits an affirmative finding and recommendation for import restrictions upon satisfaction of any one of several alternative conditions. Accordingly, in a particular investigation--as in this one--the affirmative findings of individual Commissioners may have various bases and therefore their recommendations may differ.

Statement of findings

The alternatives on which we predicate our affirmative finding are that the cheese and substitutes for cheese described in the Commission's finding 1(a) and 1(b) are practically certain to be imported into the United States under such conditions and in such quantities as to materially interfere with the price-support program for milk.

With respect to the low-fat cheese and substitutes for cheese described in finding 3, we do not find affirmatively. There have been no known imports of these articles, and we know of no reason to believe that such imports will develop. Thus, an essential requirement for an affirmative finding and a recommendation of quantitative restrictions under section 22--viz, that the article or articles are being or are practically certain to be imported into the United States--is not met.

Practical certainty of material interference

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk at such levels between 75 percent and 90 percent of parity as he determines necessary to assure an adequate supply. The Secretary carries out this directive by announcing, in advance of each marketing year, the price-support objective for manufacturing-grade milk. To accomplish this objective he also announces the prices at which the Commodity Credit Corporation (CCC) will purchase certain storable products processed from milk--butter, Cheddar cheese, and nonfat dry milk.

The price-support objective for manufacturing milk for the marketing year April 1, 1970 through March 31, 1971 was $4.66 per 100 pounds, and the average price received by farmers for such milk was $4.75 per 100 pounds. For the marketing year beginning April 1, 1971, the price-support objective for milk has been increased to $4.93 per 100 pounds. This recent rise in the price-support level, when translated into increased prices at which the CCC offers to purchase dairy products, will inevitably induce a rise in imports of dairy products not subject to quota limitations. Imports of the cheeses described in finding 1(a) and 1(b) rose by 50 percent from 1969 to 1970, when they reached 56 million pounds (product weight). The anticipated larger imports will undoubtedly result in a rise in CCC purchases of domestic dairy products and thus a rise in U.S. expenditures for the dairy price-support program. During the fiscal year ending June 30, 1971, U.S. expenditures for dairy price-support and related programs reached an estimated $395 million, the highest amount since 1963. The Department of Agriculture has projected that such expenditures for the fiscal year ending June 30, 1972 will be about $510 million and furthermore that the prices received by farmers for manufacturing-grade milk will be close to the support objective. Thus we find that imports of the cheeses described in finding 1(a) and 1(b) are practically certain to continue to increase and very soon reach such quantities as to materially interfere with the price-support program for milk.

Recommended remedy

We have recommended absolute import quotas, rather than import fees, to remedy the material interference which we believe is practically certain to result from the continued importation, under current conditions, of the cheeses in question. We believe that a fee of even

50 percent ad valorem (the maximum permitted under sec. 22) would not be effective in preventing interference with the price-support program and further that absolute import quotas are necessary to prevent such interference. For example, the increased prices following the imposition of quotas on imports of the cheeses priced at less than 47 cents per pound did not prevent imports from entering under such conditions and in such quantities that they are practically certain to materially interfere with the price-support program. The cheeses in question vary widely in taste, quality, and price, so that the probable impact of a fee on the flow of imports would also vary and for some cheese a fee would not be effective in restricting imports.

In this investigation the President specifically asked the Commission whether, in the event that quantitative limitations should be placed on the imports of articles not currently subject to quantitative limitations under section 22, separate quotas should be established for the articles having a purchase price of 47 cents or more per pound <u>or</u> the new quotas should be combined with the existing quotas provided for the articles of lower purchase price.

We agree with the conclusion of Commissioners Sutton and Moore that overall quotas are preferable to price-break quotas (whether using a fixed purchase price or a fluctuating purchase price derived from the support price for Cheddar cheese). Prices are not a stable basis for distinguishing meaningful product differences, particularly for such diverse products in terms of taste, quality, and price as the cheeses here under investigation.

In regard to the size of the quota to be imposed, we have found that the cheeses in question are not now being imported under such conditions and in such quantities as to materially interfere with the price support program for milk, and therefore the combined quota quantities recommended by us approximate the total imports of the specified cheeses during 1970. 1/

Section 22 provides that the quota cannot reduce the total permissible imports to less than 50 percent of the total quantity imported during a representative period determined by the President. We agree with Commissioners Sutton and Moore that a representative period for imports of the cheeses under consideration is the 3-year period January 1, 1963 through December 31, 1965. In that period most of the imports were cheeses intended for table use. In subsequent years a considerable part of the much larger imports have consisted of cheeses destined for further processing, and they have come principally from

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1/ The official import data for the cheeses covered by our recommendations for items 950.10B and 950.10C are shown in table 9 designated as "Swiss cheese" and "Gruyere-process cheese," respectively. The official import data for the cheeses covered by our recommendation for item 950.10D were not separately reported in 1970. The quota quantity we are recommending for such cheese is 11 million pounds smaller than the amount shown in table 9 for "Certain 'other cheese'" in 1970. The difference is the estimated quantity of the imports of cheese containin less than 0.5 percent by weight of butterfat and having a purchase price of less than 47 cents per pound, which cheese is currently restricted by the separate quota provided for item 950.10E.

countries that had not previously supplied such cheeses. Quota quantities approximating the amounts imported in 1970 would provide for total imports in excess of the required 50 percent of the total annual quantities imported during the representative period 1963-65. Such quota quantities administered by means of the licensing system provided for in headnote 3(a) to part 3 of the appendix to the TSUS would restrict the imports of process cheese and cheese for processing, while allowing an increase in the imports of specialty cheeses from traditional sources and at the same time providing greater flexibility in meeting the market demands for a wide variety of other cheeses.

Suggestions for future considerations of dairy import restrictions

The present patchwork of section 22 quotas on imports of dairy products is the result of the continued attractiveness of the U.S. market for dairy products and the ability of foreign exporters and U.S. importers to develop and market products not subject to the import quotas. As the imports of a particular quota-free product increased, it was made subject to a section 22 quota when the statutory criteria were found to have been met. We are now recommending the imposition of quotas on imports of the only products derived from cow's milk (except lactose and casein) which have been significant articles of international trade in recent years and are not currently subject to import quotas. However, with the present price conditions and the ingenuity of foreign exporters and U.S. importers, imports of other nonquota dairy products may develop.

In connection with any future actions under section 22, we suggest (as others have previously) that it may be desirable to place all imports of dairy products under quota restrictions on a milk-equivalent basis. Such a system would have the advantage of eliminating disruptions in the domestic market and still allowing for the development of new products.

INFORMATION OBTAINED IN THE INVESTIGATION

The Domestic Dairy Situation

Milk for ultimate sale in the fluid state is usually produced near large population centers throughout the United States, whereas most of the milk used in manufactured dairy products is produced in the North Central States. In recent years the North Central States have accounted for nearly 70 percent of the milk used in manufactured dairy products. Wisconsin and Minnesota have been the leading milk-producing States in the North Central region and also the leading producers of manufactured dairy products.

Recent trends in the U.S. production of milk

In the past two decades U.S. dairy farmers have altered their operations considerably. The number of U.S. farms selling milk and/or cream declined from about 1.5 million in the mid-1950's to 380,000 in 1970; the farmers that have remained in dairying have expanded and specialized, thus increasing their output per unit. Concurrently, the number of cows kept for milking declined from about 22 million to 12 million head. Output per cow, however, increased from about 5,500 pounds in 1953 to 9,400 pounds in 1970. U.S. output of milk reached an all-time high of 127 billion pounds in 1964 (table 1). After that time, production declined each year through 1969, when it amounted to 116 billion pounds. In 1970, however, the downward trend halted, and production rose to 117 billion pounds, representing an increase of 0.9 percent since 1969. The value of production in 1970 was $6.2 billion, the highest on record. In May 1971 the Department of

Agriculture estimated that in 1971 the output of milk would rise slightly above that of 1970.

Utilization of the domestic output of milk

In recent years about half of total U.S. production of milk has been consumed in the fluid form. Of the remaining half, about 41 percent has been used in making butter (and its byproduct, nonfat dry milk); 30 percent, in cheese; 19 percent, in frozen dairy products (principally ice cream); and the remaining 10 percent, in a variety of other products, including canned milk (table 2). The aggregate quantity of domestic milk used in making dairy products declined from 1964 through 1969, largely because of a reduction in the output of butter. Although butter production continued downward in 1970, the quantity of domestic milk used in making dairy products increased, reflecting the increased utilization in making cheese. Because of the strong demand for cheese and the decline in the total supply of milk, producers of cheese have been increasing the prices paid to farmers for milk more than have the producers of butter.

Yearend stocks of dairy products

Total annual yearend stocks of dairy products (commercial and Government-owned) have been smaller since the early 1960's than in many preceding years (table 3). From 1967 to 1969, total yearend stocks declined 35 percent. At the end of 1970, however, stocks were 11 percent larger than at the end of 1969. During 1967-70 the bulk of the stocks were owned commercially, indicating that supplies of dairy products were more in balance with commercial demand at prevailing prices than in earlier periods such as 1961-63 and 1953-55, when total stocks were exceedingly large and the bulk of the stocks were Government owned. In March 1971 the U.S. Department of Agriculture reported that stocks of dairy products will probably be above year-earlier levels during the remainder of 1971 and that the bulk of the increase in total stocks will be Government owned. On April 1, 1971, total stocks of dairy products were about 1.5 billion pounds larger than they were a year earlier; the bulk of the stocks were Government owned.

Federal Programs for Dairy Products

Federal Milk Marketing Orders

About 60 percent of the milk sold in 1970 by farmers to handlers (processors or dealers) was marketed under Federal Milk Marketing Orders, as compared with about 50 percent in 1967. These orders, administered by the U.S. Department of Agriculture, require milk handlers in each Federal Milk Marketing Order area to pay farmers in the area certain minimum prices for milk, based on its end use. In January 1971, 62 orders were in effect, compared with 74 orders in 1967. Minimum prices for grade A milk marketed for consumption in the fluid state (class I) and that marketed for manufacturing use (surplus grade A milk) are established under the orders. Federal Milk Marketing Orders for manufacturing-grade milk are permitted by law, but none have been established to date. Government price support, by the purchase of manufactured dairy products, affects the price of manufacturing-grade milk, particularly in the Minnesota-Wisconsin area, where about half of that milk is produced. Under the marketing orders, minimum prices for grade A milk in other areas are generally fixed at specified premiums above the price of manufacturing-grade milk in the Minnesota-Wisconsin area. 1/

The price-support program

Since 1950, the Secretary of Agriculture has been authorized and directed to support the prices of milk at such level between 75 and 90 percent of the parity price as he determines necessary in order to assure an adequate supply (Agricultural Act of 1949, as amended). 2/ The Agricultural Act of 1970 (Public Law 91-524) amended the dairy provisions of the 1949 act for the period April 1, 1971, through March 31, 1974. One change was the suspension of the mandatory support for

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1/ For a comprehensive discussion of Federal Milk Marketing Orders, see U.S. Tariff Commission, Dairy Products: Report on Investigation No. 332-53 Under Section 332 of the Tariff Act of 1930 Pursuant to a Resolution of the Committee on Ways and Means of the House of Representatives Adopted May 10, 1967, TC Publication 233, 1968 (processed).

Besides the Federal program, a number of States have programs to regulate the price 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. Federal and State Governments also expend funds on research programs directed toward reducing pollution. For a discussion of these programs, see Certain Dairy Products: Report on Investigation No. 332-64 . . ., TC Publication 340, 1970 (processed).

2/ 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 (for dairy products, 1910-14).

butterfat and the products of milk and butterfat, which was originally required under the 1949 legislation. Currently, as in earlier years, however, the required price support for milk is provided by the Department of Agriculture through purchases of butter, Cheddar cheese, and nonfat dry milk.

In advance of each marketing year (which begins April 1), the Secretary of Agriculture announces the price-support objective for manufacturing grade milk and the price at which the Commodity Credit Corporation (CCC) of the Department of Agriculture will purchase butter, Cheddar cheese, and nonfat dry milk. The support objective and the purchase prices of the three products may be altered within certain limits. Under the present legislation, the Secretary is permitted to lower the price for butter so long as he adjusts the purchase price for nonfat dry milk and thus maintains the minimum level of parity (75 percent) for milk, as required by law. The Department's offer to purchase butter, Cheddar cheese, and nonfat dry milk is not limited to specific quantities; 1/ the products offered, however, must meet certain specifications. Since November 1965, the Secretary of Agriculture has also been authorized by the Food and Agriculture Act of 1965 (sec. 709, Public Law 89-321) to purchase the three products at market prices above the support price, if necessary, to meet commitments under various Government programs (e.g., the school lunch program). (See the following section on Government purchases.)

1/ Unlike some Federal price-support programs which control output of the commodities concerned, the price-support program for dairy products does not limit the quantity of milk or dairy products that may be produced or marketed except indirectly through its effect on price.

The price-support objective for milk for manufacturing has fluctuated widely since 1953, when quotas were first imposed on imports of certain dairy products under section 22 of the Agricultural Adjustment Act, as amended, as shown in the following table.

The CCC price-support objective for milk for manufacturing, marketing years 1953-71 and fluctuations from the preceding period

Marketing year beginning Apr. 1--	Price-support objective	Increase or decrease (-) from preceding period
	Cents per pound	Percent
1953	3.74	-3
1954	3.15	-16
1955	3.15	-
1956	3.25	3
1957	3.25	-
1958	3.06	-6
1959	3.06	-
1960:		
Apr. 1-Sept. 16	3.06	-
Sept. 17-Mar. 9 (1961)	3.22	5
Mar. 10-31 (1961)	3.40	6
1961	3.40	-
1962	3.11	-8
1963	3.14	1
1964	3.15	1/
1965	3.24	3
1966:		
Apr. 1-June 29	3.50	8
June 30-Mar. 31 (1967)	4.00	14
1967	4.00	-
1968	4.28	7
1969	4.28	-
1970	4.66	9
1971	4.93	6

1/ Less than 0.5 percent.

The Secretary of Agriculture has frequently increased the price-support objective for milk for manufacturing since the beginning of the 1963 marketing year. On April 1, 1970, the price-support objective was increased from \$4.28 to \$4.66 per hundredweight, representing the largest increase made in the price-support objective at the beginning of any marketing year. On March 12, 1971, the Secretary announced that the price-support objective for the 1971 marketing year would remain at \$4.66 (81 percent of parity, based on February prices). On that date he also stated that the price-support objective had been increased at the beginning of the 1970 marketing year because the production of milk was then declining and the increase was in keeping with the obligation of the Department under the statutes to provide sufficient supplies of milk for the 1970's. He also noted the upward trend in the production of milk following the 1970 increase in the price-support objective.

In his announcement of March 12, 1971, the Secretary said he realized that some dairymen believed that the price-support objective should be increased, but he stated--

> The long time well being of dairymen requires that prices be kept at levels which will permit the overwhelming proportion of milk to clear through commercial markets. Dairymen, like all farm producers, are faced with increased costs. But they know from past experience that they do not benefit when dairy production substantially exceeds demand and excessive surpluses pile up in Government warehouses. We must avoid this.

On March 25, 1971--13 days later--the Secretary of Agriculture announced that the price-support objective would be increased on April 1 from \$4.66 to \$4.93 (85 percent of parity), the highest price on record (table 4). In this announcement the Secretary of Agriculture stated, among other things--

> that there is a constant analysis of the milk production situation, and that farmer costs have escalated sharply particularly in concentrate feed which has gone up \$10 to \$20 per ton. Farmers have no way to cut other costs to compensate for those which have risen.

During 1969 the average price received by farmers for milk for manufacturing was 26 cents per hundredweight above the CCC price-support objective, the greatest margin by which average market prices of milk for manufacturing have exceeded the price-support objective since at least 1953. In 1970 the price received by farmers averaged 9 cents per hundredweight above the price-support objective. The price received by farmers in March 1971 was 7 cents per hundredweight below the price-support objective--\$4.93--effective April 1, 1971. In March 1971 the market price for nonfat dry milk was 3.9 cents per pound below the announced support price; on April 1, the market price for butter equaled the announced support price, and the market price for Cheddar cheese was 2.3 cents per pound above the announced support price.

The Department of Agriculture generally stands ready to resell dairy products to domestic commercial users for unrestricted use at announced prices, which are always above the Government purchase prices. 1/ The announced resale prices ordinarily set a ceiling on the wholesale market prices for the products except when Government stocks are low. Stocks of dairy products owned by the CCC have not been resold to the domestic market at less than 110 percent of the purchase price since March 30, 1967. Previously the Department's resale price of dairy products for unrestricted use was about 105 percent of the purchase price.

Government purchases.--The U.S. Government removes dairy products from the commercial market through the Department of Agriculture's purchase program and the payment-in-kind export program (PIK) (see following section). 2/ The great bulk of the dairy products so removed have been acquired through the Department of Agriculture's purchase program conducted by the CCC (table 5).

U.S. milk production, gross removals from the commercial market (CCC purchases and PIK exports) of butter, Cheddar cheese, and nonfat dry milk, and the subsequent unrestricted domestic sales to the commercial market by the CCC in recent years are shown in the following table.

1/ Public Law 91-223, in effect, specified that dairy products acquired by the CCC through its price-support operations may, insofar as they can be used in the United States in nonprofit school lunch programs and certain other charitable and welfare programs, be donated for any such use prior to any other use or disposition.

2/ 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 5 in the column labeled "Special milk program."

U.S. production of milk, gross removals of milk equivalent by the CCC, and subsequent unrestricted sales, 5-year averages 1953-62, annual 1963-70, and January-April of 1969-71

(Milk equivalent on a fat-solids basis)

Period 1/	U.S. milk production	Milk equivalent of gross removals (CCC purchases and PIK exports on a delivery basis)		Milk equivalent of subsequent unrestricted domestic sales
		Quantity	Percent of U.S. milk production	
	Million pounds	Million pounds		Million pounds
Average:				
1953-57	123,070	7,089	5.8	180
1958-62	124,055	5,962	4.8	19
Annual:				
1963	125,202	7,745	6.1	32
1964	126,967	7,676	6.0	788
1965	124,173	5,665	4.5	761
1966	119,892	645	.5	-
1967	118,769	7,427	6.2	1
1968	117,234	2/ 5,159	4.4	6
1969	116,345	3/ 4,479	3.8	25
1970	117,436	5,805	4.9	-
Jan.-Apr.				
1969	38,608	2,133	5.5	20
1970	38,798	1,958	5.0	-
1971	39,198	3,270	8.3	-

1/ Calendar-year basis.
2/ Includes milk equivalent of 115 million pounds of evaporated milk purchased with funds authorized by sec. 32 of Public Law 320 (74th Cong.).
3/ Includes milk equivalent of 226 million pounds of evaporated milk purchased with sec. 32 funds.

Gross removals of dairy products from the commercial market by the Department of Agriculture accounted for a smaller share of the U.S. output of milk in 1968-70 than in most earlier years. Such removals were larger in 1970, however, than in any year since 1967. In May 1971 the Department of Agriculture reported that CCC removals of dairy products from commercial markets in 1971 will likely exceed those in 1970. In January-March 1971 CCC removals of dairy products from the commercial market were about 70 percent larger than those of the comparable period in 1970. Annual purchases of the individual products--butter, Cheddar cheese, and nonfat dry milk--under the support program have varied (table 6); during January-April 1971, Government purchases were larger than in the comparable period in 1970. Generally, CCC purchases have decreased when the market prices have been materially greater than the Government's support prices (table 4).

When purchases at support prices have been small and stocks of dairy products owned by the CCC are deemed insufficient to meet commitments under various Government programs such as the school lunch program, the Secretary of Agriculture is authorized under section 709 of Public Law 89-321 to use CCC funds to purchase dairy products at market prices (rather than at support prices). In 1966, when purchases were first made under the authority of section 709, all of the cheese and about a third of the butter were bought at market prices; no nonfat dry milk was purchased under section 709. From 1966 until the latter part of 1969, dairy products were not purchased under section 709 but were bought at support prices. During the period October-December 1969 Cheddar cheese was again purchased at market prices under section 709.

During the period January-March 1970 no purchases of Cheddar cheese were made by the Government. From April 1970 through February 1971 all purchases of cheese by the Government were at support prices. In March 1971 the Government purchased 5.3 million pounds of cheese at market prices under section 709; since then all purchases of cheese by the Government have been at support prices. On April 1, 1971, the support price for Cheddar cheese was increased (table 4), and the difference between the market prices and the support prices narrowed. On April 1, 1971, the market price was 2.3 cents per pound above the support price, whereas during the preceding marketing year April 1, 1970-March 31, 1971) the market price averaged 3.0 cents above the suppport price.

Disposition of Government stocks.--The dairy products acquired by the Government under the price-support program are nearly all disposed of through domestic welfare and institutional outlets and sales or donations abroad. As shown in the tabulation in the previous section, small quantities were disposed of through unrestricted commercial sales prior to 1970. Domestic disposal has been to welfare recipients, the school lunch program, military and veterans' hospitals, and penal and correctional institutions. The quantities of dairy products consumed under Federal programs and through commercial channels in the United States are shown in table 7. 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 6). The purchases of butter and Cheddar cheese by the Government 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. 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, 1971, the program had not been reinstated. 1/

Costs of the dairy price-support programs.--The U.S. Department of Agriculture reports that the annual net Government expenditures 2/ on the dairy price-support and related programs reached a peak of $612.0 million in the year ending June 30, 1962, owing to unusually large Government purchases of butter, Cheddar cheese, and nonfat dry milk. During the years ending June 30, 1963-70, the annual expenditures ranged from $68.6 million (in 1966) to $485.5 million (in 1963) (table 5). At the close of the 1970-71 marketing year, the Department estimated that the expenditures in that year had reached $395 million, the highest annual expenditures since 1963. At the Commission's hearing, the spokesman for the Department of Agriculture estimated that the expenditures for the 1971-72 year would amount to $510 million. 3/

The great bulk of the expenditures have been for purchasing butter, Cheddar cheese, and nonfat dry milk. In recent years the expenditures for purchasing Cheddar cheese have been lower than those for purchasing butter and nonfat dry milk. Since 1965 the expenditures for Cheddar cheese have only accounted for 4 percent (in 1966) to 18

1/ The PIK program is discussed in more detail in U.S. Tariff Commission, Certain Dairy Products: Report to the President on Investigation No. 22-27 . . ., TC Publication 274, 1968 (processed), p. A-12.

2/ CCC purchases and other costs (processing, repackaging, transportation, storage, and handling), less proceeds from sales, do not include costs of the special milk program to increase milk consumption by children in schools, child-care centers, and similar institutions.

3/ Transcript of hearing, p. 9.

percent (in 1968) of the total annual expenditures for the three products.

Section 22 quotas on imports of dairy products

Absolute quotas under section 22 of the Agricultural Adjustment Act, as amended, were first imposed on certain dairy products in mid-1953. Subsequently, as indicated in an earlier section of this report, other articles were made subject to section 22 quotas after the Tariff Commission determined that imports thereof were interfering with the price-support programs of the U.S. Department of Agriculture for milk and butterfat. The annual quotas currently in effect for dairy products are shown in part 3 of the appendix to the Tariff Schedules of the United States (TSUS). Such quotas restrict imports of most articles derived from cow's milk and currently entering international trade, except the cheeses here under investigation, lactose, and casein.

The maximum permissible annual quantity of the specified dairy products that can currently be imported under the quotas amounts to about 972 million pounds (milk equivalent, fat-solids basis)--an amount equal to 0.8 percent of the U.S. production of milk in 1970. With the exception of several quotas that are not large enough to attract commercial shipments (e.g., dried cream and certain condensed milk and cream), the annual quotas have been filled or substantially filled in recent years.

For many years the price pull in the U.S. market for foreign articles derived from milk has been greater for products of high butterfat content than for products of high nonfat milk-solids content.

In recent years, as additional dairy products of high butterfat content have become subject to import quotas, shipments of dairy products to the United States have consisted of increasing quantities of products of relatively high nonfat milk-solids content and/or little or no butterfat. 1/ An increase in U.S. prices of nonfat milk solids has contributed to the rise in imports of articles primarily containing or made from nonfat solids, such as milk replacer bases and certain low-fat cheeses.

Pressures of foreign countries to enter the U.S. dairy market despite the widening coverage of dairy products by import quotas can be explained largely by significant differentials in recent years between U.S. prices and foreign prices. For example, in February 1971 the wholesale price of butter (finest grade from New Zealand) in London--a principal market--was 37.5 cents per pound (about 5 cents higher than a year earlier); in Chicago, grade A butter was 70.0 cents per pound (about 2 cents higher than a year earlier). The corresponding price of nonfat dry milk in London was about 16.5 cents per pound (about 7 cents higher than a year earlier), whereas the average U.S. market price was 28.0 cents per pound (about 1 cent higher than a year earlier).

Current quotas for cheeses.--At the present time, imports of cheeses containing cow's milk, except Goya, Gjetost, Nobbelost,

1/ Imports of certain dried nonfat milk solids--in the form of nonfat dry milk, dry buttermilk, and dry whey--have been subject to quantitative limitation since the sec. 22 quotas for dairy products became effective in 1953.

Gammelost, and the cheeses here under investigation, are subject to quotas imposed under section 22. The cheeses not containing cow's milk--principally Roquefort, other sheep's milk cheeses, and goat's milk cheeses--are not produced commercially in the United States and are not subject to import quotas.

The annual import quotas currently applicable to various cheeses are as follows:

Article 1/	Quantity
	Pounds, product weight
Blue-mold (except Stilton) cheese, and cheese substitutes for cheese containing, or processed from, blue-mold cheese	5,016,999
Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese	10,037,500 2/
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	6,096,600
Edam and Gouda cheeses	9,200,400
Cheese and substitutes for cheese containing, or processed from, Edam and Gouda cheeses	3,151,000
Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provolone, Provolette, and Sbrinz)	11,500,100
Italian-type cheeses, made from cow's milk, not in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provolone, Provolette, and Sbrinz), and cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves	1,494,000
Swiss or Emmenthaler cheese with eye formation; Gruyere-process cheese; and cheese and substitutes for cheese containing, or processed from, such cheese: 3/	
Swiss or Emmenthaler cheese with eye formation	4,271,000
Other than Swiss or Emmenthaler cheese with eye formation	3,289,000

See footnotes at end of tabulation.

Article 1/	Quantity
	Pounds, product weight
Cheeses and substitutes for cheese provided for in items 117.75 and 117.85, pt. 4C, schedule 1 (except cheese not containing cow's milk; cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat, and articles within the scope of other import quotas provided for in pt. 3 of the appendix to the TSUS (hereafter referred to as "other cheese") 3/--------	25,090,000
Cheeses and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, as provided for in items 117.75 and 117.85 of subpt. C, pt. 4, schedule 1, except articles within the scope of other import quotas provided for in pt. 3 of the appendix to the TSUS 3/----------------------------	8,901,000

1/ For the complete description, see pt. 3 of the appendix to the TSUS.

2/ Not more than 8,812,500 lb. shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months.

3/ All the foregoing, if shipped otherwise than in pursuance to a purchase, or if having a purchase price (as provided in headnote 3(a)(iii) to pt. 3 of the appendix to the TSUS) under 47 cents per pound.

With respect to some of the cheeses, the quantity permitted entry under quota is very small compared with U.S. production, whereas the quantity of others is large. The quantities specified in the existing quotas on Cheddar and American-type cheeses, certain Swiss cheese, and certain "other cheese," for example, is very small compared with the domestic output. The quotas on blue-mold cheese and Italian-type cheeses however, were equivalent to about 24 percent and 14 percent, respectively of the domestic output in 1969 (the latest year for which data are available), and the quotas on Edam and Gouda cheeses (natural and process), Gruyere-process cheeses, and certain "other cheese" containing 0.5 percent or less by weight of butterfat were larger than the domestic output.

Administration of section 22 quotas for cheese.--Import quotas on aged Cheddar cheese are administered by the Bureau of Customs on a first-come, first-served basis; imports of all other cheeses under quota are subject to licensing procedures of the Department of Agriculture. 1/ The cheeses subject to such licensing procedures 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. The license authorizes a particular firm to enter designated quantities of cheese from a designated country through a specified port of entry; all licenses for entries of cheeses further require that not more than half of the designated quantity can be imported in the first 6 months of the quota year.

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 each country during a previous representative period, taking due account of any special factors that may

1/ Presidential Proclamation No. 4026 of Dec. 31, 1970, excepted certain cheese and substitutes for cheese containing 0.5 percent or less by weight of butterfat from the licensing procedure for the period Jan. 1-June 30, 1971.

have affected or may be affecting the trade in the articles concerned. 1/ In accordance with these directives, the Department generally regards an importer who entered cheese during a base period as eligible for a license; he would usually be granted a share of the annual quota proportionate to his share of total imports of the cheese in the base period. Importers seeking to enter the trade may be licensed to enter nominal quantities of cheese. Licenses may not be transferred or assigned to others, except as authorized by the Department of Agriculture.

Effective January 1, 1971, if the Secretary of Agriculture determines that, regarding any article for which licenses are required, a quota quantity specified for a particular country is not likely to be entered within any calendar year, he may issue a regulation providing for the adjustment, for that calendar year, of the quantities of such article which may be entered during such year from particular countries of origin, but the aggregate quantity permitted to be entered from all countries during such calendar year may not be exceeded. 2/

U.S. Foreign Trade in Dairy Products

Although in most years since World War II the United States has been a net exporter of dairy products, imports were substantially larger than exports in the years 1966-70 (table 1). Exports have been small compared with domestic production. Most of the U.S. exports of dairy products have been under various Government programs. Unsubsidized U.S. exports of dairy products have been negligible. During the

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1/ Headnote 3(a)(1) to pt. 3 of the appendix to the TSUS.
2/ Presidential Proclamation No. 4026.

period 1963-70, annual U.S. exports of dairy products ranged downward from 6,872 million pounds in 1964 (equivalent to 5.4 percent of the U.S. output) to 363 million pounds in 1967 (0.3 percent of U.S. output). In 1970, exports amounted to 437 million pounds, equal to 0.4 percent of milk production.

For many years, U.S. imports of dairy products have been small compared with domestic production (table 1). U.S. imports of certain dairy products are shown in table 8 for the years 1966-70 (product-weight basis). Until 1966, annual imports amounted to less than 1 billion pounds (milk equivalent) and were equal to less than 1 percent of U.S. production of milk. In 1966, however, imports increased sharply, amounting to 2.8 billion pounds (equivalent to 2.3 percent of domestic output). Imports in 1967 were even higher--2.9 billion pounds (equivalent to 2.4 percent of U.S. production).

Effective July 1, 1967, quotas were imposed on several dairy products (principally Colby cheese, certain butterfat-sugar mixtures, and frozen cream) which had accounted for the great bulk of the increase in imports during 1966 and early 1967. Although aggregate imports of dairy products declined from 2.9 billion pounds in 1967 to 1.8 billion pounds in 1968 (equivalent to 1.5 percent of domestic output), they were, nonetheless, substantially above the pre-1966 level of 1 billion pounds because imports of the uncontrolled dairy products continued to increase.

In 1968 several Presidential actions were taken with regard to U.S. imports of dairy products. 1/ Among other things, the President on September 24, 1968, proclaimed emergency quotas on Swiss or Emmenthaler cheese, Gruyere-process cheese, and certain "other cheese," if having a purchase price under 47 cents per pound.

On January 6, 1969, following a report by the Tariff Commission, the above-mentioned emergency quotas except for those on "other cheese" were continued in effect; 2/ for "other cheese" the product coverage and the quota quantity were changed. 3/

When the proclamation was issued on January 6, 1969, the U.S. Department of Agriculture announced: "It is estimated that 1969 U.S. imports of all dairy products--both within and outside the import control system--will amount to approximately 1.3 billion pounds (milk equivalent)." 4/ In that year imports of dairy products actually amounted to 1.6 billion pounds (equal to 1.4 percent of the U.S. production of milk). In 1970, imports of dairy products amounted to 1.9 billion pounds (equal to 1.5 percent of the U.S. production of milk), or about 17 percent larger than in 1969.

Shortly after the quotas became effective in January 1969, imports of uncontrolled dairy products increased sharply or entered for the

1/ Presidential Proclamation Nos. 3856 and 3870.
2/ Presidential Proclamation No. 3884.
3/ For a discussion of the changes see Certain Dairy Products: Report on Investigation No. 332-64 . . ., TC Publication 340, 1970 (processed).
4/ U.S. Department of Agriculture press release 31-69, Jan. 6, 1969.

first time in substantial quantities. On May 13, 1970, the President requested the Tariff Commission to conduct an investigation under section 22 to determine whether four of those articles--ice cream, low-fat chocolate crumb, milk replacer bases, and, if having a purchase price under 47 cents per pound, certain low-fat cheeses--were being, or were practically certain to be, imported into the United States so as to interfere with the price-support programs of the Department of Agriculture for milk and butterfat. On January 1, 1971, following a report by the Tariff Commission, those four articles were made subject to quotas. 1/ Neither the President nor the Department of Agriculture has indicated the anticipated level of the milk equivalent of imports likely to be experienced as a result of making those four articles subject to quotas.

As already indicated (pp. 6 f.), the cheeses and substitutes for cheese having a purchase price of 47 cents per pound or more and referred to in items (1) and (2) of the President's request for this investigation were among the articles that in 1970 accounted for a larger share of the nonquota imports (milk equivalent, fat-solids basis) than did those on which the President requested section 22 action in May of that year. There were no known imports of the cheeses and substitutes for cheese referred to in item (3) of the President's request--i.e., those containing 0.5 percent or less of butterfat and having a purchase price of 47 cents per pound or more. Apparently

1/ Presidential Proclamation No. 4026.

such cheeses were included in the request so that the cheeses currently being investigated fully complemented those already under quota if having a purchase price under 47 cents per pound.

On a product-weight basis, imports of the cheeses here under investigation increased from an estimated 13.6 million pounds in 1965 to about 56.4 million pounds in 1970 (table 9).

During 1968-70, estimated imports on a product-weight basis of the four articles made subject to quotas on January 1, 1971, had increased even more sharply, as shown in the following table.

U.S. imports of ice cream, low-fat chocolate crumb, milk replacer bases, and low-fat cheese, 1968-70, and quota quantities effective Jan. 1, 1971

Item	Imports			Quota quantity effective Jan. 1, 1971
	1968	1969	1970	
Ice cream----------1,000 gal--	-	2,588	8,006	431
Low-fat chocolate crumb 1,000 lb--	-	477	9,693	4,680
Milk replacer bases-----do----	2,398	9,693	27,435	16,300
Low-fat cheeses---------do----	60	3,000	11,027	8,901

Except for ice cream, the quota quantities shown above were about equal to imports during July 1969-June 1970--a 12-month period when imports were exceptionally high. The quota quantity for ice cream, however, the product containing the bulk of the imports of fat solids, equaled 50 percent of the average annual imports of that article during the representative period designated by the President (1967-69), and thus was the minimum quota quantity allowed by the statute.

Agricultural Support Programs and Export Subsidies of Foreign Countries

In many foreign countries, as in the United States, governments operate price-support programs for dairy products designed to maintain and improve farmers' incomes. Encouragement of production by support prices favorable to producers--in the absence of effective production or marketing controls--has generally given rise to additional measures to deal with resulting surpluses. Important among these has been the use of export subsidies to increase sales in foreign markets. Moreover, high prices in the home markets engendered by price-support policies generally have necessitated measures to protect the home markets against lower priced imports. Curtailment of imports in customary markets, in turn, has caused a buildup of surplus stocks in the supplying countries and diversion of their exports to whatever other markets may be accessible.

The Common Agricultural Policy (CAP) of the European Economic Community (EEC) 1/ as it applies to milk and other dairy products provides an illustration of a program that has led to the foregoing developments. Principal mechanisms of the price-support system for milk and other dairy products under the CAP are the following: A target price for milk; intervention prices for butter, skim-milk powder, and certain cheeses; threshold prices for pilot (base) products in each of 12 dairy-product groups; variable import levies; and export subsidies or refunds.

1/ The members of the EEC are West Germany, Italy, France, Luxembourg, the Netherlands, and Belgium.

The target price for milk is essentially a price "goal" which the Community seeks to attain for all milk sold by producers in the marketing year. 1/ It is not a guaranteed price. The intervention prices for butter, skim-milk powder, and certain cheeses are support prices at which intervention agencies must purchase these commodities when they are offered for sale. The intervention prices assure that actual market prices do not fall materially below designated levels. They are set at levels slightly below the corresponding target prices for the respective products. The threshold prices are minimum import prices and are generally fixed on the basis of internal market prices prevailing in each member State. The variable import levies are designed to insulate the market for domestic products from foreign competition and are calculated as the difference between the threshold price and the lowest c.i.f. price on the world market. Variable import levies equalize the cost of imports with domestic prices of the respective products. To enable exports to be made at world prices, refunds or subsidies to individual exporters in the Community are authorized. They are fixed at levels not to exceed the difference between exporters' f.o.b. prices and world prices. The Community's price-support program thus forms a closely integrated system, and pressure on any one of its interdependent mechanisms could conceivably disturb the balance of the whole.

1/ The marketing year for dairy products runs from Apr. 1 to Mar. 31.

The price-support system, embodying the fixing of prices at a high level, enabled many marginal EEC producers to continue in operation. Surplus butter stocks began to accumulate in 1965. They reached 941 million pounds by August 31, 1969, and were equivalent to about one-third of that year's production (2.9 billion pounds). Since then, however, owing to adverse weather conditions and a declining cow population, butter stocks in the EEC have declined, amounting to 730 million pounds at the end of 1969, 432 million pounds at the end of 1970, and 150 million pounds as of March 31, 1971.

Another dairy product which is supported by official EEC purchases--skim-milk powder (of which there had been production surpluses)--also experienced a drastic reduction in its stocks during 1970, falling from 800 million pounds at the beginning of the year to 390 million at the end. Although EEC authorities do intervene to support the prices of Grana Padano and Parmesan cheese, purchases of such cheeses are restricted to areas where farm-to-market transportation is not well developed, principally in certain areas of Italy. Stocks of cheese held by the EEC's agricultural intervention and structural reform organization, the Agricultural Guidance and Guarantee Fund, are minimal.

As possibilities of disposal on the EEC market are limited, exports to non-EEC countries constitute an important tool left for the Community in reducing its dairy stocks. Since the prevailing prices for dairy products in most world markets are considerably lower than in EEC markets, the only way of achieving significant EEC exports is by granting sizable subsidies (refunds) to exporters to offset the difference between the supported domestic price in the Community and the competitive world price. Owing to high EEC support prices and depressed world market prices of dairy products, subsidies have been substantial.

The EEC's subsidies on exports of cheese to the United States are 19.5 cents per pound for Swiss (Emmenthaler), 19.5 cents for natural Gruyere, 17.2 cents (average) for Gruyere-process, 1/ 4.5 cents for certain "other cheese," and 19.5 cents for processed cheese with a 55-percent fat content in the dry matter.

Exports of the products subject to this investigation are also encouraged by the dairy subsidy schemes of many countries other than EEC members. Data are fragmentary, however, because many countries apparently do not have the Community's system of publicizing authorized export subsidies for individual dairy products. Countries such as Australia, Denmark, and Ireland subsidize the dairy industry by covering the losses of the dairy farmers on their domestic and/or export sales to varying degrees. Export subsidies thus appear to be an integral part of the overall dairy subsidy systems of these countries. Australia, Canada, and Denmark have arrangements for pooling returns for domestic and export sales of dairy products to equalize returns to farmers whether the product moves in domestic or export channels. Available information also indicates that Austria and Finland have export subsidy systems in operation for dairy products, whereas Argentina, Japan, New Zealand, and the United Kingdom do not.

1/ The amount of the subsidy for Gruyere-process cheese varies in accordance with the composition of the cheese.

Certain Cheeses and Substitutes for Cheese, 47 Cents Per Pound or More

The cheeses and substitutes for cheese designated in the President's request of March 12, 1971, are of the same varieties as, but have a higher purchase price than, the cheeses made subject to import quotas under section 22 of the Agricultural Adjustment Act, as amended, on September 24, 1968, for the articles referred to in item (1) and most of those in item (2); on January 6, 1969, for the other articles in item (2); and on January 1, 1971, for the articles referred to in item (3). 1/ The quotas currently limit the imports of these cheeses if they have a purchase price under 47 cents per pound or are shipped otherwise than in pursuance to a purchase, whereas the imports of the higher priced cheeses are free of quot

The varieties of cheeses and substitutes for cheese 2/ subject to this investigation are, for convenience of discussion, divided into the following three categories, each identified by the TSUS item number under which the annual quotas on products of lower prices are provided in part 3 of the appendix to the TSUS:

TSUS item No.	Description
950.10B	Swiss or Emmenthaler cheese with eye formation.
950.10C	Gruyere-process cheese.
950.10D) 950.10E)	"Other cheese" (includes a wide variety of natural and process cheeses not specifically provided for by name in the TSUS, cheese mixtures, and substitutes for cheese).

1/ Presidential Proclamation Nos. 3870, 3884, and 4026, respectively.

2/ There have been virtually no imports of substitutes for cheese. So fa as the Commission can determine, the only product that has been classified as a substitute for cheese was imported from Denmark; it contained about 5 percent butterfat and had the general appearance and odor of cheese. In a letter to the Department of Agriculture dated Jan. 5, 1968, the Bureau of Customs described the product as one that is not a cheese, cannot be labele as a cheese, and cannot be bought and sold in the commerce of the United States as a cheese.

Swiss cheese with eye formation (hereinafter referred to as Swiss cheese) is a natural cheese made from cow's milk; it is distinguished from other cheeses by its large holes, or eyes, which are developed by the action of certain bacteria. Swiss cheese was first made in the Emmenthaler Valley of Switzerland, from which its name was derived. Swiss cheese without eye formation, i.e., process Swiss, dehydrated, 1/ or spray-dried Swiss, is "other cheese," as identified above.

Gruyere-process cheese is generally made from natural Gruyere (a semihard cow's milk cheese with a sharp flavor) 2/ or from a blend of natural Gruyere and natural Swiss cheeses. The Federal standards of identity require that the blend must contain not less than 25 percent by weight of natural Gruyere (21 CFR 19.750).

In recent years the bulk of the Gruyere-process cheese marketed in the United States has consisted of individual wedge-shaped pieces weighing about 1 ounce each that are foil wrapped, packed in circular boxes, and consumed exclusively as hors d'oeuvres; the cheese in this form has not been subjected to further processing, nor is it usually sliced for sandwiches. In 1966, however, substantial quantities of Gruyere-process cheese were imported in 5-pound loaves for use in making sandwiches.

1/ When dehydrated, 1-1/2 pounds of cheese normally yields 1 pound of milk solids having the approximate value of the original 1-1/2 pounds of cheese plus the cost incurred in dehydrating (generally 2 or 3 cents per pound).

2/ Domestic production of natural Gruyere has been negligible, and imports, which are classified as "other cheese," have been small.

The cheeses herein referred to as "other cheese" are not specifically provided for by name in the TSUS and are not made from sheep's milk. Included are a wide variety of cheeses, such as cottage cheese, natural Gruyere, brick, Munster, Neufchatel, Limburger, Camembert, Mozzarella, so-called Monterey, soft Italian-type cheeses, dehydrated Swiss cheese, certain cheeses containing 0.5 percent or less by weight of butterfat, Iceland milk cheese, certain cheese fondue, various process cheese, and cheese mixtures and substitutes for cheese. Some of the aforementioned cheeses are consumed as natural cheese for table use in the form in which imported, and some are used for processing.

U.S. customs treatment

The rates of duty currently applicable to imports of the cheeses of the types considered here from countries other than those designated as under Communist control are as follows:

TSUS item	Commodity	Rate of duty
117.60(pt.)	Swiss or Emmenthaler cheese with eye formation.	9.5% ad val.
117.60(pt.)	Gruyere-process cheese	9.5% ad val.
	"Other cheese" valued per pound--	
117.75(pt.)	Not over 25 cents	5¢ per lb.
117.85(pt.)	Over 25 cents	12% ad val.

The 9.5-percent rate of duty on the cheese dutiable under TSUS item 117.60 became effective January 1, 1971, and reflects the fourth stage of a five-stage concession granted by the United States in the sixth (Kennedy) round of trade negotiations under the GATT. The fifth-stage reduction--to 8 percent ad valorem--is scheduled to become effective January 1, 1972.

The rate of duty on "other cheese" dutiable under item 117.15--5 cents per pound--reflects a GATT concession that became effective early in 1950. On the total imports entered under item 117.75 during 1970, the ad valorem equivalent of the rate of duty averaged 25.9 percent. The 12-percent rate of duty on "other cheese" dutiable under item 117.85 became effective January 1, 1971, and reflects the fourth stage of a five-stage GATT concession. The fifth-stage reduction--to 10 percent ad valorem--is to become effective on January 1, 1972. 1/

Imports from Communist-dominated areas, which have been virtually nil in recent years, are dutiable at 35 percent if admitted under TSUS item 117.60 or 117.85 and at 8.75 cents per pound if admitted under item 117.75.

1/ In addition to the import duty, imports of filled cheese--cheese made with an admixture of butter, animal oils or fats, or vegetable or other oils--classifiable under item 117.75 or 117.85 are subject to an internal revenue tax of 8 cents per pound under sec. 4831(b) of the Internal Revenue Code of 1954, whereas domestic filled cheese is subject to a tax of 1 cent per pound under sec. 4831(a). U.S. imports and production of such cheese, however, have been nil for many years.

The following tabulation shows the country allocation of the annual quotas currently applicable (under items 950.10B through 950.10E of pt. 3 of the appendix to the TSUS) to certain cheeses if they are shipped otherwise than in pursuance to a purchase, or if they have a purchase price under 47 cents per pound:

Country of origin	Quota quantity (pounds)
	Swiss or Emmenthaler cheese with eye formation (item 950.10B)
Austria	972,000
Denmark	609,000
Finland	1,843,000
Norway	367,000
Switzerland	200,000
West Germany	124,000
Other	156,000
Total	4,271,000
	Gruyere-process cheese (item 950.10C)
Austria	483,000
Denmark	119,000
Finland	1,516,000
Switzerland	10,000
West Germany	1,078,000
Other	83,000
Total	3,289,000
	"Other cheese" (item 950.10D)
Belgium	207,000
Denmark	8,966,000
Finland	1,124,000
France	931,000
Iceland	649,000
Ireland	151,000
Netherlands	56,000
Norway	222,000
Poland	2,064,000
Sweden	1,535,000
Switzerland	34,000
United Kingdom	274,000
West Germany	989,000
New Zealand	7,500,000
Other	388,000
Total	25,090,000
	"Other cheese," containing 0.5 percent or less of butterfat (item 950.10E)
Denmark	6,680,000
United Kingdom	791,000
Ireland	756,500
West Germany	100,000
Poland	385,600
Australia	123,600
Iceland	64,300
Other	1/
Total	8,901,000

U.S. producers

Swiss or Emmenthaler cheese with eye formation.--The number of U.S. plants producing Swiss cheese declined from 147 in 1962 to 99 in 1969, reflecting, in part, mergers and consolidations. In 1958 Illinois became the first State to produce more Swiss cheese than Wisconsin; from 1958 to 1969 Illinois was the leading producing State. In 1968 Illinois produced 34 percent of the domestic output, while Wisconsin produced 27 percent; Ohio and Pennsylvania also produced large quantities.

For many years a large part of the domestic Swiss cheese was produced in Wisconsin in the form of large 180-to-200-pound wheels. In recent years, however, much of the domestic output of Swiss cheese has been accounted for by blocks of rindless Swiss produced in other States. Many plants which formerly produced wheels of Swiss cheese do not have the patent rights to produce rindless Swiss; some of these plants have begun producing Cheddar cheese.

Gruyere-process cheese.--Only one U.S. firm produces Gruyere-process cheese. Virtually all of that firm's output of Gruyere-process cheese is sold at retail in packages containing wedges weighing 1 ounce each. That firm is also a large importer of Gruyere-process cheese and a large producer and distributor of various other cheeses. Gruyere-process cheese accounts for only a small part of its sales.

"Other cheese."--The number of U.S. plants producing "other cheese" declined from about 1,600 in 1962 to 1,050 in 1969, reflecting, in part, mergers and consolidations. About three-fifths of the plants in operation in 1969 produced cottage cheese. The plants that produce cottage cheese are situated throughout the United States, particularly in heavily populated areas; most of those that produce the other cheese herein considered are in the North Central States. Many plants that produce various manufactured dairy products make cottage cheese in order to utilize nonfat dry milk and skimmed milk, which are byproducts of the production of butter. Plants that produce the other types of cheese often specialize in the production of one or two varieties

U.S. consumption

Swiss or Emmenthaler cheese with eye formation.--Annual U.S. consumption of Swiss or Emmenthaler cheese with eye formation increased without interruption from 132 million pounds in 1963 to 168 million in 1968 (table 10); in 1970, consumption amounted to 165 million pounds. The increase in consumption of Swiss cheese is attributable largely to the popularity of cheese sandwiches and to promotional efforts of domestic producers and distributors of both domestic and imported cheeses.

Imports supplied from 8 to 10 percent of annual U.S. consumption of Swiss cheese during 1963-67. In 1968, when imports were exceptionally large, they supplied 23 percent; in 1970, they accounted for 19 percent.

A large share of the U.S. supply of Swiss cheese is used to manufacture process Swiss cheese. The natural Swiss cheese used for processing (often called grinders) is generally that block or wheel, or part thereof, which develops imperfect eyes or holes while being produced. Swiss cheese from Switzerland has traditionally been consumed as natural cheese in sandwiches, hors d'oeuvres, or as dessert cheese. In 1966 Swiss cheese from Switzerland began to be used in the United States for processing. By 1968 about a third of the total imports of Swiss cheese (from all countries) were so used; in 1970, however, only a small quantity of the Swiss cheese from Switzerland was processed.

Gruyere-process cheese.--Annual U.S. consumption of Gruyere-process cheese, which averaged about 6 million pounds in 1963-65, increased about 280 percent from 1965 to 1968 (table 11). It amounted to about 20 million pounds in the latter year but declined to about 14 million pounds in 1970. Imports have supplied virtually all of the domestic consumption of Gruyere-process cheese for many years. The sharp rise in consumption is attributable largely to the promotion by U.S. importers and foreign exporters of Gruyere-process cheese in loaf form--mostly for slicing for use in sandwiches by the institutional trade (restaurants, hotels, and hospitals); some loaves, particularly the small quantity imported from Switzerland, are marketed at the retail level for use in sandwiches.

"Other cheese."--In the period 1963-70, annual apparent U.S. consumption of "other cheese" increased from 1,156 million to 1,595 million pounds (table 12). The increase in consumption resulted primarily from the increased demand for cottage cheese and soft Italian-type cheeses, which in turn reflected a variety of factors, including rising consumer income, increased interest in cottage cheese by weight-watching consumers, the popularity of pizza, improvements in the quality of cheese products, promotional efforts of both domestic producers and importers, and increasing acceptance of specialty cheese varieties.

Cottage cheese, which accounts for the great bulk of the U.S. consumption of "other cheese," is obtained almost entirely from domestic producers; cottage cheese requires refrigeration for long-distance shipment. A source of protein at a lower cost than many other high-protein foods, it is used in the United States principally in salads.

Imports, which until recently consisted almost entirely of specialties not produced in the United States, have supplied a small but increasing share of consumption--about 4 percent in 1970, compared with less than 1 percent in 1964. Such specialties are sold at retail for table use. A large part of the recent increase in imports of "other cheese," however, has consisted of cheese used almost exclusively for processing.

U.S. production

Swiss or Emmenthaler cheese with eye formation.--In volume of output, Swiss cheese ranks fourth among all cheeses (excluding cottage cheese) produced in the United States. The domestic production of Swiss cheese is surpassed only by the output of Cheddar, the soft Italian-type cheeses, and Colby. In 1970, Swiss cheese accounted for 7 percent of the aggregate U.S. output of cheeses.

Annual U.S. production of Swiss cheese, which had been increasing gradually for several decades, rose more rapidly from 1963 to 1966--from 120 million pounds to 137 million pounds. It declined thereafter, amounting to 132 million pounds in 1969. In 1970, production amounted to 139 million pounds, the highest output on record. Data are not available on the output of Swiss cheese valued at 47 cents or more per pound. During 1965-68, however, the quoted average prices paid for blocks of grade C Swiss cheese, 1/ f.o.b. Wisconsin assembly points, ranged from 41.7 cents per pound (in 1965) to 51.9 cents per pound (in 1968); in 1969 they amounted to 58.3 cents per pound, and in 1970 they increased to 63.4 cents per pound. It appears, therefore, that in recent years the bulk of the Swiss cheese produced in the United States has been priced over 47 cents per pound at the wholesale level.

Gruyere-process cheese.--U.S. annual output of Gruyere-process cheese once exceeded 1.5 million pounds but gradually declined to 548,000 pounds in 1963; in 1970, output amounted to 434,000 pounds. Virtually all of the U.S. output of Gruyere-process cheese is sold at retail in packages containing wedges weighing 1 ounce each. In 1970 such cheese was priced at 94 cents per pound delivered, Eastern seaboard.

1/ The lowest price quotations reported for Swiss cheese at Wisconsin assembly points are for grade C.

"Other cheese."--U.S. production of "other cheese" increased from 1,152 million pounds in 1963 to 1,542 million pounds in 1970. U.S. output, by types, in 1963-70 is shown in the table below.

Certain "other cheese" and substitutes for cheese: U.S. production, by types, 1963-70

(In thousands of pounds)

Year	Cottage cheese 1/	Soft Italian-type cheese	Cream cheese	Brick and Munster	Other types	Total
1963	820,695	124,092	107,831	48,009	44,498	1,152,125
1964	861,869	149,092	114,127	52,396	45,332	1,222,786
1965	863,943	163,793	116,266	53,030	45,166	1,242,198
1966	856,743	186,883	111,194	57,721	51,061	1,263,602
1967	867,992	199,456	117,065	51,007	43,786	1,279,306
1968	902,073	227,669	114,622	49,834	43,014	1,337,212
1969	951,508	270,011	115,406	53,267	37,545	1,427,737
1970 2/	1,025,000	300,000	119,005	57,605	40,000	1,541,610

1/ Includes creamed and partially creamed cottage cheese.
2/ Estimated.

In recent years, cottage cheese has accounted for nearly 70 percent of the total output of all the cheeses shown above. Data are not available on the U.S. output of cottage cheese--or the other cheeses shown above--valued at 47 cents or more per pound. The quoted retail prices for cottage cheese at Chicago was 41 cents per pound in March 1971. Thus, it appears that the bulk of the cottage cheese produced in the United States in recent years has been priced under 47 cents per pound wholesale. It would appear that the bulk of the remaining cheeses produced in the United States and shown in the table above have been priced at 47 cents or more per pound, inasmuch as the price levels for most of them do not vary greatly from the price level for Cheddar cheese, currently (May 1971) 57 cents per pound, f.o.b. Wisconsin assembly points.

U.S. exports

In the period 1963-69, aggregate annual U.S. exports of the cheese considered here 1/ ranged from 2.7 million to 3.5 million pounds (table 12)--equivalent to less than 1 percent of the total annual production thereof during that period. In 1970 such exports amounted to 3.1 million pounds. The bulk of the exports in 1970 consisted of process cheese. Canada, one of the principal markets for U.S. exports of this cheese for many years, took about half of the exports in 1970. Panama, Venezuela, and the Bahamas also took considerable quantities.

U.S. imports

Some 6 months after quantitative limitations were imposed on imports of Colby cheese in mid-1967, imports of varieties of cheese designated in items (1) and (2) of the President's request of March 12, 1971, increased precipitously. 2/ Like Colby, the cheeses that accounted for the bulk of the increased imports were used for processing. Imports of Colby had amounted to 46 million pounds in 1966 and 46 million pounds in January-June 1967. The quotas imposed in mid-1967, however, limited imports of Colby to about 6 million pounds annually.

Following the imposition of emergency import quotas by Presidential Proclamation No. 3870 in September 1968 on most of the cheeses considered here having a purchase price under 47 cents per

1/ U.S. exports of the cheeses subject to this investigation have virtually all consisted of "other cheese."

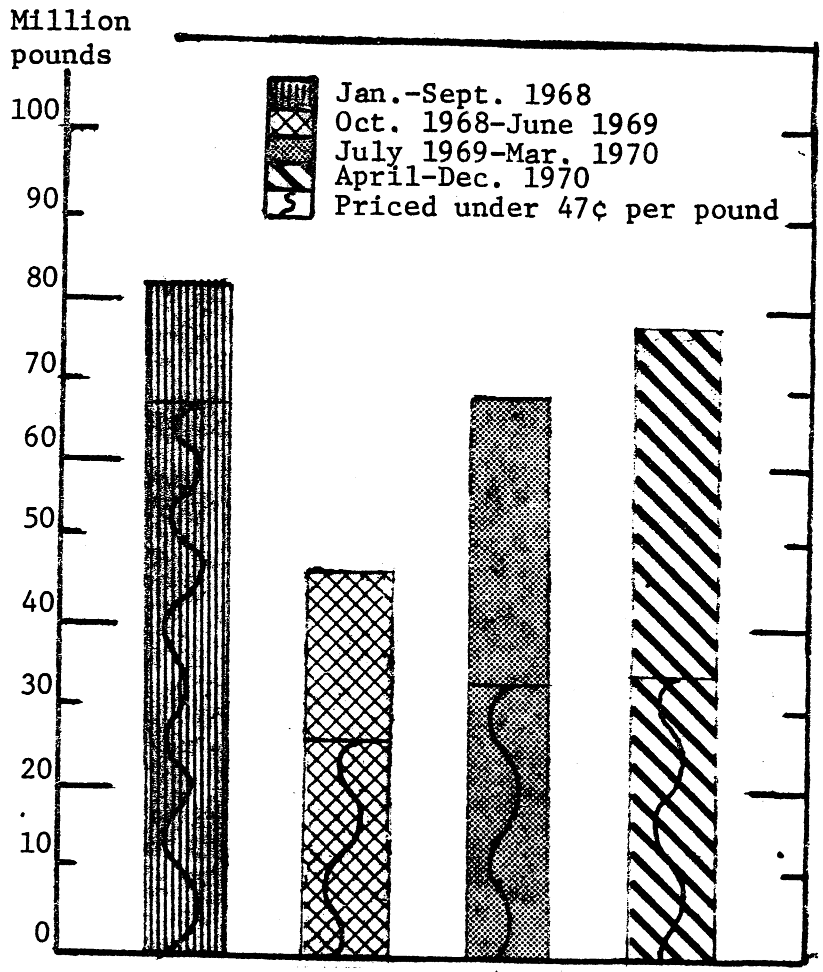
2/ As mentioned earlier, there have been no known imports of the cheeses and substitutes for cheese referred to in item (3) of the President's request.

pound, imports having a higher purchase price increased abruptly and continued to increase after those quotas were generally continued in effect by Presidential Proclamation No. 3884 in January 1969. 1/ This development had been foreseen in various statements made by persons in the Government, as well as by trade representatives, prior to the issuance of Proclamation No. 3884 (see the 1968 report of the Tariff Commission to the President on certain dairy products, TC Publication 274).

Increased imports of cheeses in the aggregate.--In the 9-month period October 1968-June 1969, there was a substantial increase in total U.S. imports of the varieties of cheese considered herein that were valued at 47 cents or more per pound, compared with the preceding 9-month period, when lower priced cheeses of the same varieties were also quota free (fig. 1). By the 9-month period April-December 1970, imports of the quota-free cheeses had nearly quadrupled from the January-September 1968 quota-free period, indicating that if imports of the higher priced cheeses were allowed to continue to enter quota free they would probably continue to increase. The shift of imports of the individual varieties of cheese considered herein to the quota-free area (i.e., priced at 47 cents or more per pound) is shown in figure 2. The increase in imports of "other cheese" priced under 47 cents per pound in the 9-month periods July 1969-March 1970 and April-December 1970 is primarily accounted for by increased entries of cheeses containing not more than 0.5 percent of butterfat; such cheeses were made subject to quota on January 1, 1971.

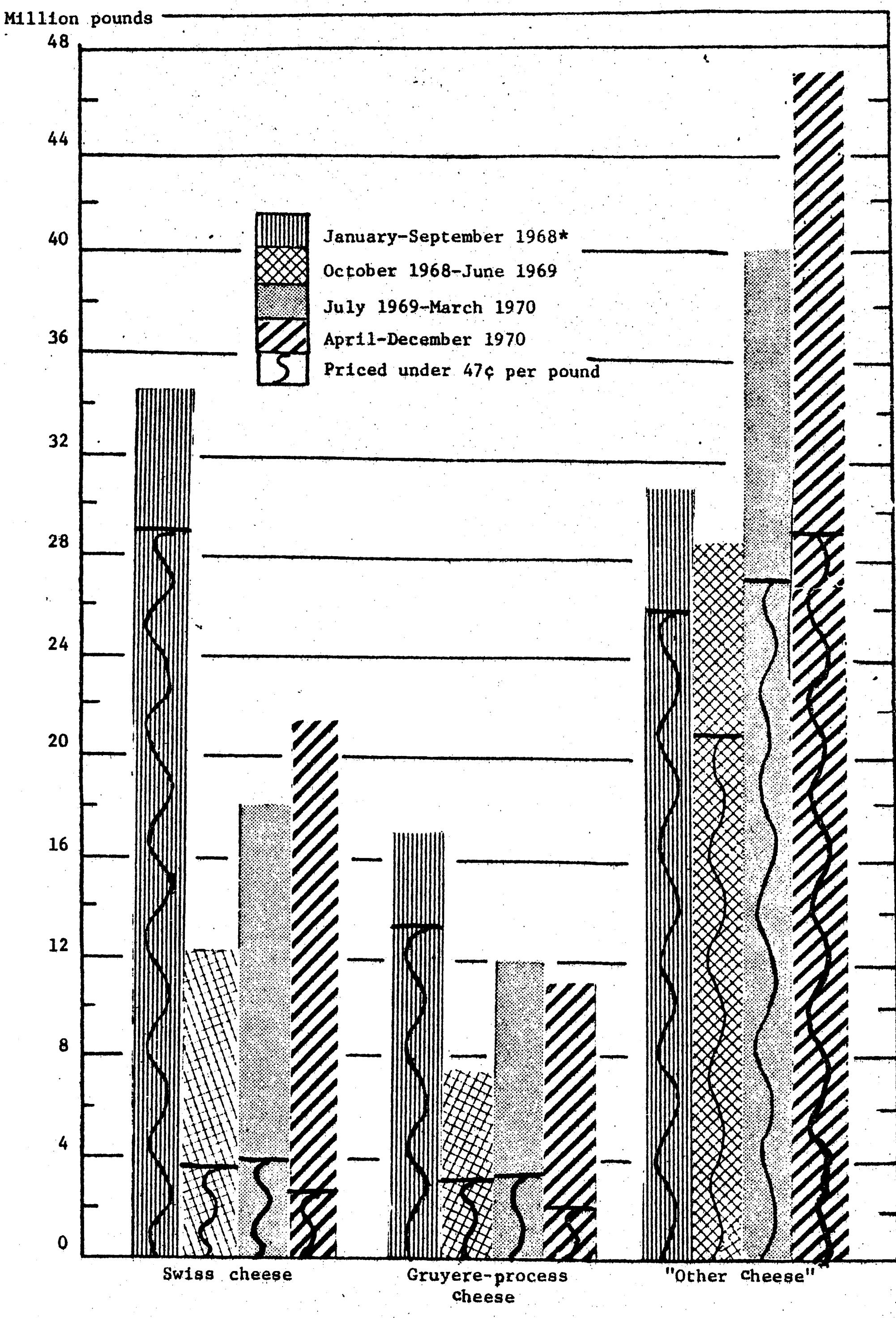
1/ Moreover, imports of certain other cheeses excepted from the quotas, such as those containing less than 0.5 percent of butterfat, also increased abruptly; such low-fat cheeses, if having a purchase price under 47 cents per pound, were made subject to import quotas on Jan. 1, 1971.

Figure 1.--Aggregate U.S. imports of Swiss cheese, Gruyere-process cheese, and "other cheese," priced under 47 cents per pound and priced at 47 cents or more per pound, by 9-month periods, January 1968-December 1970



Factors contributing to increased imports of cheeses.--A number of factors have been mentioned as contributors to the increased imports of cheese having a purchase price of 47 cents or more per pound. It was asserted at the hearing that increases in the U.S. support prices and market prices, together with minimum export prices established in the foreign countries, were all factors contributing to increased imports. When

Figure 2.--U.S. imports of Swiss cheese, Gruyere-process cheese, and "other cheese," priced under 47 cents per pound and priced at 47 cents or more per pound, by 9-month periods, January 1968-December 1970



*Effective Sept. 24, 1968, imports were placed under sec. 22 quotas if having a purchase price under 47 cents per pound and, for "other cheese," if containing cow's milk and containing not less than 0.5 percent butterfat. Effective Jan. 1, 1971, imports containing 0.5 percent or less of butterfat were placed under quota (regardless of the type of milk contained therein), if having a purchase price under 47 cents per pound.

the emergency quotas were imposed in September 1968, the U.S. support price for Cheddar cheese was 47.0 cents per pound. Since then, the support price for Cheddar has been increased--to 48.0 cents per pound on April 1, 1969, to 52.0 cents per pound on April 1, 1970, and to 54.8 cents per pound on April 1, 1971. Thus, the price-support level for Cheddar has increased about 17 percent since the price-break quotas were first imposed. Inasmuch as Cheddar cheese has accounted for about 55 percent of the cheeses produced in the United States and as about 60 percent of the Cheddar cheese is used for processing, the rise in its support price, accompanied by a rise in its market prices, has pushed upward the U.S. market prices of other cheeses, especially those used for processing.

Foreign exporting countries, like the United States, have had a general inflationary trend, with a consequent increase in government domestic support and market prices for dairy products, including the cheeses here under investigation. Consequently, in a number of countries, the minimum export prices for cheeses destined to the United States have been raised. This upward movement of support prices and market prices here and abroad has contributed to the foreign shippers' ability to move over the fixed price barrier of 47 cents per pound.

It was asserted that the quality of imports has improved. The facts obtained do not support this assertion, with one exception, viz, spray-dried (dehydrated) Swiss cheese (about 2 million pounds) imported principally from Denmark and West Germany. By removing the water from cheese, the unit price per pound is significantly increased to well above the upper limit of 47 cents for quota purposes. 1/

It was asserted that lesser amounts have been authorized by foreign countries as export subsidies for cheeses destined to the United States. The information obtained in the investigation in regard to foreign export subsidies is wholly lacking in significant detail. It has been generally assumed that the generous export subsidies allowed on the named cheeses were essential incentives to promoting their exportation into the U.S. markets. However, specific information regarding the subsidies actually paid on the imports in question is not available.

1/ For many years, dehydrated cheese from domestic sources, and more recently from foreign sources, has been used as a cheese ingredient in various cheese products. In a recent exchange of correspondence between the Food and Drug Administration (FDA) and the U.S. Department of Agriculture, the FDA advised that--

> the standards of identity for various comminuted cheese products, including but not limited to pasteurized process cheese, pasteurized process cheese foods, pasteurized process cheese spread, cold-pack cheese and cold-pack cheese food, do not provide for the use of dehydrated forms of the optional cheese ingredients. Consequently, such use would, in our opinion, constitute a violation of these standards.

Accordingly, on Feb. 16, 1971, the Department of Agriculture formally called to the attention of the domestic cheese-processing industry restrictions on the use of dehydrated cheese in producing certain processed cheeses and cheese products covered by the Federal standards of identity; the Department noted that significant quantities of dehydrated cheese have recently been imported, particularly from Western European countries. (U.S. Department of Agriculture press release 493-71.)

The restrictions on the use of dehydrated cheese do not apply to products--such as pizza and crackers containing cheese--for which there are no standards of identity.

Another factor that may have contributed to increased imports of cheese has been the implementation of the staged duty reductions to carry out the concessions granted in the Kennedy Round negotiations. 1/

Swiss or Emmenthaler cheese with eye formation.--Total U.S. imports of Swiss cheese increased from 10.4 million pounds in 1965 to 14.8 million and 14.4 million pounds in 1966 and 1967, respectively. They then rose sharply to 38.9 million pounds in 1968 and dropped to 20.1 million pounds in 1969; in 1970, they amounted to 26.4 million pounds.

In 1963-67 about half of the imported Swiss cheese came from Switzerland, and most of the remainder came from Finland, Austria,

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1/ Commissioners Sutton and Moore agree that the foregoing factors have undoubtedly contributed in some degree to the increasing quantities of imports of cheeses priced at 47 cents or more per pound. They observe, however, that the contribution of such factors taken together is probably not nearly as great as price-manipulation practices of foreign exporters and domestic importers designed for the purpose of breaching the 47-cent price barrier. It is significant that all the increase in imports of the higher priced cheeses (i.e., those having a purchase price of 47 cents or more per pound) has occurred since imports of the cheeses priced under 47 cents per pound were restricted by quota limitations in September 1968 (Proclamation No. 3870). Thus, the underlying and most dominant factors contributing to increased imports of cheeses were the quota restrictions imposed by the President and the actions taken thereafter by foreign shippers and U.S. importers to avoid the quota provisions. Price manipulations are relatively easy, for the reason that their detection and elimination would require very significant increases in the assigned customs personnel administering the import restrictions. Moreover, the assignment of increased personnel would give no assurance that the price-manipulation practices could be fully contained.

and Denmark (table 13). In 1968, West Germany became an important supplier, accounting for nearly 30 percent of the total imports, compared with only 2 percent in the preceding year. In 1969, when imports from most of the principal supplying countries declined, West Germany again accounted for only 2 percent of the total; in 1970, when imports again increased, West Germany accounted for only 1.5 percent of the total. Austria, Finland, and Denmark accounted for the bulk of the increase in imports that occurred in 1970. In that year the imports from Austria were larger than, and those from Finland nearly equal to, the imports from Switzerland—the country that had been the principal supplier of Swiss cheese to the United States for many years prior to 1970.

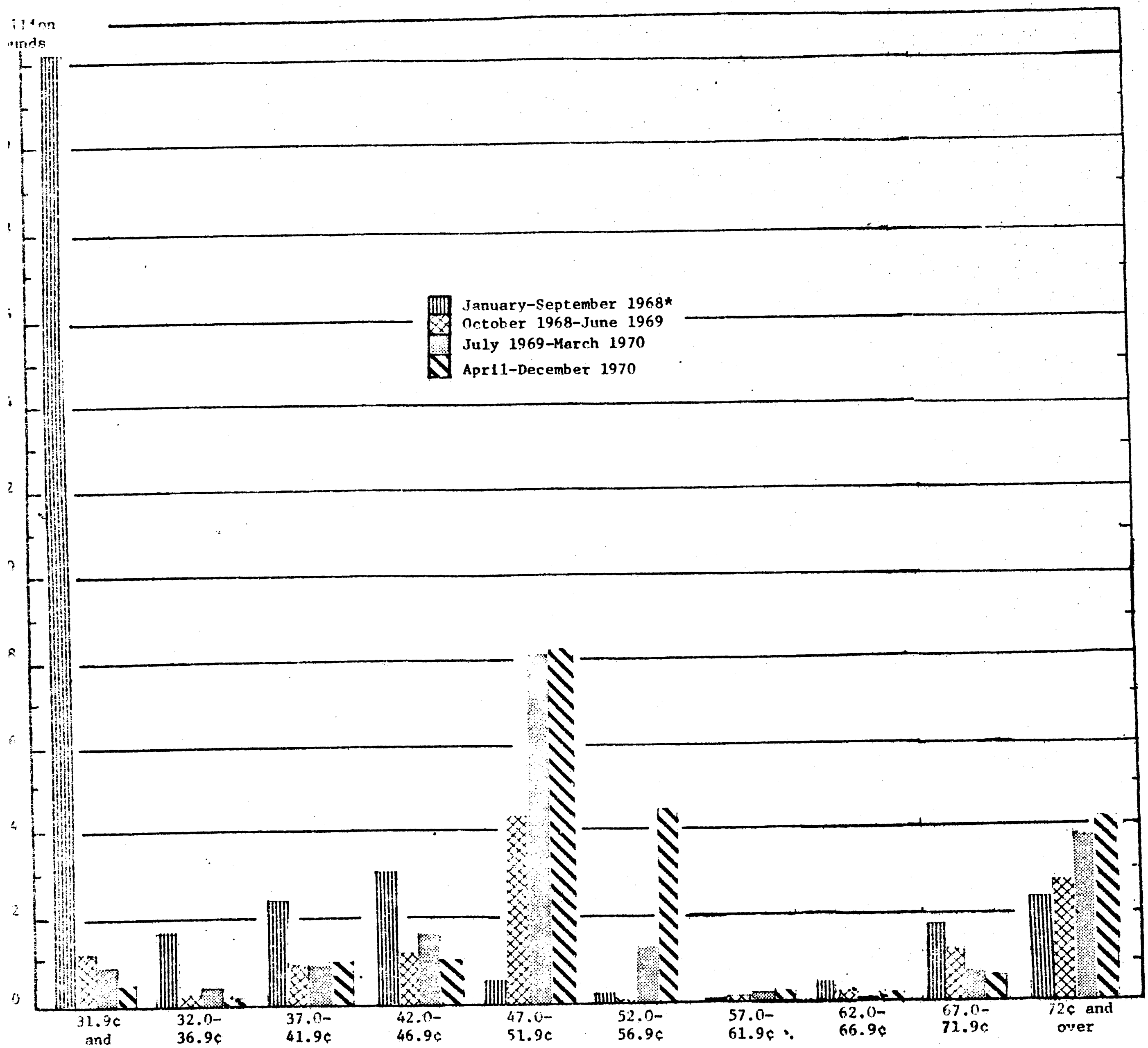
As indicated earlier, imports of Swiss cheese having a purchase price of 47 cents or more per pound increased after lower priced chees of the same variety was made subject to an annual section 22 quota of 4,271,000 pounds in September 1968. By the July 1969-March 1970 perio the great bulk of the increase in such imports occurred in the cheese priced at 47.0 to 51.9 cents per pound. In the April-December 1970 period, imports in that price range increased slightly, whereas import in the 52.0-to-56.9-cent range more than doubled (fig. 3). After the lower priced cheeses were subject to quota, there was no significant change in the level of imports of Swiss cheese priced at 57.0 to 66.9 cents per pound. Imports in the price range of 72 cents per pound anc over, however, increased without interruption.

In April-December 1970, imports of Swiss cheese having a purchase price of 47 cents per pound or more accounted for about 85 percent of the total imports of Swiss cheese; in the 9-month period before that quota was established, however, the higher priced cheese had accounted for only about 15 percent of the total imports (fig. 2).

In recent years, average annual unit values of U.S. imports of Swiss cheese from the major suppliers have changed significantly (table 13), reflecting a change in the composition of the trade. Before 1966 most of the imported Swiss cheese from Switzerland consisted of high-priced cheese in the form of wheels that were cut into pieces for sale at retail as natural Swiss, and only a small amount consisted of low-priced grinders cheese for processing. In 1966 Switzerland began to export larger quantities of grinders Swiss cheese to the United States; in that year such cheese comprised about 12 percent of the Swiss cheese imported from Switzerland, and in 1967, about 14 percent. In 1968, U.S. imports of grinders Swiss cheese rose sharply, not only the imports of such cheese from Switzerland but also those from several other countries, including West Germany. During 1968 the unit value of Switzerland's exports of grinders Swiss cheese averaged about 25.5 cents per pound, compared with an average of 72.1 cents per pound for its exports of "first-quality" Swiss cheese. 1/ The unit value of

1/ The Swiss reported that the average unit value of "first-quality" Swiss cheese was the same in 1968 as in 1967 (statement submitted on behalf of the Embassy of Switzerland, in Tariff Commission investigation No. 22-27, July 1968, pp. 15 and 29).

Figure 3.--U.S. imports of Swiss cheese, by unit value (cents per pound) and by 9-month periods, January 1968-December 1970



*Effective Sept. 24, 1968, imports were placed under sec. 22 quotas if having a purchase price under 47 cents per pound.

Switzerland's total exports of Swiss cheese to the United States averaged 51.1 cents per pound in 1968. In 1969, however, the unit value of that cheese averaged 68.5 cents per pound, and in 1970 it averaged 77.3 cents per pound, indicating that in those 2 years little, if any, of Switzerland's exports of Swiss cheese to the United States consisted of grinders.

The unit value of the exceptionally large U.S. imports from West Germany in 1968, which consisted chiefly of grinders cheese, was about 25 cents a pound and was below that of imports of Swiss chese from almost any other source, reflecting, in part, a reduction in the West German export price as a result of the Common Market export subsidies established in late 1967. In 1969 and 1970 the unit value of the much smaller volume of imports from West Germany averaged 49.3 and 58.7 cents per pound, respectively, indicating a reduction in the export subsidy and an increase in the export price.

The average unit values of imported Swiss cheese from Austria, Finland, and Denmark were lower in 1968 than in 1967. In recent years the bulk of the cheese imported from Finland, and probably most of that from Denmark, has been used for processing. The unit values of imports of Swiss cheese from those two countries rose in 1969 and 1970. 1/

Until 1968 Austria had exported only a high grade of Swiss cheese to the United States. The average unit value of imports of Swiss cheese from Austria declined from 43.8 cents per pound in 1967 to 27.2 cents per pound in 1968. A significant portion of the imports of Swiss cheese from Austria in 1968 probably consisted of grinders cheese. Average unit values were higher in 1969 and 1970 (44.8 cents and 47.1 cents per pound, respectively). 1/

Gruyere-process cheese.--Prior to 1966, annual U.S. imports of Gruyere-process cheese had increased gradually for many years. They rose from 5.3 million pounds in 1965 to 9.1 million pounds in 1966 and to 9.8 million pounds in 1967 (table 11). In 1968 they rose even more sharply to a peak of 20.0 million pounds but declined to 12.6 million pounds in 1969; in 1970, they amounted to 13.9 million pounds. A large part of the increase in recent annual imports of Gruyere-process cheese has been accounted for by entries of 5-pound loaves rather than the traditional wedge-shaped pieces.

Since September 1968, imports of Gruyere-process cheese having a purchase price of less than 47 cents per pound have been subject to

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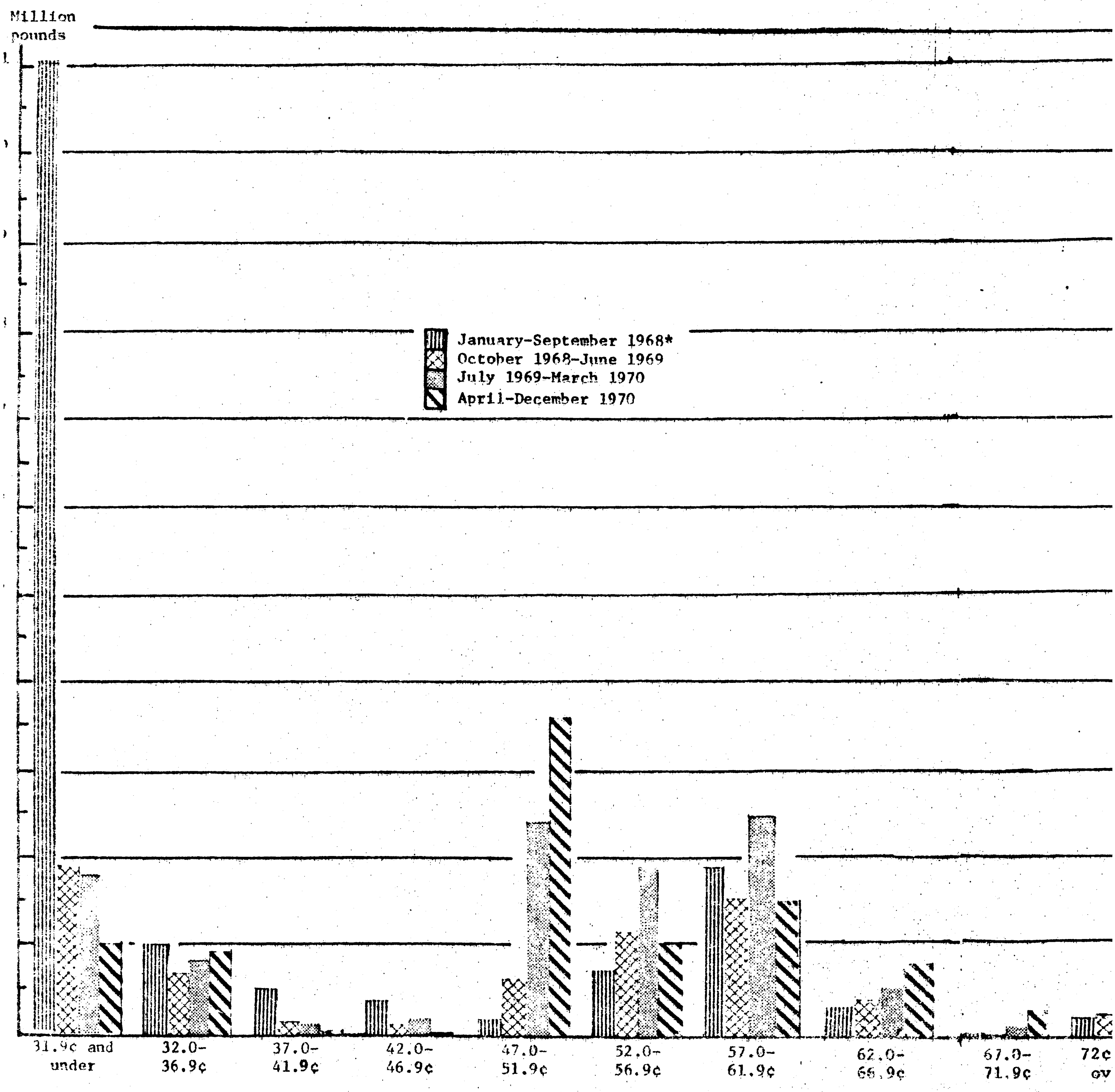
1/ Commissioners Sutton and Moore point out, as did the Commission's 1970 dairy products report to the Committee on Ways and Means of the House of Representatives (TC Publication 340, p. 57), that the rise in unit values of imports of Swiss cheese from Finland, Denmark, and Austria largely reflects an increase in prices in order to avoid the quota on cheese under 47 cents per pound.

an annual section 22 quota of 3,289,000 pounds. In April-December 1970 imports of higher priced Gruyere-process cheese accounted for about 80 percent of the total imports of that cheese; in the 9-month period before the quota was established, imports of the higher priced cheese had accounted for only about 25 percent of the total (fig. 2). Moreover, in each of the three consecutive 9-month periods following the imposition of the quota there was an abrupt increase in imports of the cheese priced at 47.0 to 51.9 cents per pound (fig. 4). Imports in the 5-cent price ranges extending from 52.0 to 61.9 cents per pound have fluctuated since the quota was imposed. There has been an almost uninterrupted increase in imports in each of the ranges 62 cents per pound and over.

Switzerland has generally been the leading supplier of Gruyere-process cheese to the United States for many years. Although the share of the total imports supplied by Switzerland declined from about 63 percent in 1965 to 33 percent in 1970, total imports from Switzerland have been increasing. Gruyere-process cheese produced in Switzerland contains larger amounts of natural Gruyere than similar cheese produced in any other country and has a higher average unit price than that obtained from the other major suppliers. The bulk of the Gruyere-process cheese from countries other than Switzerland consists of cheese in 5-pound loaves. Imports of Gruyere-process cheese from West Germany, the largest U.S. supplier in 1968, increased from a negligible share of the total imports of such cheese in 1965 to 41 percent in 1968; in 1970, West Germany supplied only 13 percent of the total. In 1970 Denmark was the second largest supplier of U.S. imports, accounting for 26 percent of the total in that year, compared with 10 percent in 1968. Austria and

Figure 4.--U.S. imports of Gruyere-process cheese, by unit value (cents per pound) and by 9-month periods, January 1968-December 1970



*Effective Sept. 24, 1968, imports were placed under sec. 22 quotas if having a purchase price under 47 cents per pou

Finland accounted for the bulk of the remaining imports of Gruyere-process cheese in 1970.

"Other cheese."--Prior to 1966, annual U.S. imports of "other cheese" had increased gradually for many years. Since 1965 they have increased more than fivefold, from 9 million pounds in 1965 to 57 million pounds in 1970, notwithstanding imposition of section 22 quotas on imports of such cheese having a purchase price under 47 cents per pound. 1/

Prior to 1966 the imports of "other cheese" had consisted in large part of varieties not produced in the United States. They were generally considered specialty cheeses of foreign origin. Beginning in that year, however, substantial quantities have been imported for use in making process cheeses and cheese products. Although data are not available on the end use of the imported cheese, the great bulk of the increase in imports of "other cheese" in recent years has probably consisted of cheese for processing.

U.S. imports of "other cheese" generally come from about 20 countries. For many years Denmark and France have been the leading suppliers of such imports (table 15). Imports of the

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1/ About 3 million pounds of the imports of "other cheese" in 1969 and 11 million pounds of such imports in 1970 consisted of cheese containing not more than 0.5 percent by weight of butterfat, which was excepted from the quota imposed in January 1969 on cheese having a purchase price under 47 cents per pound and designated as "other cheese" in this report. Such low-fat cheese was among the products made subject to quotas on Jan. 1, 1971, if having a purchase price under 47 cents per pound; the quotas limited annual imports to about 9 million pounds.

natural cheeses for table use from Denmark have consisted primarily of Esrom, Harvarti, Camembert, Costello, and Tybo cheeses. Those from France have consisted primarily of Bonbel, Port Salut, and Camembert. The sharply increased imports from New Zealand in 1969 and 1970 consisted largely of so-called Monterey cheese entered under the section 22 quota for "other cheese" having a purchase price under 47 cents per pound.

As shown in table 15, the average unit values of imports of "other cheese" from many countries, particularly the principal suppliers, were significantly lower in 1968 than in earlier years. In 1969 and in 1970, however, the unit values of the cheese from a number of countries increased substantially. The 1969 and 1970 imports included some new products (e.g., dehydrated cheese). Trade sources estimate that about 2 million pounds of dehydrated Swiss cheese was imported in 1970. 1/

With respect to "other cheese" having a purchase price under 47 cents per pound, the total annual quota on imports from all countries in 1970 was 25,001,000 pounds. In that year imports of quota-free "other cheese" were probably about 32,000,000 pounds, an amount about 28 percent larger than the quota on the low-priced cheese in this category. In January 1971, imports of certain low-fat cheeses--which had accounted for 11 million of the 32 million pounds of quota-free cheeses in 1970--were made subject to a section 22 quota of 8.9 million pounds,

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1/ Commissioners Sutton and Moore observe, as did TC Publication 340 (p. 61), that the increase in unit values of imported cheese probably reflects a general rise in minimum export prices and the introduction of some new products, both designed to avoid the U.S. import quota on cheeses priced under 47 cents per pound.

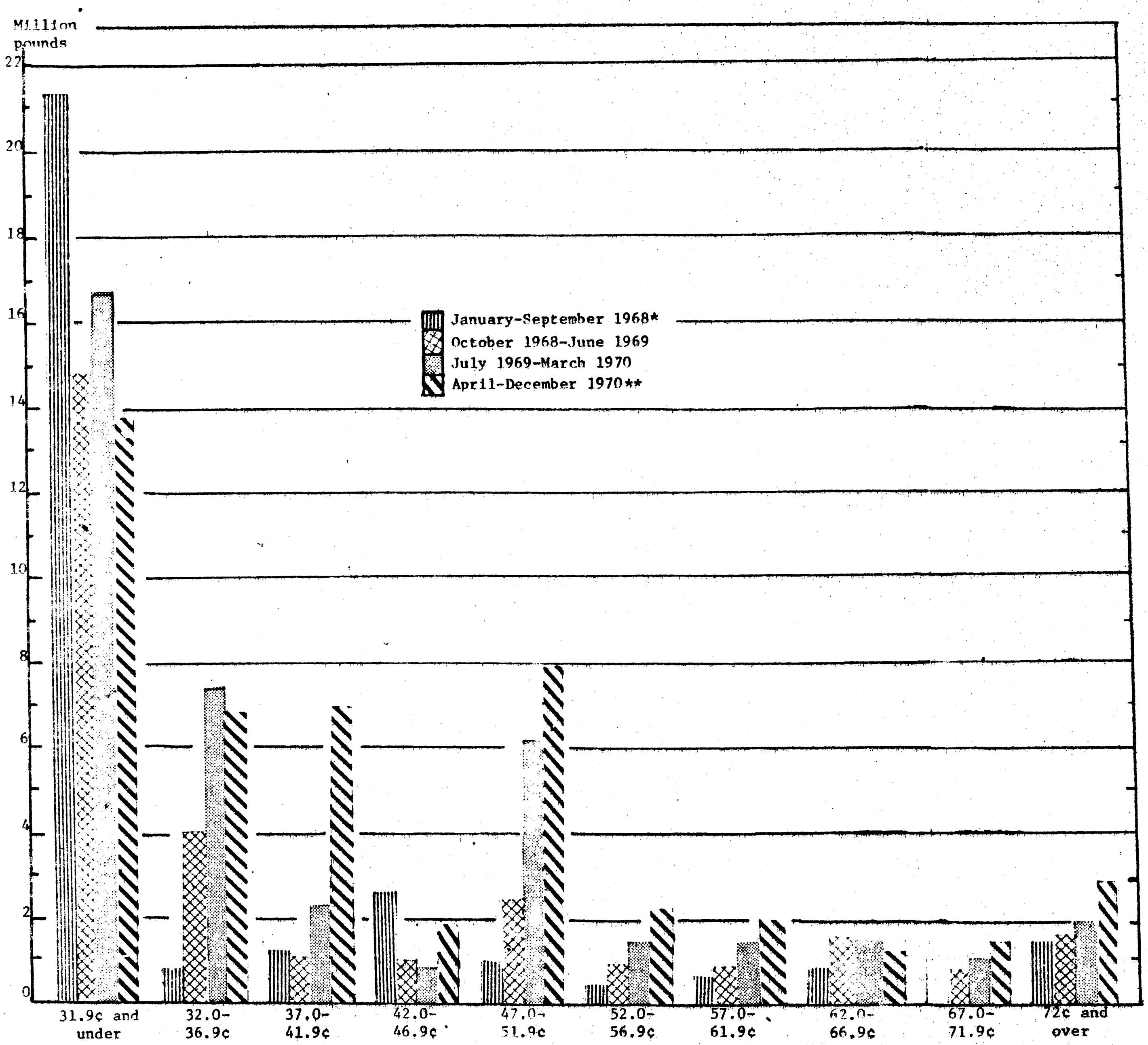
if having a purchase price under 47 cents per pound; imports of most of the low-fat cheeses had a purchase price under 47 cents per pound. In each of the three consecutive 9-month periods after the quota was imposed on imports of the "other cheese" priced under 47 cents per pound, there was a sharp increase in imports of such cheese priced at 47.0 to 51.9 cents per pound (fig. 5). 1/ There has also been an almost uninterrupted increase in imports in the specified price ranges over 52.0 cents per pound. The increased imports in the price range of 72 cents per pound and over in April-December 1970 probably reflect increased entries of dehydrated cheese. 2/

As mentioned earlier, there have been no known imports of the cheeses and substitutes for cheese referred to in item (3) of the President's request, i.e., those containing 0.5 percent or less by weight of butterfat and having a purchase price of 47 cents per pound or more; those cheeses were made subject to quotas on January 1, 1971, if having a purchase price of under 47 cents per pound.

1/ Some of the cheese and substitutes for cheese included in the import statistics for "other cheese" could be within the scope of other import quotas provided for in pt. 3 of the appendix to the TSUS and therefore are not properly included in the quota-free figure. Although data are not available, the amount of cheese so involved is believed to be small.

2/ To Commissioners Sutton and Moore, the entire foregoing discussion on the imports of cheeses and substitutes for cheese designated in items (1) and (2) of the President's request of Mar. 12, 1971--Swiss or Emmenthaler cheese, Gruyere-process cheese, and "other cheese"--clearly shows that after the quota was imposed in September 1968 the trade abruptly shifted to, and has continued to increase in, imports of the cheeses priced over 47 cents per pound.

Figure 5.--U.S. imports of "other cheese," by unit value (cents per pound) and by 9-month periods, January 1968-December 1970



*Effective Sept. 24, 1968, imports containing cow's milk were placed under sec. 22 quotas if having a purchase price under 47 cents per pound and if containing 0.5 percent or more of butterfat.

**Effective Jan. 1, 1971, imports containing 0.5 percent or less of butterfat were placed under quota (regardless of the type of milk contained therein), if having a purchase price under 47 cents per pound.

Channels and methods of distribution

The economic organizations that have a function in the distribution of cheese are dairy farms, cheese plants, assemblers, processors, brokers, wholesale distributors, and retail establishments. Most assemblers are also processors; some of them are direct importers, and some purchase foreign-made cheese from importers. Although the processors generally do not own the U.S. plants that make cheese for them, they often supervise their operations and require that the cheese meet the processors' specifications. The large processors sell to wholesale distributors scattered throughout the Nation and to chains of retail food stores. For convenience, the remainder of this section is divided into four cheese classifications.

Swiss or Emmenthaler cheese with eye formation.--A large part of both the U.S. output of natural Swiss cheese and the imports thereof from countries other than Switzerland (except in 1968) is made into process Swiss cheese. The domestic Swiss cheese that is retailed as natural cheese is prepackaged in small portions for conventional chain-store marketing; some is distributed by concerns, known as assemblers, that market the cheese in small packages under their individual brand names.

Many of the wheels of Swiss cheese imported from Switzerland are displayed in cheese shops, delicatessens, and grocery stores in the

United States and then cut into pieces as they are marketed. Some of the cheese from Switzerland is also prepackaged for conventional chainstore marketing.

Gruyere-process cheese.--Altogether 80 or 90 U.S. firms have imported Gruyere-process cheese in recent years. The bulk of the increase in imports since 1965 has been accounted for by firms which generally had not previously been large importers of Gruyere-process cheese. Boxes containing the traditional wedge-shaped pieces of Gruyere-process cheese are sold largely through chainstores, although some of the cheese is marketed by specialty cheese shops, restaurants, and hotels. The Gruyere-process cheese in 5-pound loaves is sold primarily to the institutional trade for use in making cheese sandwiches; some of the loaves from Switzerland, however, have been cut into 6-to-8-ounce pieces and marketed through chainstores.

"Other cheese."--Cottage cheese, which in terms of quantity accounts for the great bulk of the domestically produced cheeses considered here, is generally produced and distributed by dairy firms that process and market fluid milk. Most of the other domestically produced cheeses considered here are made by plants that chiefly produce cheeses; their output is sent to concerns, known as assemblers, that market the cheese under their individual brand names.

Although the domestic varieties of cheeses are generally marketed in supermarkets and chainstores throughout the United States, they are sometimes marketed through specialty cheese shops and gourmet stores, traditionally the outlet for specialty cheeses that are imported for table use. Generally, these imported cheeses are sold at retail in the containers or packages in which they are imported. In recent years, however, substantial quantities of imported "other cheese" has been used by domestic producers of process cheese.

Dehydrated cheese.-- For a number of years, some processors utilized dehydrated cheese in various processed cheeses containing Swiss grinders and/or other cheeses. Originally, the purpose was to control the moisture content of the cheeses being processed to specified standards. More recently, however, the dehydrated cheese has also been used in nonstandardized products such as pizza. In February 1971 the Federal Government notified the cheese processors that dehydrated cheese is not among the permissible cheese ingredients covered by the Food and Drug Administration's standards of identity (see p. A-44 of this report). The notification followed an upsurge in imports of dehydrated cheese.

Prices

The prices of Swiss cheese in the United States have generally been increasing in recent years. The following table shows ranges of wholesale price quotations in New York City on natural Swiss cheese in rindless or backless cuts, of U.S. origin (grade A), and the nearest equivalent cheeses of Swiss, Finnish, Austrian, and Danish origins.

Wholesale prices of Swiss cheese (grade A), from specified countries, at New York City, 1964-70 and January-April 1971

(In cents per pound)

Year	United States	Switzerland	Finland	Austria	Denmark
1964	52-55	91- 96	58-64	60-70	63-67
1965	54-61	95- 98	59-65	64-73	65-69
1966	61-67	96-101	63-68	66-72	65-69
1967	62-64	97-103	63-69	63-70	64-70
1968	64-68	98-106	62-69	60-65	63-71
1969	69-74	98-106	66-73	65-69	65-72
1970	76-82	100-108	75-81	72-76	71-76
1971 (Jan.-Apr.)	77-81	103-111	80-87	76-81	79-81

Source: Compiled from the Wednesday price quotations reported by the U.S. Department of Agriculture in Dairy and Poultry Market News and from Dairy Market Statistics, published annually by the Department. The 1964-69 data for cheese of U.S. origin are ranges of monthly averages. All other data represent the averages of the price ranges reported on each Wednesday of the period indicated. The prices of imported cheese reflect the duty and the importers' markup.

The Swiss cheese from Switzerland has consistently been higher priced than that from the other countries cited above. In 1964, grade A Swiss cheese from Finland, Austria, and Denmark was higher priced than that from the United States. In 1965-70 the price relationship grad- gradually reversed. In January-April 1971, however, grade A Swiss cheese from Finland, Austria, and Denmark again was higher in price than such cheese of U.S. origin.

The New York prices of U.S.-produced table-grade cheeses are the prices quoted on the Wisconsin Cheese Exchange plus a markup, and the price movements in New York and Wisconsin are generally synchronized. The movements of New York prices of foreign cheeses, however, are not synchronized with the price movements of U.S.-produced cheeses in Wisconsin or elsewhere. Price movements of the foreign cheeses are influenced not only by competitive conditions in the United States, but also by price movements in the countries of origin. Presumably they are also influenced by changes in demand in other export markets for the foreign-produced cheeses.

Generally, the wholesale prices of U.S.-produced grade B Swiss cheese have been between 1 and 2 cents per pound lower than those for grade A, and those for grade C have been between 1 and 2 cents per pound lower than the wholesale prices of grade B.

Grinders Swiss cheese (also known as grade D), is an important product used by processors. The prices quoted for grinders Swiss cheese of U.S. origin, on the Wisconsin Cheese Exchanges, serve as a guide for the pricing of such cheese at Wisconsin assembly points. They also influence prices of U.S.-produced grinders in other markets. During January 1968-April 1971, the price quotations of U.S.-produced grinders Swiss cheese fluctuated between 38 cents and 54 cents per pound. On May 14, 1971, the quotation was 51 cents--as it had been for more than 6 months. On the basis of fragmentary information, it appears that some grinders cheese of foreign origin is available to domestic processors at lower prices than U.S.-produced grinders. Apparently this lower priced grinders cheese had a foreign value (purchase price) under 47 cents per pound and was subject to the price-break quota for Swiss cheese. Significant quantities of quota-free imported Swiss cheese, however, are also used by domestic processors. Inasmuch as importers incur the costs of transportation, insurance, duty, and customs-house brokerage, any such quota-free imported cheese would have to be more expensive than domestic grinders; hence some domestic processors of Swiss cheese are probably using imported cheese of higher quality than that of the domestic grinders cheese.

In the United States, Gruyere-process cheese is made only by Borden, Inc., which markets it in round packages containing six wedge-shaped, individually wrapped pieces. The annual averages of its f.o.b. factory prices per pound for such cheese of domestic origin in 1963-70 are as follows: 1963 and 1964, 81.1 cents; 1965 and 1966, 83.3 cents; 1967, 85.5 cents; 1968, 88.7 cents; 1969 and 1970, 94.0 cents.

Except to points in the Far West, Borden absorbs all of the freight expense, equating the delivered price to its f.o.b. plant price. For more than 40 years, Borden has been importing Gruyere-process cheese from Switzerland. 1/ This imported product enters in the same type of round package as is used for the domestic product. The Swiss-made cheese is sold at a higher price than the U.S.-produced cheese. Borden claims that similarly packed Gruyere-process cheese purchased by others from Finland, Denmark, and Austria has after-duty prices that are lower than the prices of Borden's U.S.-produced cheese. Borden also asserts that there are imports of Gruyere-process cheese in loaves and that some of these loaves are used by processors. Presumably, the cheese in loaves is lower in price than that in round packages from the same source.

There are many varieties of cheese of domestic origin, which, if imported, would be classified as "other cheese." The prices of most of these domestic varieties do not vary greatly from the prices of U.S.-produced Cheddar cheese. In recent years the prices of such Cheddar cheese have risen substantially. The varieties of U.S.-produced "other cheese" are generally different from the numerous varieties of "other cheese" that are imported. Consequently, price comparisons would be of limited usefulness.

1/ Borden became an importer more than 10 years before it became a producer of this variety.

Production of and trade in cheese in selected countries

Among the leading suppliers of cheese to the United States there are substantial differences in the share of their cheese production that is exported and in the share of their exports that is received by the United States. The existence of such differences is evident from the following table (which also shows data on U.S. production and exports).

Average annual production of cheese in selected countries and the relative importance of their exports of cheese to all countries and to the United States, 1965-69

Country	Average annual production	Ratio of-- Exports to production	Ratio of-- Exports to U.S. to total exports
	Million pounds	Percent	Percent
Switzerland	179	50	9
Austria	84	40	19
Finland	71	50	5
Denmark	255	60	13
New Zealand	234	84	11
West Germany	368	40	12
France	1,506	12	9
United States	2,779	1/	2/

1/ Less than 0.3 percent.
2/ Not applicable.

The relative importance of foreign countries as suppliers of imports to the United States is dealt with elsewhere in this report.

STATISTICAL APPENDIX

Table 1.--Dairy products: U.S. milk production and milk equivalent (fat-solids basis) of U.S. exports of domestic merchandise and imports for consumption, 5-year averages 1953-62, annual 1963-70

Period	Total milk production	Exports				Imports		Export or import (-) balance
		Sales 1/	Donations 2/	Total 1/		Quantity	Ratio to total milk production	
				Quantity	Ratio to total milk production			
	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Million pounds	Percent	Million pounds
Average:								
1953-57	123,070	952	2,850	3,802	3.1	519	0.4	3,283
1958-62	124,055	648	687	1,335	1.1	648	.5	687
Annual:								
1963	125,202	552	4,484	5,036	4.0	915	.7	4,121
1964	126,967	368	6,504	6,872	5.4	830	.7	6,042
1965	124,173	416	1,420	1,836	1.5	923	.7	913
1966	119,892	778	-	778	.6	2,791	2.3	-2,013
1967	118,769	353	10	363	.3	2,908	2.4	-2,545
1968	117,234	455	730	1,185	1.0	1,780	1.5	-595
1969	116,345	445	477	922	.8	1,600	1.4	-678
1970	117,436	396	41	437	.4	1,866	1.5	-1,429

1/ Includes some commercial sales subsidized by the Commodity Credit Corporation (CCC).
2/ Donations by CCC chiefly to relief agencies for shipment to overseas destinations.

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

Table 2.--Milk: U.S. utilization of domestic output, 5-year averages 1953-62, annual 1963-70

(In billions of pounds of milk or milk equivalent)

Period	Fluid use 1/	Manufactured dairy products								Grand total
		Butter 2/	Cheese			Canned milk	Frozen prod-ucts	Other factory prod-ucts 3/	Total	
			Ameri-can	Other	Total					
Average:										
1953-57--	57.2	31.9	10.2	3.4	13.6	6.3	8.1	2.7	62.6	119.9
1958-62--	58.0	31.9	10.1	3.5	13.6	5.4	9.4	3.1	63.4	121.5
Annual:										
1963-----	58.4	31.5	10.9	3.9	14.8	5.0	9.9	3.5	64.6	123.0
1964-----	58.6	31.9	11.5	4.2	15.7	5.0	10.3	3.2	66.1	124.8
1965-----	58.8	29.0	11.5	4.3	15.8	4.6	10.6	3.3	63.3	122.1
1966-----	58.5	24.0	12.2	4.5	16.7	4.6	10.5	3.6	59.4	117.9
1967-----	56.9	26.4	12.7	4.5	17.2	4.0	10.5	1.8	60.0	116.9
1968-----	56.3	25.2	12.7	4.7	17.4	3.9	11.0	1.5	59.0	115.4
1969-----	55.2	24.1	12.7	4.9	17.6	3.9	11.0	2.6	59.2	114.6
1970 4/--	54.2	23.9	14.3	5.3	19.6	3.4	11.1	3.3	61.5	115.7

1/ Does not include milk fed to calves but does include other milk consumed on farms.
2/ Includes farm and nonfarm butter.
3/ Includes dry whole milk, malted milk, dry ice-cream mix, creamed cottage cheese, and other miscellaneous products.
4/ Preliminary.

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

Table 3.--Dairy products: Commercial and U.S. Government yearend stocks, 1953-70

(In millions of pounds)

Year	Articles containing butterfat							Nonfat dry milk
	Butter	American cheese	Other cheese	Canned milk	Dry whole milk	Cream	Whole milk equivalent of specified products	
	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	146	5	7	4,342	99
1963	32	283	39	137	5	5	4,134	82
1964	37	272	42	192	7	8	4,321	109
1965	27	270	38	141	5	8	3,917	58
1966	30	322	50	205	7	13	4,813	118
1967	18	302	46	196	6	9	4,259	99
1968	14	291	62	101	8	7	1/ 3,910	79
1969	25	264	52	107	7	9	1/ 3,799	84
1970	20	253	71	116	5	2/	3,702	101
	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	-	-	-	-	1,196	280
1961	205	54	-	-	-	-	4,912	355
1962	328	79	-	-	-	-	7,824	576
1963	239	39	-	-	-	-	5,556	405
1964	34	24	-	-	-	-	973	65
1965	25	3/	-	-	-	-	541	96
1966	2	3/	-	-	-	-	46	-
1967	150	81	-	-	-	-	3,994	158
1968	103	52	-	6	-	-	1/ 2,723	199
1969	64	1	-	43	-	-	1/ 1,447	138
1970	99	1	-	3/	-	-	2,110	43
	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	5,393	383
1961	225	420	53	231	7	8	9,902	487
1962	359	386	38	147	5	7	12,166	675
1963	271	322	39	138	5	5	9,691	486
1964	71	296	42	193	7	8	5,294	174
1965	52	270	38	141	5	8	4,458	154
1966	32	322	50	206	7	13	4,858	118
1967	168	383	46	190	6	9	8,253	256
1968	117	343	62	105	8	7	1/ 6,634	278
1969	89	265	52	148	6	9	1/ 5,246	222
1970	119	254	71	116	5	2/	5,812	144

1/ Excludes stocks of cream and bulk condensed milk, which are relatively insignificant.
2/ Data not reported after 1969.
3/ Less than 0.5 million pounds.

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

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, average 1953-57, annual 1958-71

(Money figures in cents per pound)

Period (marketing years beginning Apr. 1)	Butter (Grade A) at Chicago		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing		
	Market price	CCC purchase price	Market price (Wisconsin assembly points) 1/	CCC purchase price	Market price (U.S. average)	CCC purchase price	Market price (U.S. average)	CCC support objective: Amount	CCC support objective: Percent of parity
Average									
1953-57--------	60.1	60.0	34.5	34.7	15.5	16.0	3.28	3.31	82
Annual:									
1958-----------	58.3	57.8	33.3	32.8	13.8	14.2	3.16	3.06	75
1959-----------	59.7	58.0	35.6	32.8	13.7	14.2	3.21	3.06	77
1960:									
Apr. 1-									
Sept. 16---		58.0		32.8		13.4		3.06	76
Sept. 17-									
Mar. 9	59.7		37.6		13.8		3.30		
(1961)-----		60.5		34.2		13.9		2/ 3.22	80
Mar. 10-31									
(1961)-----		60.5		36.1		15.9		3.40	85
1961:									
Apr. 1-									
July 17----		60.5		36.1		15.9		3.40	83
July 18-	60.5		37.4		16.1		3.38		
Mar. 31									
(1962)-----		60.5		3/ 36.5		3/ 16.4		3.40	83
1962-----------	58.6	58.0	36.1	34.6	14.4	14.4	3.19	3.11	75
1963-----------	58.2	58.0	37.1	35.6	14.5	14.4	3.24	3.14	75
1964-----------	59.1	58.0	38.0	35.6	14.6	14.4	3.29	3.15	75
1965-----------	61.1	59.0	40.0	36.1	14.9	14.6	3.45	3.24	75
1966:									
Apr. 1-									
June 29----	64.1	61.0	43.7	39.3	17.2	16.6	3.71	3.50	78
June 30-									
Mar. 31									
(1967)-----	69.1	66.5	47.2	43.8	20.1	19.6	4.24	4.00	89
1967-----------	66.7	66.5	45.3	43.8	19.9	19.6	4.07	4.00	87
1968-----------	66.9	66.4	48.3	47.0	23.3	23.1	4.30	4.28	89
1969-----------	68.0	67.6	53.6	48.0	23.6	23.4	4.54	4.28	83
1970-----------	70.0	69.8	55.0	52.0	26.3	27.2	4.75	4.66	85
1971 (Apr. 1)--	67.8	67.8	57.1	54.8	4/ 27.8	31.7	4/ 4.86	4.93	85

1/ Figures for 1953-57 and 1958 are prices quoted for "Cheddars"; prices shown for years thereafter are for 40-pound blocks.
2/ Increase required by Public Law 86-799.
3/ The U.S. Department of Agriculture 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 were designed to assure achievement of the $3.40 price-support objective.
4/ March 1971.

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

Table 5.--Net U.S. expenditures on dairy price-support and related programs, years ending June 30, 5-year averages 1953-62, annual 1963-71

(In millions of dollars)

Period (years ending June 30)	CCC net expenditures (excluding foreign donations) 1/	Foreign donations: Sec. 416 (Title III, Public Law 480) 2/	Foreign donations: Title II, Public Law 480 3/	Military milk program 4/	Payment-in-kind programs 5/	Sec. 32 expenditures 6/	Sec. 709 purchases and donations 7/	Total (excluding special milk)	Special milk program
Average:									
1953-57	135.4	127.9	12.9	5.6	-	47.6	-	329.4	26.3
1958-62	132.3	95.9	7.9	25.6	-	78.9	-	340.6	80.3
Annual:									
1963	303.1	136.6	14.3	24.8	6.7	-	-	485.5	93.7
1964	59.9	232.1	19.7	26.5	36.5	4.4	-	379.1	97.1
1965	72.7	79.8	4.7	26.2	44.7	105.6	-	333.7	86.5
1966	-46.1	57.7	14.5	-	3.8	38.7	-	68.6	97.0
1967	217.9	5.9	60.2	-	-	.9	14.2	299.0	96.1
1968	271.5	-	85.6	-	-	-	-	357.1	103.1
1969	163.5	-	105.4	-	-	8/ 45.4	-	314.3	101.9
1970	88.8	-	80.2	-	-	107.1	7.8	283.9	103.9
1971 9/	172.2	-	108.5	-	-	104.9	9.0	394.6	103.3

1/ CCC price-support purchase and other costs (processing, repackaging, transportation, storage, and handling), less proceeds from sales (including sales to sec. 32). Excludes costs of foreign donations.
2/ After Jan. 1, 1967, these donations are included in title II, Public Law 480, pursuant to new legislation (the Food for Peace Act of 1966).
3/ These donations are shown separately and are included in the total column for comparability purposes owing to the changes in legislation.
4/ CCC reimbursements to military agencies, Veterans Administration, and other participants.
5/ Amount of payment-in-kind certificates issued by CCC on exports of nonfat dry milk, butter, and high-milkfat products.
6/ Sec. 32 expenditures for purchases from CCC and direct purchases in the market.
7/ Purchases of butter and cheese for domestic school-lunch use under sec. 709 of the Food and Agriculture Act of 1965.
8/ Includes $12.5 million for evaporated milk and $0.8 million for instant chocolate-flavored-milk beverage mix.
9/ Estimated.

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

Note.--Excludes Government costs of activities under titles I and IV of Public Law 480.

Table 6.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation (CCC) and sec. 32 purchases, utilization (disposals), and CCC uncommitted stocks, 5-year averages 1953-62, annual 1963-70, and January-April 1969-71

(In millions of pounds)

Period	Purchases 1/	Utilization	Uncommitted supplies at end of period 2/
	Butter		
Average:			
1953-57	236	233	123
1958-62	237	184	93
Annual:			
1963	308	482	120
1964	266	368	18
1965	216	225	9
1966	3/ 29	32	6
1967	259	128	137
1968	193	255	77
1969	188	223	33
1970	246	242	37
January-April--			
1969	112	85	102
1970	103	68	67
1971	176	42	170
	Cheddar cheese		
Average:			
1953-57	233	204	228
1958-62	93	108	25
Annual:			
1963	120	164	19
1964	120	121	17
1965	39	56	4/
1966	5/ 20	12	8
1967	182	133	57
1968	78	111	24
1969	6/ 36	58	4
1970	43	47	-
January-April--			
1969	22	21	26
1970	12	10	6
1971	34	32	3

See footnotes at end of table.

Table 6.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation (CCC) and sec. 32 purchases, utilization (disposals), and CCC uncommitted stocks, 5-year averages 1953-62, annual 1963-70, and January-April 1969-71--Continued

(In millions of pounds)

Period	Purchases 1/	Utilization	Uncommitted supplies at end of period 2/
	Nonfat dry milk 7/		
Average:			
1953-57	678	681	120
1958-62	1,022	880	184
Annual:			
1963	998	1,146	303
1964	677	977	66
1965	888	823	143
1966	367	433	64
1967	615	478	201
1968	625	582	246
1969	354	461	137
1970	447	554	29
January-April--			
1969	72	123	197
1970	108	190	63
1971	127	160	15

1/ On the basis of contracts made; some deliveries were made in the subsequent reporting period.

2/ Owing to rounding of figures and purchase contract tolerances, the supplies at the end of a period do not always equal the supplies at the beginning plus purchases less utilization.

3/ Includes 9.7 million pounds purchased for school lunches under sec. 709 of the Food and Agriculture Act of 1965.

4/ Less than 0.5 million pounds.

5/ Includes 15.3 million pounds purchased for school lunches under sec. 709 of the Food and Agriculture Act of 1965.

6/ Includes 13.5 million pounds purchased for school lunches under sec. 709 of the Food and Agriculture Act of 1965.

7/ Includes instant nonfat dry milk.

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

Note.--Table does not include 107 million pounds of evaporated milk purchased between Apr. 1, 1969, and Apr. 1, 1970, with sec. 32 funds for domestic welfare use.

Table 7.--U.S. apparent consumption of milk and other dairy products (milk equivalent), by selected categories, 5-year averages 1953-62, annual 1963-70

(In millions of pounds)

Period	Consumed on farms	Federal programs		Commercial channels 1/	Apparent consumption	
		CCC donations to welfare programs	School lunch and special milk programs		All categories	Excluding Federal programs
Average:						
1953-57	11,222	2,489	1,353	100,922	115,986	112,144
1958-62	6,730	3,889	2,442	106,290	119,352	113,021
Annual:						
1963	4,813	5,478	2,902	107,654	120,847	112,467
1964	4,337	5,688	3,031	109,533	122,589	113,870
1965	3,915	4,025	3,215	110,356	121,511	114,271
1966	3,508	1,129	3,373	111,089	119,099	114,597
1967	3,174	3,105	3,441	105,847	115,567	109,021
1968	2,891	5,227	3,519	105,328	116,965	108,219
1969	2,630	5,228	3,494	104,788	116,140	107,418
1970 2/	2,370	4,892	3,494	105,412	116,168	107,782

1/ Includes milk purchased by the military; such purchases averaged about 3,000 million pounds annually during 1953-70.

2/ Preliminary.

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

Table 8.--Certain dairy products: U.S. imports for consumption, by kinds, 1966-70

Item	1966	1967	1968	1969	1970 1/
	Quantity (pounds)				
Fluid milk and cream:					
Containing over 5.5 percent but not over 45 percent of butterfat: 2/					
Within tariff quota 3/	15,029,045	11,971,688	12,667,192	14,818,936	11,115,300
Over tariff quota 3/	-	242,886	1,702,134	-	-
Milk and cream, condensed or evaporated:					
In airtight containers:					
Not sweetened	610,864	1,310,881	4,908,466	1,313,371	1,235,571
Sweetened	2,102,221	4,074,177	4,845,138	3,591,731	1,496,547
Other	576,113	5,000	8,932	466,284	9,112
Dried milk and cream:					
Buttermilk containing not over 6 percent of butterfat	400,556	158,055	375,916	174,176	420,504
Other:					
Containing not over 3 percent of butterfat	2,835,330	924,324	1,746,784	1,914,280	1,758,964
Containing over 3 percent but not over 35 percent of butterfat	6,950	3,450	127,000	7,000	36,998
Containing over 35 percent of butterfat	-	-	-	-	-
Butter and cream containing over 45 percent of butterfat	666,594	676,506	739,155	677,514	960,784
Oleomargarine and other butter substitutes 4/	12,496	-	84,800	16,304	7,040
Cheese, and substitutes for cheese:					
Containing 0.5 percent or less by weight of butterfat	5/ 60,000	5/ 60,000	5/ 60,000	5/ 3,000,000	11,027,000
Other	135,473,233	151,779,982	170,425,496	144,101,688	150,321,174
Other milk products: 6/					
Yoghurt and other fermented milk	-	-	-	-	750
Chocolate milk drink 7/	-	-	-	-	4,151
Ice cream 8/	-	-	-	18,115,468	156,044,023
Malted milk articles, not specially provided for, of milk or cream	720	1,183	9,436	11,815	10,627
Certain chocolate and articles containing chocolate:					
Containing 5.5 percent or less by weight of butterfat 5/	-	-	-	477,000	15,944,000
Other 5/	6,500,000	21,544,000	45,337,322	16,708,000	13,746,000
Edible animal oils (butter oil)	1,177,014	1,278,146	905,146	1,506,776	1,403,289
Edible preparations, not specially provided for, containing over 5.5 percent butterfat and not packaged for retail sale (Junex, etc.) 4/	107,761,874	100,547,509	1,882,266	2,741,488	2,397,819
Animal feeds containing milk or milk derivatives 5/	-	24,000	2,398,000	9,693,000	27,435,000

See footnotes at end of table.

Table 8.--Certain dairy products: U.S. imports for consumption, by kinds, 1966-70--Continued

	1966	1967	1968	1969	1970 1/
	Value				
Fluid milk and cream:					
Containing over 5.5 percent but not over 45 percent of butterfat: 2/					
Within tariff quota----------	$3,195,200	$2,755,055	$2,918,261	$3,199,551	$3,071,952
Over tariff quota------------	-	55,836	385,791	-	-
Milk and cream, condensed or evaporated:					
In airtight containers:					
Not sweetened----------------	65,560	164,470	555,318	144,339	133,321
Sweetened--------------------	362,542	867,479	1,028,832	821,974	270,622
Other------------------------	41,066	4,159	981	37,350	669
Dried milk and cream:					
Buttermilk containing not over 6 percent of butterfat---------	56,592	21,188	56,852	24,400	75,885
Other:					
Containing not over 3 percent of butterfat----------------	370,162	141,071	202,850	209,014	170,264
Containing over 3 percent but not over 35 percent of butterfat------------------	1,677	877	19,417	1,803	18,035
Containing over 35 percent of butterfat------------------	-	-	-	-	-
Butter and cream containing over 45 percent of butterfat---------	365,150	377,305	402,700	367,015	614,756
Oleomargarine and other butter substitutes 4/-----------------	2,877	-	10,071	4,403	1,609
Cheese, and substitutes for cheese.					
Containing 0.5 percent or less by weight of butterfat--------	9/	9/	9/	9/	9/
Other------------------------	10/ 60,109,871	10/ 64,587,476	10/ 69,313,328	10/ 68,224,203	83,483,957
Other milk products: 6/					
Yoghurt and other fermented milk------------------------	-	-	-	-	442
Chocolate milk drink------------	-	-	-	-	3,913
Ice cream-----------------------	-	-	-	1,895,900	6,584,276
Malted milk articles, not specially provided for, of milk or cream--------------	489	637	3,868	3,553	2,073
Certain chocolate and articles containing chocolate:					
Containing 5.5 percent or less by weight of butterfat--------	-	-	-	9/	9/
Other 5/------------------------	1,200,000	3,715,000	7,703,000	9/	9/
Edible animal oils (butter oil)---	459,177	459,824	225,902	374,079	319,070
Edible preparations, not specially provided for, containing over 5.5 percent butterfat and not packaged for retail sale (Junex, etc.) 4/-----------------------	24,641,210	21,417,070	569,576	740,085	664,460
Animal feeds containing milk or milk derivatives 5/----------	-	1,000	272,000	1,074,000	3,193,641

1/ Preliminary.
2/ There were no imports in the years shown of fluid buttermilk or fluid milk and cream containing not over 5.5 percent of butterfat.
3/ Converted to pounds at rate of 8.4 pounds to 1 gallon.
4/ Certain articles containing over 45 percent of butterfat are not permitted entry into the United States (see TSUS item 950.22).
5/ Estimated by the staff of the U.S. Tariff Commission.
6/ There were no imports of whey in the years shown.
7/ Converted to pounds at rate of 8.8 pounds per gallon.
8/ Converted to pounds at rate of 7 pounds per gallon.
9/ Not available.
10/ Includes value of imports of cheese containing 0.5 percent or less by weight of butterfat.

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

Table 9.--Swiss cheese, Gruyere-process cheese, and certain "other cheese": U.S. imports for consumption, by purchase price (f.o.b.), 1965-70

(In thousands of pounds)

Year	Swiss cheese			Gruyere-process cheese		
	47 cents or more per pound	Less than 47 cents per pound	Total	47 cents or more per pound	Less than 47 cents per pound	Total
1965--	6,293	4,126	10,419	3,554	1,760	5,314
1966--	7,656	7,095	14,751	4,118	5,005	9,123
1967--	7,453	6,902	14,355	3,559	6,277	9,836
1968--	6,784	32,067	38,851	6,387	13,590	19,977
1969--	15,206	4,902	20,108	9,170	3,480	12,650
1970--	22,996	3,359	26,355	10,770	3,178	13,948
	Certain "other cheese"			Total		
	47 cents or more per pound	Less than 47 cents per pound	Total	47 cents or more per pound	Less than 47 cents per pound	Grand total
1965--	3,715	5,490	9,205	13,562	11,376	24,938
1966--	4,596	13,472	18,068	16,370	25,572	41,942
1967--	5,464	17,527	22,991	16,476	30,706	47,182
1968--	7,797	31,581	39,378	20,968	77,238	98,206
1969--	13,089	32,095	45,184	37,465	40,477	77,942
1970--	22,616	34,201	56,818	56,382	40,738	97,120

Source: Data for 1965 and 1966 compiled from the official statistics of the U.S. Department of Commerce by the Import Branch, Foreign Agricultural Service, U.S. Department of Agriculture; data for 1967-70 compiled by the staff of the U.S. Tariff Commission from official statistics of the U.S. Department of Commerce.

Table 10.--Swiss cheese with eye formation: U.S. production, imports for consumption, and apparent consumption, 1963-70

(Quantity in thousands of pounds; value in thousands of dollars)

Year	Production 1/	Imports	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity			
1963	119,906	11,692	131,598	9
1964	121,884	11,506	133,390	9
1965	122,732	10,419	133,151	8
1966	136,664	14,751	151,415	10
1967	132,204	14,355	146,559	10
1968	129,613	38,851	168,464	23
1969	131,612	20,108	151,720	13
1970	2/ 138,545	26,355	164,900	19
	Value			
1963	52,483	6,063	3/	3/
1964	52,105	6,427	3/	3/
1965	55,880	6,001	3/	3/
1966	74,112	7,988	3/	3/
1967	69,738	7,929	3/	3/
1968	73,039	14,185	3/	3/
1969	68,438	10,600	3/	3/
1970	94,626	14,706	3/	3/

1/ Values are based on average annual prices paid f.o.b. Wisconsin assembly points for Grade A blocks.
2/ Estimated.
3/ Not meaningful.

Source: Production compiled from official statistics of the U.S. Department of Agriculture; imports compiled from official statistics of the U.S. Department of Commerce.

Note.--Exports, which are not separately reported, have been small.

Table 11.--Gruyere-process cheese: U.S. production, imports for consumption, and apparent consumption, 1963-70

(Quantity in thousands of pounds; value in thousands of dollars)

Year	Production 1/	Imports	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity			
1963	548	4,830	5,378	90
1964	497	5,173	5,670	91
1965	510	5,314	5,824	91
1966	480	9,123	9,603	95
1967	418	9,836	10,254	96
1968	437	19,977	20,414	98
1969	464	12,650	13,114	96
1970	434	13,948	14,382	97
	Value			
1963	444	2,711	2/	2/
1964	403	2,779	2/	2/
1965	425	2,886	2/	2/
1966	400	4,108	2/	2/
1967	358	4,146	2/	2/
1968	387	7,269	2/	2/
1969	436	6,329	2/	2/
1970	408	7,210	2/	2/

1/ Values are based on average annual prices f.o.b. plant.
2/ Not meaningful.

Source: Production data supplied by domestic producer; imports compiled from official statistics of the U.S. Department of Commerce.

Note: Exports, which are not separately reported, have been negligible.

Table 12.--Certain "other cheese," and substitutes for cheese (including cottage cheese): U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1963-70

(Quantity in thousands of pounds; value in thousands of dollars)

Year	Production 1/	Imports	Exports	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity				
1963	1,152,125	7,424	3,359	1,156,190	0.6
1964	1,222,786	8,288	3,526	1,227,547	.7
1965	1,242,198	9,204	2,955	1,248,447	.7
1966	1,263,602	18,068	2,679	1,278,991	1.4
1967	1,279,306	22,991	2,918	1,299,379	1.8
1968	1,337,212	39,378	3,090	1,373,500	2.9
1969	1,427,737	45,174	2,831	1,470,080	3.1
1970	2/ 1,541,610	56,818	3,094	2/ 1,595,334	3.6
	Value				
1963	403,000	3,300	1,799	3/	3/
1964	432,000	3,925	1,857	3/	3/
1965	475,000	4,359	1,685	3/	3/
1966	478,000	6,946	1,821	3/	3/
1967	512,000	8,534	1,927	3/	3/
1968	548,000	12,997	2,184	3/	3/
1969	600,000	15,993	2,014	3/	3/
1970	2/ 694,000	23,039	2,282	3/	3/

1/ Values estimated by the staff of the U.S. Tariff Commission based on the wholesale prices of similar cheeses in New York City.
2/ Estimated.
3/ Not meaningful.

Source: Production compiled from official statistics of the U.S. Department of Agriculture; imports and exports compiled from official statistics of the U.S. Department of Commerce.

Table 13.--Swiss or Emmenthaler cheese with eye formation: U.S. imports for consumption, by principal sources, 1963-70

Source	1963	1964	1965	1966	1967	1968	1969	1970
	Quantity (1,000 pounds)							
Switzerland	6,221	6,833	6,227	7,011	6,214	12,349	6,006	6,385
Austria	792	1,516	1,345	1,745	1,915	8,924	5,769	8,224
Finland	1,863	1,982	1,803	3,475	3,686	4,009	3,940	6,071
Denmark	2,481	866	659	1,626	1,217	1,775	2,704	3,304
Norway	154	222	330	469	734	694	999	1,520
West Germany	27	9	30	167	247	10,580	479	408
Canada	-	-	-	-	-	-	112	-
All other	154	78	25	258	342	520	99	443
Total	11,692	11,506	10,419	14,751	14,355	38,851	20,108	26,355
	Value (1,000 dollars)							
Switzerland	3,905	4,447	4,226	4,740	4,478	6,315	4,117	4,933
Austria	369	671	617	797	838	2,424	2,585	3,874
Finland	716	794	708	1,421	1,590	1,694	1,791	3,010
Denmark	965	381	286	647	518	689	1,290	1,693
Norway	56	86	136	198	316	317	468	735
West Germany	12	5	15	58	66	2,603	236	239
Canada	-	-	-	-	-	-	53	-
All other	40	43	13	127	123	143	60	222
Total	6,063	6,427	6,001	7,988	7,929	14,185	10,600	14,706
	Unit value (cents per pound)							
Switzerland	62.8	65.1	67.9	67.6	72.1	51.1	68.5	77.3
Austria	46.7	44.3	45.8	45.7	43.8	27.2	44.8	47.1
Finland	38.4	40.1	39.3	40.9	43.1	42.2	45.4	49.6
Denmark	38.9	44.0	43.4	39.8	42.6	38.8	47.7	51.0
Norway	36.0	38.7	41.3	42.2	43.0	45.7	46.8	48.4
West Germany	43.8	51.9	51.0	34.9	26.7	24.6	49.3	58.7
Canada	-	-	-	-	-	-	47.3	-
All other	26.0	55.1	52.0	49.2	36.0	27.5	60.6	50.1
Average	51.8	55.9	57.6	54.2	55.2	36.5	52.7	55.8

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

Table 14.--Gruyere-process cheese: U.S. imports for consumption, by principal sources, 1963-70

Source	1963	1964	1965	1966	1967	1968	1969	1970
	Quantity (1,000 pounds)							
Switzerland	3,369	3,484	3,371	4,043	3,275	3,932	4,446	4,660
Denmark	114	119	151	338	237	2,080	2,693	3,684
West Germany	35	61	76	392	2,159	8,245	1,931	1,840
Austria	492	446	372	1,124	966	1,892	1,469	1,380
Finland	712	968	1,142	2,967	3,031	3,526	1,582	1,582
Ireland	9	24	72	78	52	96	242	237
All other	99	71	130	181	116	206	287	565
Total	4,830	5,173	5,314	9,123	9,836	19,977	12,650	13,948
	Value (1,000 dollars)							
Switzerland	2,144	2,157	2,146	2,475	2,112	2,524	2,817	3,045
Denmark	50	54	69	124	103	1,029	1,459	1,926
West Germany	17	25	35	124	516	1,936	665	674
Austria	211	184	158	384	350	569	602	582
Finland	235	314	373	905	975	1,096	513	580
Ireland	3	9	28	30	21	39	115	109
All other	51	36	77	66	69	76	158	294
Total	2,711	2,779	2,886	4,108	4,146	7,269	6,329	7,210
	Unit value (cents per pound)							
Switzerland	63.6	61.9	63.7	61.2	64.5	64.2	63.3	65.3
Denmark	43.9	45.1	45.8	36.7	43.3	49.5	54.2	52.3
West Germany	48.6	41.8	45.8	31.6	23.9	23.5	34.4	36.7
Austria	42.9	41.1	42.4	34.1	36.3	30.1	41.0	42.2
Finland	33.0	32.4	32.6	30.5	32.2	31.1	32.4	36.7
Ireland	36.7	37.5	39.2	39.0	40.2	40.9	47.4	46.1
All other	51.5	50.7	60.1	36.1	59.4	36.6	55.2	51.9
Average	56.1	53.7	54.3	45.0	42.1	36.4	50.0	51.7

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

Table 15.--Cheese not elsewhere enumerated: U.S. imports for consumption, by principal sources, 1963-70

Source	1963 1/	1964	1965	1966	1967	1968	1969	1970
	Quantity (1,000 pounds)							
Denmark	2,515	3,730	3,664	7,244	9,696	13,739	14,009	25,879
New Zealand	-	-	-	-	28	17	7,465	6,335
France	883	1,292	1,820	2,246	3,334	7,604	10,589	5,761
Canada	32	40	25	55	203	502	1,180	2,810
West Germany	369	394	433	816	1,298	4,006	1,817	2,305
Poland	53	106	85	1,122	2,064	2,961	2,139	2,296
Switzerland	307	442	609	668	767	1,549	1,369	2,018
Sweden	306	448	439	1,202	1,535	2,497	1,660	1,697
United Kingdom	300	104	112	241	312	271	658	1,448
Finland	127	344	480	505	1,441	1,680	1,017	1,239
Iceland	-	5	247	1,956	568	1,653	560	560
Netherlands	183	147	148	153	185	715	277	381
Italy	1,048	668	611	555	558	696	623	351
Norway	265	297	176	269	303	337	307	338
Austria	612	28	54	95	77	210	307	258
All other	364	243	301	941	622	941	1,201	3,142
Total	7,424	8,288	9,204	18,068	22,991	39,378	45,174	56,818
	Value (1,000 dollars)							
Denmark	1,144	1,670	1,625	2,452	3,005	3,931	4,695	8,990
New Zealand	-	-	-	-	10	6	2,656	2,521
France	508	794	1,078	1,494	2,066	3,260	3,537	3,887
Canada	17	22	16	28	80	184	548	1,354
West Germany	167	201	218	350	517	1,187	826	1,082
Poland	9	21	18	254	479	681	476	494
Switzerland	201	278	368	433	514	933	928	1,381
Sweden	74	114	120	338	416	688	508	566
United Kingdom	116	46	51	101	105	96	175	404
Finland	25	69	105	120	397	443	283	399
Iceland	-	1	59	476	129	390	133	134
Netherlands	80	68	71	71	93	240	143	198
Italy	549	409	399	378	360	459	417	257
Norway	110	118	67	101	110	133	124	142
Austria	150	11	20	31	34	72	125	106
All other	177	103	144	117	219	294	419	1,124
Total	3,277	3,925	4,359	6,946	8,534	12,997	15,993	23,039
	Unit value (cents per pound)							
Denmark	45.4	44.8	44.3	33.8	31.0	28.6	33.5	34.7
New Zealand	24.0	-	-	-	-	35.6	35.6	39.8
France	57.5	61.5	59.2	66.5	62.0	42.9	33.4	67.5
Canada	53.1	55.0	64.0	50.9	39.4	36.7	46.4	48.2
West Germany	45.2	51.0	50.3	42.9	39.8	29.6	45.5	47.0
Poland	16.9	19.8	21.2	22.6	23.2	23.0	22.3	21.5
Switzerland	65.4	62.9	60.4	64.8	67.0	60.2	67.8	68.4
Sweden	24.1	25.4	27.3	28.1	27.1	27.6	30.6	33.4
United Kingdom	38.6	44.2	45.5	41.9	33.7	35.4	26.6	27.9
Finland	19.6	20.1	21.9	23.8	27.5	26.4	27.8	32.2
Iceland	-	20.0	23.9	24.3	22.7	23.6	23.8	23.9
Netherlands	43.7	46.3	48.0	46.4	50.3	33.6	51.6	52.1
Italy	52.3	61.2	65.3	68.1	64.5	65.9	66.9	73.2
Norway	41.5	39.7	38.1	37.5	36.3	39.5	40.4	42.1
Austria	22.3	39.3	37.0	32.6	44.2	34.3	41.3	41.2
All other	23.3	42.4	47.8	12.4	35.2	31.2	34.9	35.7
Average	31.8	47.4	47.4	38.4	37.1	33.0	35.4	40.5

1/ Partly estimated.

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