UNITED STATES TARIFF COMMISSION

CHEESES

Report to the President on Investigation No. 22-31
Under Section 22 of the
Agricultural Adjustment Act, as amended

TC Publication 567
Washington, D. C.
April 1973

UNITED STATES TARIFF COMMISSION

Address all communications to

United States Tariff Commission

Washington, D. C. 20436

CONTENTS

i

FIGURES

TABLES

TABLES--Continued

Report to the President

U.S. Tariff Commission
April 9, 1973

To the President:

Pursuant to your request of March 8, 1973, 1/ the U.S. Tariff Commission has completed an investigation 2/ under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), with respect to cheeses and substitutes for cheese. The purpose of the investigation was to determine whether each of the annual quota quantities for cheeses and substitutes for cheese presently subject to section 22 quantitative limitations as described in items 950.07 through 950.10E of part 3 of the appendix to the Tariff Schedules of the United States (TSUS), and for each of the supplying countries wherever applicable, may be increased by fifty percentum for the calendar year 1973, such additional quantities to be entered during a temporary period ending July 31, 1973, without rendering or tending to render ineffective, or materially interfering with, the price-support program now conducted by the Department of Agriculture for milk, or reducing substantially the amount of products processed in the United States from domestic milk.

You requested the Commission to report its findings and recommendations to you at the earliest practicable date, but no later than thirty days from receipt of your letter.

1/ The full text of your letter is shown in appendix A.

2/ Public notice of the Commission's section 22 investigation (No. 22-31) was issued March 9, 1973. 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 March 13, 1973 (38 F.R. 6855) and in the March 28, 1973, issue of the Customs Bulletin. A public hearing was held on March 19 and 20, 1973; all interested parties were afforded opportunities to produce evidence and to be heard.

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.

Finding

On the basis of investigation No. 22-31, including the hearing, the Commission finds, 1/ pursuant to section 22(d) of the Agricultural Adjustment Act, as amended, that, owing to changed circumstances, each of the annual quota quantities, for each of the supplying countries wherever applicable, for cheeses and substitutes for cheese presently subject to section 22 quantitative limitations (as described in items 950.07 through 950.10E of part 3 of the appendix to the TSUS), may be increased by fifty percentum for the calendar year 1973, such additional quantities to be entered during a temporary period ending July 31, 1973, without rendering or tending to render ineffective, or materially interfering with, the price-support program now conducted by the Department of Agriculture for milk, or reducing substantially the amount of products processed in the United States from domestic milk.

Recommendation

The Commission recommends 1/ that the President issue a proclamation pursuant to section 22(d) of the Agricultural Adjustment Act, as

---

1/ Commissioners Leonard and Young dissent in part with respect to the finding and recommendation as they apply to "each of the supplying countries."

amended, to increase by fifty percentum for the 1973 calendar year each of the annual quota quantities for the articles specified in the finding, and for each of the supplying countries wherever applicable, such additional quantities to be entered during a temporary period ending July 31, 1973.

Statement of the Commission

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk through purchases of milk and the products of milk at such level between 75 percent and 90 percent of parity as he determines necessary to assure an adequate supply. The current milk price support is $5.29 per hundred pounds for manufacturing milk. To effectuate this support level, the Department of Agriculture offers to purchase at specified prices three major dairy products, namely butter, nonfat dry milk, and Cheddar cheese, thus removing any surplus production from the market place In order that imports would not adversely affect the price-support program for milk, import quotas have been imposed on most dairy products, including virtually all types of cheese made from cow's milk.

The consumption of cheese in the United States has far outpaced the consumption of other manufactured dairy products in recent years even though retail prices for cheese have risen rapidly. Because of the strong commercial demand for cheese, the quantities of Cheddar cheese required to be purchased by the Department of Agriculture under its price-support program have declined in recent years. In 1972, only 21 million pounds of Cheddar cheese, or 1.6 percent of production, was purchased--the smallest percentage of output purchased in any year since 1960. Indeed, during the period June 1972-March 1973, the price of Cheddar cheese was far enough above the price-support level so that virtually none was required to be purchased under the support program. The Department of Agriculture has reported that it does not expect to acquire substantial amounts of cheese in the foreseeable future.

As production of cheese has increased in response to the growing demand, larger amounts of domestic milk have been used in the production thereof, rather than for butter and nonfat dry milk. Accordingly, lesser amounts of the latter products have been purchased by the Department of Agriculture. As a result, the expenditures by the Government for the support program have sharply declined.

In recent years, market prices for natural Cheddar cheese have remained well above the support prices. During January-November 1972 average market prices for Cheddar cheese in the United States ranged from 3.0 cents to 8.3 cents per pound above the support price. In December, the market price advanced to 9.0 cents per pound above the support price, where it remained until early March 1973, when it rose to 10 cents per pound above the support price.

On March 8, the Department of Agriculture announced an increase in the support price for Cheddar cheese from 54.75 cents to 62.0 cents per pound and a reduction in the support price for butter from 67.7 cents to 60.9 cents per pound beginning March 15. According to the Department of Agriculture, the increase for cheese and the reduction for butter were designed to further stimulate cheese production to meet the rising demand. Concurrent with the price-support announcement by the Department of Agriculture, it was announced that the President had requested the Tariff Commission to make an investigation as to the effect of a 50-percent increase in the import quotas for cheese. In spite of these two announcements, both of which were designed to increase the supply of cheese, the average market price for

Cheddar cheese continued to advance during March. On the last date for which market-price information was available (April 5), the average market price for Cheddar cheese was 65.75 cents per pound. This price is 11 cents above the support price in effect prior to March 15 and 3.75 cents per pound above the new higher support price which became effective on March 15. This is a strong indication that the proposed increase in the import quotas for cheese, which would be equivalent to 1.6 percent of domestic consumption, would not depress market prices to the point where substantial purchases by the Department of Agriculture would be required under its price-support program. Furthermore, the increase in imports which could occur under the President's proposal is small in terms of the quantity of cheese purchased by the Department of Argiculture under its price-support program in most years since section 22 quotas on cheese were first imposed in 1953. In the unlikely event that the Department of Agriculture would be required to purchase a quantity of Cheddar cheese equivalent to that provided in the proposed quotas (64 million pounds) in addition to the quantity purchased in 1972, the total amount of cheese acquired would be less than that acquired in 1971. Further, the cost of acquiring the 64 million additional pounds of Cheddar cheese would be small compared with the estimated expenditures by the Department of Agriculture under the dairy price-support program in the year ending June 30, 1973.

It is clear from the foregoing that the strong upward trend in the demand for cheese still persists as evidenced by (a) increased consumption in 1972, (b) virtually no purchases of Cheddar cheese by the Department of Agriculture under its price-support program, and (c) a continuation in the upward trend of market prices. We do not foresee any change in the supply-demand relationship for cheese during the remainder of 1973 caused by increased imports permitted under the proposed enlargement of the import quotas which would render or tend to render ineffective, or materially interfere with, the price-support program now conducted by the Department of Agriculture for milk.

Moreover, we do not believe that the proposed additional imports will reduce substantially the amount of products processed in the United States from domestic milk. Imports of the cheeses subject to quotas can be divided into two groups--specialty-type cheeses and cheeses used for processing.

Imports of the specialty-type cheeses, chiefly blue-mold, "aged" Cheddar, Edam and Gouda (whether or not processed), and Italian-type cheeses (whether or not in original loaves), are priced substantially above the comparable domestically produced cheeses. In some cases the prices of the imported cheeses are double the prices of the domestic varieties, but almost without exception imported cheeses are priced 10 cents or more per pound above the domestic varieties. We are well aware that the proposed temporary quota quantities for some such cheeses are equivalent to as much as 17 percent of U.S. consumption of those cheeses, assuming maximum utilization of the quotas (which based on prior experience is highly unlikely). For such specialty cheese, however, consumers have been willing to pay the substantial price dfferentials; it is not believed that the additional quota for these cheeses will cause any substantial adverse effects upon prices of domestic cheeses so as to reduce substantially the amount of products processed in the United States from domestic milk.

The proposed temporary quota quantities for the principal cheeses used for processsing, namely unaged Cheddar and American-type cheeses, are insignificant compared with domestic consumption, about 0.3 percent and 1 percent, respectively. With regard to Swiss or Emmenthaler with eye formation, Gruyere-process cheese, and "other" cheese (including low-fat cheese), most of the imports under the quota probably go into processing (although some may be consumed as natural cheeses). Prices of such cheeses used for processing, like prices for unaged Cheddar and American-type cheeses, are generally near the prices of the domestic varieties. The proposed temporary quotas, however, do not exceed 5 percent of the domestic consumption of the cheeses for which there is any substantial production. We find, therefore, that the proposed increase in import quotas is not so large as to reduce substantially the amount of products processed in the United States from domestic milk.

Some of the existing quotas for cheese are allocated to individual countries by the proclamations which established the quotas, and the special temporary quotas on the cheeses involved would presumably be so allocated. 1/ Thus, the allocation of the temporary quotas to individual countries for cheeses where the regular quotas are allocated will tend to keep the kinds of cheeses entered in the same pattern as exists under the regular quotas, although, under the procedures established for the administration of the quotas, the

1/ Commissioners Leonard and Young do not concur in this paragraph of the Commission's statement; their views are set forth in an additional statement beginning on p. 11.

Department of Agriculture is authorized under certain conditions to grant adjustments between countries. The cheeses imported under the quotas that are allocated to individual countries are believed, for the most part, to be used for processing, although some are consumed as natural-type cheeses. As stated earlier, the quantities of processing-type cheeses that could enter under the proposed additional quotas are so small in relation to consumption as not to adversely affect the price-support program or to reduce substantially the amount of products processed in the United States from domestic milk. Regardless of whether the imports under the temporary country quotas are used for processing, or whether they are consumed as natural-type cheeses, we find that imports from the individual countries, wherever applicable, may be entered without rendering or tending to render ineffective, or materially interfering with, the price-support program now conducted by the Department of Agriculture for milk, or reducing substantially the amount of products processed in the United States from domestic milk.

At the hearing held in connection with the Commission's investigation, a question was raised whether increased quantities of imports of quota-type cheeses can be permitted under section 22, primarily as a means of reducing the prices of cheese in the domestic market. This question is not germane to determinations under section 22 and has not been a factor in this determination of the Commission. The question presented in this investigation is whether, as proposed by the President and as set forth in the Commission's Notice of

Investigation, each of the annual quota quantities for cheeses and substitutes for cheese, and for each of the supplying countries wherever applicable, may be increased by 50 percentum--

> without rendering or tending to render ineffective, or materially interfering with, the price support program now conducted by the Department of Agriculture for milk, or reducing substantially the amount of products processed in the United States from domestic milk.

It will be observed under section 22(d) that outstanding import restrictions "may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section." The criteria of the statute, and none other, are pertinent to the actions contemplated by section 22.

Additional Statement of Commissioners Leonard and Young

Included within the scope of this investigation as provided in the Commission's Notice of Investigation and as directed by the President was a determination by the Commission of whether each of the annual quota quantities for the described cheeses "and for each of the supplying countries wherever applicable" may be increased by 50 percent for 1973 without rendering or tending to render ineffective, or materially interfering with the milk price support program, or reducing substantially the amount of products processed in the United States from domestic milk.

While we concur with the Commission finding and recommendation in large part, we cannot join in that portion of the finding and recommendation concerned with "each of the supplying countries." Specifically, we cannot make a determination that each cheese's annual quota "for each of the supplying countries wherever applicable" may be increased by 50 percent for 1973 without reducing substantially the amount of products processed in the United States from domestic milk. We are convinced that the annual quota for each cheese may be increased by 50 percent without reducing substantially the amount of products processed in the United States from domestic milk, but we are unable to make the further determination as it applies to the annual quota of each cheese for each supplying country. We are unable to make that further determination because the investigation of the Commission within the 30-day time limit required did not reveal sufficient information on products imported from individual countries for us to make such a determination. Such data may have significant bearing on the conclusion to be reached, particularly with reference to so-called specialty cheeses.

Additional Statement of Commissioner Ablondi

I concur with the Commission's finding, recommendation, and statement. In addition, I have further observations.

The market situation for cheese in the United States has changed since the section 22 quotas were imposed on imports of certain cheeses in 1953. During the 20 years since then, total consumption of cheese has more than doubled; per capita consumption, meanwhile, has increased about 70 percent.

In the past 5 years, average purchases of cheese by the Department of Agriculture under the support program for milk have been about 70 percent less than they were in the 5-year period after the quotas were imposed. The purchases of butter and nonfat dry milk have declined, by 10 percent and 40 percent, respectively. In 1965, moreover, Congress authorized the Secretary of Agriculture to buy cheese, butter, and nonfat dry milk at market prices--above support prices--if necessary to meet commitments under various Government programs such as the school lunch program (sec. 709, Public Law 89-321); from time to time, such purchases have been made by the Department of Agriculture.

Many of the cheeses that now enter the United States, whether or not under quotas, are specialty types for which consumers pay premium prices. The Commission has within a period of 3 months commenced two investigations for the purpose of temporarily modifying existing quotas. This action is indicative of a need to undertake periodic reviews of developments respecting imports of all dairy products to determine whether the annual import restrictions on dairy products should be modified from time to time as changes occur in the domestic market.

Introduction

Since mid-1953, U.S. imports of certain cheeses made from cow's milk, like many other dairy products, have been subject to quotas under section 22 of the Agricultural Adjustment Act, as amended, in order to protect the price-support program for milk of the Department of Agriculture from import interference. On March 8, 1973, the President requested the Tariff Commission to make an investigation under section 22 of the act to determine whether each of the current annual quota quantities for each of the cheeses, and for each of the supplying countries wherever applicable, may be increased by 50 percent, such additional quantities to be entered during a temporary period ending July 31, 1973, without adversely affecting the price support program.

Currently, imports of eleven different types of cheeses are subject to quotas; seven of the quotas limit imports of the specified cheeses whatever their price, while four of them limit imports of specified cheeses having a purchase price of less than 69 cents per pound. Imports of the four cheeses having a purchase price of 69 cents per pound or more, as well as cheeses not containing cow's milk and several cow's milk cheeses traded only in infinitesimal quantities, are quota-free.

Quotas on Imports of Cheeses under Section 22

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk through purchases of milk and the products of milk at such level between 75 percent and 90 percent of parity as he determines necessary in order to assure an adequate supply. In order to satisfy the statutory requirement, the Secretary maintains a price-support program under which the Department of Agriculture will purchase butter, Cheddar cheese, and nonfat dry milk at specified prices. In order to protect the price-support program from import interference, quotas were imposed on imports of certain dairy products including four types of cheeses--blue-mold, Cheddar, and certain Edam and Gouda, and Italian-type cheeses--in mid-1953 under section 22 of the Agricultural Adjustment Act, as amended.

Since 1953, the original quotas imposed on the four types of cheeses have been modified when found warranted by changed circumstances, and additional cheeses have been made subject to quotas when it was found that the statutory criteria were met.

Current quotas for cheeses

At the present time, imports of all cheeses containing cow's milk (except Goya, Gjetost, Nokkelost, Gammelost, and, if having a purchase price of less than 69 cents per pound, Swiss or Emmenthaler cheese with eye formation, Gruyere-process cheese, and "other" cheese (including that containing 0.5 percent or less by weight of butterfat)) 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 quotas. The following tabulation shows the annual quotas imposed under section 22 currently applicable to U.S. imports of cheeses.

Total cheeses: Types subject to quotas under section 22 and quota-quantities, by country, wherever applicable March 31, 1973

Article 1/	Quantity	
	Pounds	
Blue-mold (except Stilton) cheese, and cheese and 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	2/ 10,037,500	
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	
	Denmark	1,714,000
	Ireland	331,000
	Netherlands	169,000
	Norway	368,000
	West Germany	513,000
	Other	56,000
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	

Article 1/	Quantity	
	Pounds	
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	
	Argentina----	1,347,000
	Italy--------	104,500
	Australia----	13,700
	Other--------	28,800
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----------------------------	20,420,000	
	Austria---------	8,222,000
	Denmark---------	3,396,000
	Finland---------	6,111,000
	Norway----------	1,672,000
	Switzerland-----	269,000
	West Germany----	292,000
	Netherlands-----	210,000
	Israel----------	60,000
	Other-----------	188,000
Other than Swiss or Emmenthaler cheese with eye formation-------------------	11,242,000	
	Austria---------	1,406,000
	Denmark---------	3,435,000
	Finland---------	1,606,000
	Switzerland-----	2,234,000
	West Germany----	1,818,000
	Ireland---------	210,000
	Norway----------	82,000
	Portugal--------	275,000
	Other-----------	176,000

Article 1/	Quantity
	Pounds
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) 3/-----	40,730,000
	Belgium----- 469,000
	Denmark-----16,820,000
	Finland----- 1,239,000
	France------ 2,882,000
	Iceland----- 649,000
	Ireland----- 161,000
	Netherlands- 422,000
	Norway------ 356,000
	Poland------ 2,064,000
	Sweden------ 1,707,000
	Switzerland- 215,000
	United Kingdom 496,000
	West Germany-2,148,000
	New Zealand 7,556,000
	Canada------ 2,670,000
	Portugal---- 227,000
	Austria----- 199,000
	Italy------- 17,000
	Israel------ 145,000
	Other------- 288,000
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) 3/--------------------------	8,901,000
	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-------- None

Article 1/	Quantity
	Pounds
Total quota-quantity (all types of cheese)------------------------	127,789,599

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

2/ Not more than 8,812,500 lbs. 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), less than 69 cents per pound.

The aggregate quota quantities for 1972--111 million pounds--were about 87 percent filled in that year, according to preliminary (unpublished) data from the Department of Agriculture. 1/ In 1971, a year in which there was a dock strike and a year that a shortage of supplies was reported in several supplying countries, the aggregate quota quantities were 71 percent filled; they were 87 percent filled in 1970. Utilization of the individual annual quotas for 1970-72 is shown in table 1; utiliaation for January-February 1971-73 is shown in table 2.

Administration of section 22 quotas for cheese

The import quota on "aged" Cheddar cheese (1,225,000 pounds) is administered by the Bureau of Customs on a first-come, first-served basis; imports of all other cheeses under quotas are subject to the licensing procedures of the Department of Agriculture. 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

1/ Officials at the Department of Agriculture reported that importers license returns normally are not completed until April or May. When all returns have been submitted, utilization of the quotas for 1972 may well be larger than shown above. At the Commission's public hearing on the investigation, the spokesman for the Department of Agriculture testified that it is normal to have 6 percent to 8 percent of the annual quotas unfilled.

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. However, the entire quantity may be imported any time during the last 6 months of the 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 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 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 the year from particular countries of origin, but the aggregate quantity permitted to be

---

1/ Headnote 3(a)(1) to pt. 3 of the appendix to the TSUS.

entered from all countries during such calendar year may not be exceeded. During 1971 and 1972, the Secretary of Agriculture has so adjusted several of the quota quantities among supplying countries.

Currently, about 500 firms (importers) are licensed to import the total quota quantity (128 million pounds for 1973) of the 11 types of cheese subject to section 22 quotas. The cheeses can be entered from about 20 countries. In order to allocate the total quantity to importers, semiannually, by type of cheese, and by country, the Department of Agriculture currently issues some 5,000 import licenses per year.

U.S. Imports

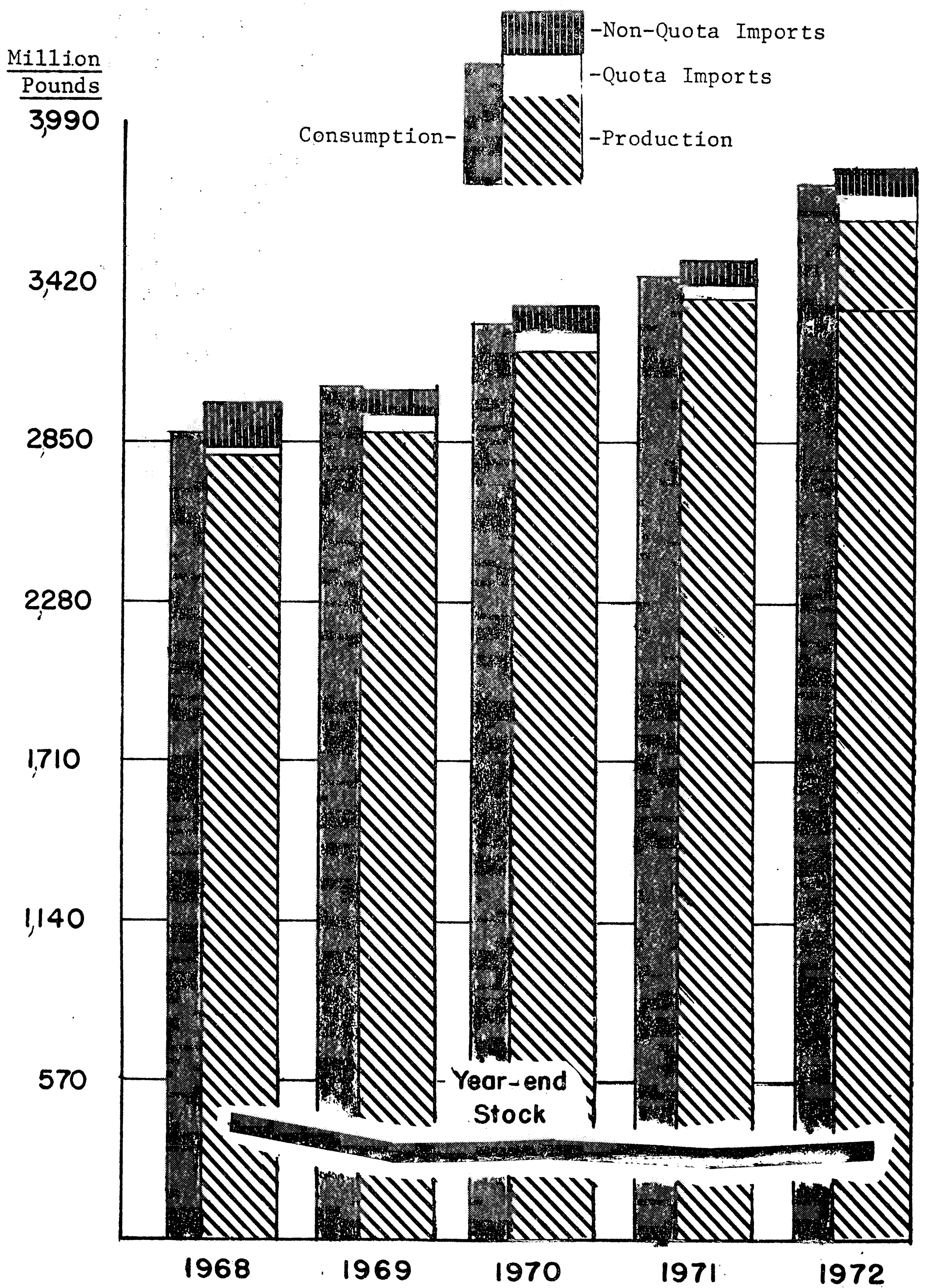
U.S. imports of cheeses are dutiable under subpart C, part 4, schedule 1 of the Tariff Schedules of the United States (TSUS). Imports of the cheeses subject to section 22 quotas are dutiable at ad valorem rates of duty, except for "other" cheese valued not over 25 cents per pound. In 1972, all imports subject to quotas entered at the column 1 (reduced) rates of duty. The current (1973) column 1 rates of duty applicable to virtually all of the imports, dutiable at ad valorem rates, ranges from 8 percent to 20 percent. The ad valorem equivalent of the specific rate of duty (5 cents per pound) on imports of the aforementioned "other" cheese in 1972 averaged 17 percent. The column 2 rate of duty applicable to imports of all cheeses is 35 percent ad valorem, except for the aforementioned "other" cheese in which case it is 8.75 cents per pound.

Although more of the annual imports of cheese generally enter in the last half of the year and in some years monthly imports have been larger in November and December than in other months, there has been no significant seasonal trend in monthly entries of cheese in recent years (table 3). In 1972, about one-third of the imports entered at New York City, the remaining imports were distributed widely throughout the United States. In recent years, Denmark, Italy, New Zealand, Switzerland, France, Finland, Austria, and the Netherlands (in that order) have been the largest suppliers of cheese to the United States, accounting for about three-fourths of the total annual imports. Denmark supplied 22 percent of the total in 1972; Italy and New Zealand, 9 percent each; Switzerland, 8 percent; France and Finland, 7 percent each; Austria, 6 percent; and the Netherlands, 5 percent.

In 1972, total imports of cheese supplied about 5 percent of U.S. consumption (Table 4)--about the same as in 1953, when section 22 quotas were first imposed on imports of certain cheeses--compared with 6 percent in 1968. Of the aggregate imports in 1972, about 97 million pounds, or about half the total, were entered under the quotas (fig. 1). Of the quota-free imports (which supplied about 2.5 percent of the consumption in 1972), about half were comprised primarily of Swiss or Emmenthaler, Gruyere-process, and "other" cheeses that were free of quotas by virtue of having a purchase price of 62 cents (47 cents for the first half of the year) per pound or more; the bulk of the remaining imports, consisted of cheeses made from sheep's milk.

The maximum permissible quota quantities in 1953, about 21 million pounds, were equivalent to 1.2 percent of the U.S. consumption of cheese in that year. The current maximum permissible quota quantities, 128 million pounds, are equivalent to about 3.5 percent of the total U.S. consumption of cheese in 1972. The maximum permissible quota quantities proposed in the President's letter for 1973, 192 million pounds, are equivalent to about 5 percent of the U.S. consumption of cheese in 1972.

Figure 1.--Total cheese: U.S. production, nonquota and quota imports, year-end stocks, commercial consumption, 1968-72



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

Recent Changes Influencing the Domestic Market Situation for Cheese

Trends in the U.S. production of milk and utilization of supply

The annual U.S. production of milk increased from 116 billion pounds in 1969 to 120 billion pounds in 1972 (table 5). The output in 1972 was valued at $7.2 billion (farm level). On March 6, 1973, the Department of Agriculture reported that production "may decline a little" in 1973, after increasing for three consecutive years. During the period January-February 1973, estimated milk production amounted to 18.7 million pounds compared with 19.1 million pounds in the comparable period of 1972; on a daily average basis, the decline in production in 1973 was less than 1 percent from the January-February 1972 total. The Department attributed the anticipated decline to sharply higher feed prices, poor quality roughage and short feed supplies in several areas and increased culling of herds. The Department further stated that prospective strong markets indicate that output in 1973 will be valued around $7.5 billion, but that sharply rising production costs may reduce dairy farmers' net incomes from the 1972 levels. The net farm income for typical Grade A dairy farms in southeastern Wisconsin and central New York, as reported by the Department of Agriculture, for 1968-72 is shown in table 6.

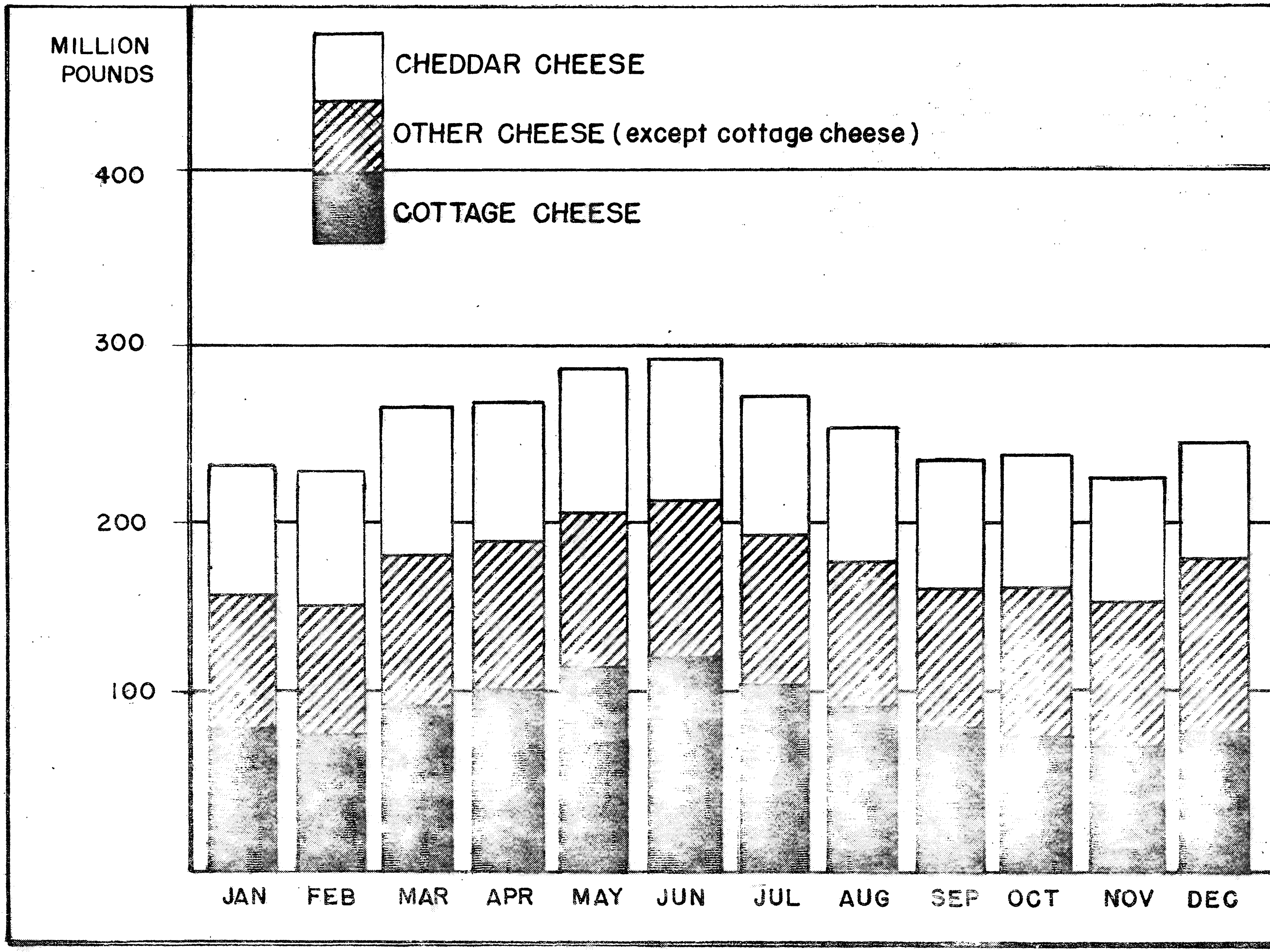
In recent years, the proportion of the U.S. output of milk used for cheese has increased, whereas the proportion utilized for butter and nonfat dry milk has declined (table 7). Prices for cheese have risen relative to butter prices inasmuch as the demand for cheese has risen rapidly. The growing demand has absorbed the rising output of cheese and generally prevented the accumulation of stocks. In 1972, for the first time on record, about the same amount of domestic milk was used in cheese as in butter. Because of the strong demand for cheese, producers of cheese have been increasing the prices paid to farmers for milk more than have those producing butter. In 1968, for example, producers of butter paid 2 cents more per hundred pounds for milk than producers of cheese. In 1972, however, producers of cheese paid 18 cents more per hundred pounds for milk than producers of butter. The Department of Agriculture reported that the recent (increased) support price announced for Cheddar cheese effective March 15, 1973, will result in a support level to producers of milk of 50 cents per hundred pounds more for milk used for cheese than milk used for butter. The increased support price of milk for cheese relative to the price of milk used for butter, coupled with the current strong demand for cheese, indicate that prices of milk used for cheese will remain well above the price of milk used for butter during the 1973 year. The estimated net return for cheese manufacturers for the years 1968-71 is shown in table 8.

U.S. production of cheese

Production of cheese has been cyclical in recent years, reaching a high point in May or June and gradually receding to a low point in November (fig. 2). During 1968-71, U.S. output of cheese increased each year from 2.8 billion pounds in 1968 to 3.4 billion pounds in 1971; output in 1972 is estimated to be 3.7 billion pounds (table 9). Preliminary data from the Department of Agriculture shows that output in January-February 1973 was 99.6 percent of production in the comparable period of 1972 and 111 percent of production in the comparable period of 1971. After February 1973, estimated data are available only on the production of so-called American cheese, most of which is Cheddar. During the period March 1 through March 29, 1973, production of American cheese was 96.3 percent of the production in the comparable period of 1972 and 112 percent of production in the comparable period of 1971. Wisconsin has accounted for about 40 percent of the U.S. output of cheese in recent years, followed by Minnesota, New York, Iowa, and Missouri.

In recent years, about 40 percent of the total U.S. cheese production has consisted of Cheddar cheese, 30 percent of various types of other cheeses (except cottage cheese) and 30 percent has consisted of cottage cheese. Cottage cheese is invariably made from nonfat dry milk or fluid skimmed milk, whereas Cheddar and the other types of cheeses are generally made from whole milk. In recent years, Cheddar has accounted for about half of the cheeses made from whole milk. About 60 percent of the U.S. output of Cheddar cheese is used to make

Figure 2.--Cheese: U.S. production by specified type, five-year average, by months, 1968-72



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

"process" American cheese. 1/ Of the other types of cheeses made from whole milk in the United States, except Cheddar, Italian-type cheeses (hard and soft) rank first in volume of output, followed by American cheese (other than Cheddar), Swiss, cream, muenster, blue-mold, and brick cheese.

U.S. consumption of cheese

In recent years, there has been no discernible seasonal trend in the U.S. monthly commercial consumption of cheese (fig. 3). Annual U.S. commercial consumption of cheese increased from 2.9 billion pounds in 1968 to 3.8 billion pounds in 1972 (fig. 4). In January-February 1973, consumption, as estimated by the Department of Agriculture, was about 0.6 percent less than that in the comparable period of 1972 (table 10). Commercial consumption of cheese has slightly more than doubled since quotas were imposed on imports in 1953. Consumption of the cheeses subject to section 22 quotas, by type, is shown in table 11.

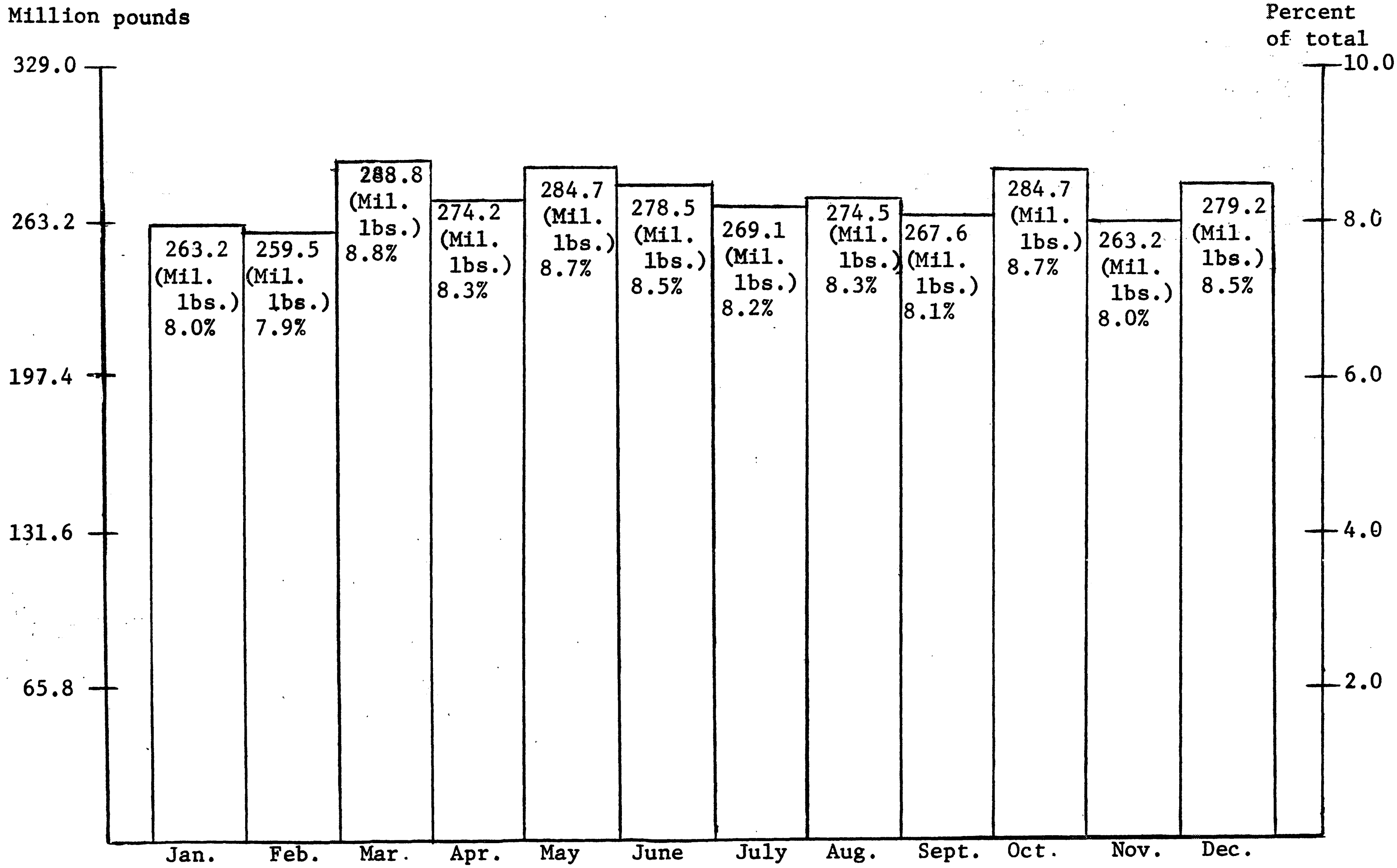
Per capita consumption of cheese increased gradually from 11.0 pounds per person in 1953 to 14.7 pounds per person in 1968, and then to 16.9 pounds in 1971. By 1972, per capita consumption had risen to 18.4 pounds. The increase in per capita consumption from 1971 to 1972--1.5 pounds per person, or an increase of about 9 percent--was a much greater increase in annual consumption than had occurred any time during the 1953-72 period. The recent increase in consumption of cheese (excluding January-February 1973) has been accompanied by rising retail prices for cheese as well as certain other dairy products. The retail

---

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

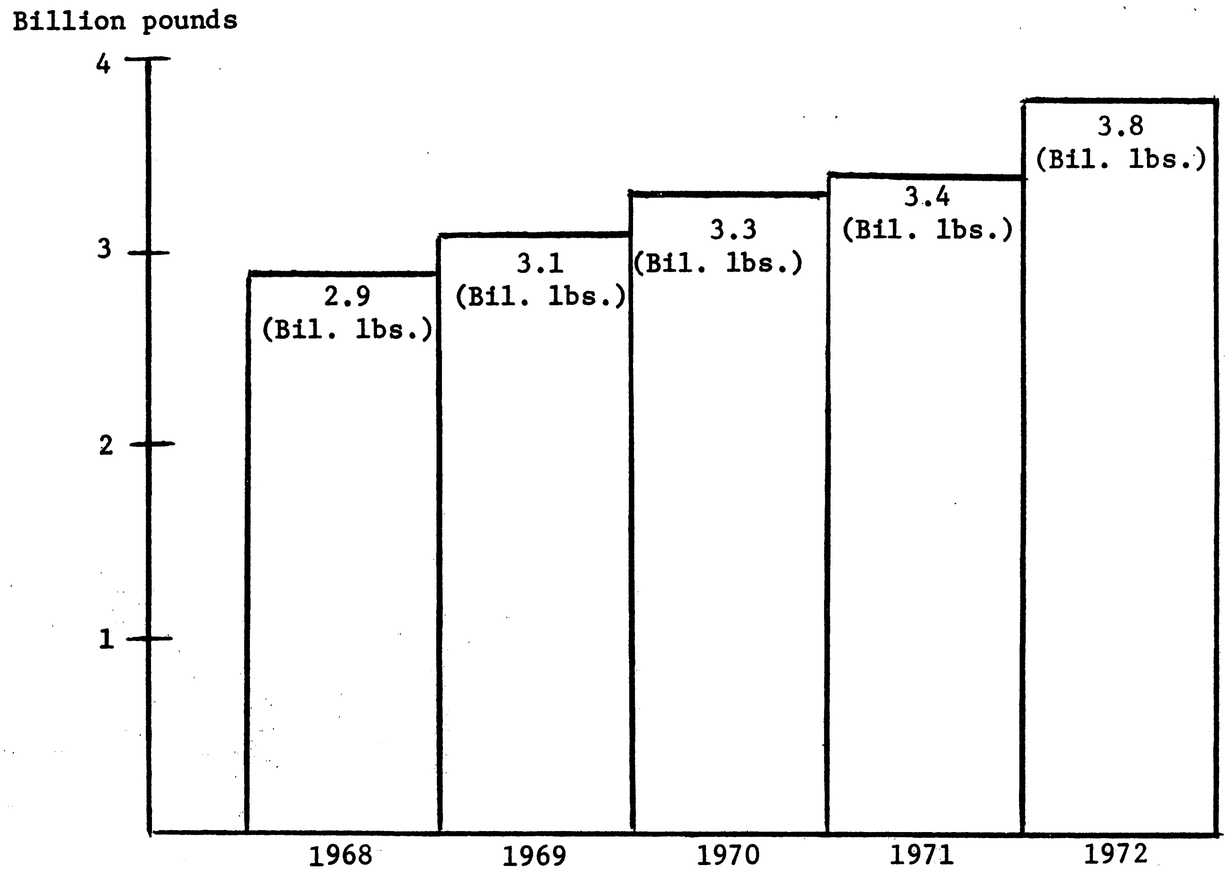
A-17

Figure 3.--Total cheese: U.S. commercial consumption, five-year average, by months,1968-72



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

Figure 4.--Total cheese: U.S. commercial consumption,1968-72



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

prices for American process cheese, for example--mostly processed Cheddar--increased from 44.4 cents per pound in 1968 to 56.5 cents per pound in February 1973 (table 12).

Current production, consumption and stock situation

Commercial consumption of cheese amounted to 3,772 million pounds in 1972--substantially above 1969 (3,053 million pounds). U.S. production of cheese amounted to 3,651 million pounds--again substantially above 1969 (2,894 million pounds). Yearend stocks in 1972 were 330 million pounds--an increase of about 4 percent (318 million pounds) over 1969. Thus, in 1973 (January-February), monthly U.S. consumption of cheese declined from the level of December 1972; in January-February 1973, consumption of cheese was 0.6 percent less than in the comparable period of 1972 (table 10). Production in 1973, meanwhile, was 0.4 percent less than in the comparable period of 1972. Thus, in 1973, consumption of cheese has declined about 0.2 percent more than production, as compared with the year-earlier period.

Regardless of the levels of production and consumption, data on stocks show that the U.S. supply of cheese available for the domestic market at the end of February 1973 is larger than it has been at the end of any February since 1969 (table 13). Total stocks of cheese at the end of February 1973, were about 10 percent larger than at the end February 1972, 2 percent larger than at the end of February 1971, and 11 percent larger than at the end of February 1970. In February 1973 virtually all of the stocks consisted of commercially-owned Cheddar cheese. It appears, however, that commercial holders of the stocks have not been moving them into the market and, hence commercial market prices for cheese not only have risen rapidly in recent months, but also have remained above support levels. Apparently, as early as in the fall of 1972, the holders of commercial stocks realized it was a certainty that the support price for Cheddar cheese would rise before April 1, 1973. Moreover, they are undoubtedly anticipating that the demand for cheese will remain strong and that market prices will at least remain at current levels (above support), or at best increase further, whether or not increased imports occur.

The role of Cheddar in the domestic cheese market

In recent years, Cheddar cheese has accounted for about 40 percent of the annual commercial consumption of all cheese in the United States and about 60 percent of the consumption of cheese made from whole milk. Cheddar, moreover, is the only cheese purchased by the Department of Agriculture under the price-support program in order to support the price of milk as required by law. In view of the aforementioned circumstances, it is apparent that trends in the domestic prices for cheddar are significant.

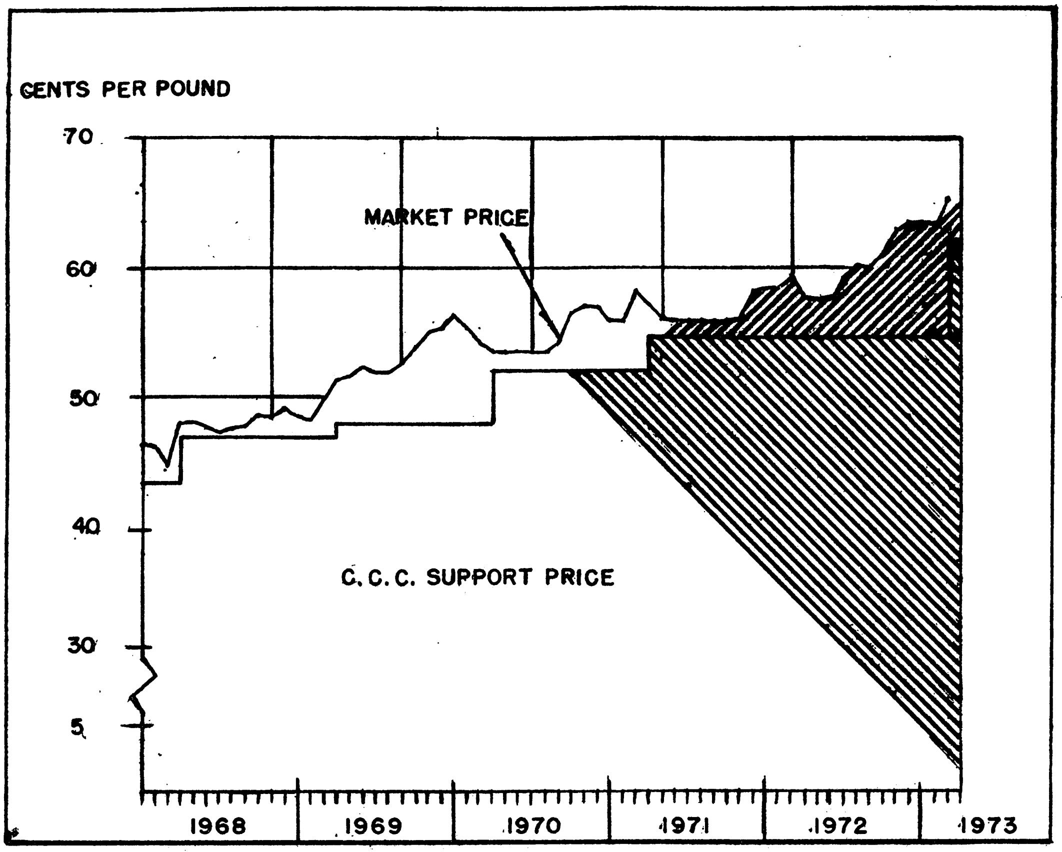
Prices--Average annual U.S. market prices for Cheddar cheese increased from 47.6 cents per pound in 1968 to 59.8 cents per pound in 1972; in January-February 1973, they averaged 63.7 cents per pound (table 14) and by March 27, they had risen to 65.75 cents per pound.

During the period January 1968 through November 1972, monthly U.S. market prices for Cheddar ranged from 0.25 cents per pound to 8.3 cents per pound above the support price (fig. 5). In December 1972, however, the market prices advanced from 63.01 cents to 63.75 cents per pound, or to 9 cents per pound above the support price, the largest margin by which the market price had exceeded the support price during the 1968-72 period. Market prices remained at 63.75 cents per pound from December until March 5, 1973, when they increased to 64.75 cents per pound (10 cents above the support price). On March 8 the Department of Agriculture announced the new price support for Cheddar, 62.0 cents per pound, to be effective March 15. On March 12, market prices rose to 65.25 cents per pound and on March 20, they advanced to 65.75 cents per pound, the level at which they had remained as of March 27. The market price on March 27 was 3.75 cents per pound above the new (62 cent) support level.

During 1968 and 1969, market prices advanced as the support prices were increased at the beginning of the marketing year. After 1969 through February 1973, however, market prices showed no positive response to increases in the support price. The increase in market prices on March 5, 1973, may have been in anticipation of increased support prices which were almost certain to be announced on or before April 1. Nonetheless, market prices have remained above the support prices in 1973, indicating that the commercial demand for cheese, as in recent years, has had a greater effect on market prices than the Department of Agriculture's support price.

The United Kingdom, a country that traditionally has consumed far more cheese than it has produced, has imported about one-fourth of the cheese entering international trade (exclusive of intra-trade of the original European Community) in recent years. The average wholesale

Figure 5.--Cheddar cheese: U.S. market prices 1/ and CCC support prices, by months, 1968-March 1973



1/ Average prices paid for 40-pound blocks, f.o.b. Wisconsin assembly points.

Source: Compiled from prices reported in Dairy Market Statistics, annual summary of market statistics, Consumer and Marketing Service, U.S. Department of Agriculture.

Note. March 1973 support price effective March 15, and March market price effective March 12.

price of Cheddar cheese from New Zealand--by far the largest individual exporting country--on the London market, averaged 50.2 cents per pound in mid-February 1973, while the price of New Zealand Cheddar delivered to the United States, east coast, (duty paid) averaged 52.25 cents per pound. 1/ The price of Cheddar cheese on the London market from the Netherlands (reported as a subsidized price) averaged 46.8 cents per pound. The price of Cheddar in Canada (Montreal), meanwhile, averaged 63.6 cents per pound, while the price in the United States (Wisconsin) averaged 63.7 cents per pound.

The average prices for 1970 to March 1973 for most of the imported and domestic cheeses subject to section 22 quotas are shown in table 11. Generally, the imported cheeses that are used for processing in the United States are priced a cent or so below the comparable (or near comparable) domestic types, whereas those consumed as natural cheeses, often referred to as specialty-type cheeses, are priced substantially above the comparable domestic types. The prices of some of the specialty-type cheeses are more than double the price of the domestic cheeses.

U.S. stocks--In recent years, total U.S. stocks of cheese (commercial and government-owned) have reached a high point in the months of July or August after the peak period of production and receded to a low point in February or March (table 13). During the period 1968-72, total year-end stocks of cheese ranged from 405

1/ The delivered (duty paid) price of Cheddar cheese from Australia at U.S. east coast ports (assuming a charge of 5 cents per pound for insurance and freight) increased from 44.7 cents per pound in early 1970 to 51 cents per pound in early 1973.

million pounds (1968) to 307 million pounds (1971). At the end of December 1972, total stocks of cheese were 7 percent larger than at the end of 1971. At the end of February 1973, total stocks were 10 percent larger than at the end of February 1972. During most of 1972 and in January-February 1973--as generally has been the case in recent years--virtually all of the stocks of cheese have been commercially-owned. The commercially-owned stocks have consisted primarily of Cheddar cheese. The infinitesimal quantities of stocks owned by the Department of Agriculture in recent months, less than 0.1 percent of the total, have consisted of uncommitted supplies. All of the government-owned stocks consist of Cheddar cheese.

World Production, Trade, and Stocks of Cheese

During the period 1969-71, world production of cheese (excluding cottage cheese) increased from 10 billion pounds in 1969 to 11 billion pounds in 1971. The United States, the largest individual producing country, accounted for about 20 percent of the total output. France, the largest producing country in the EC (which as a whole produced about a third of the world total), produced about 13 percent, Italy about 8 percent, and the Netherlands about 6 percent. Of the countries eligible to enter cheese into the United States under the quota, France was the largest producer, accounting for over 20 percent of the total followed by Italy with over 14 percent and the Netherlands with 10 percent.

International trade in cheese increased each year during 1969-71, from 993 million pounds to 1,054 million pounds (exclusive of intra-EC trade). New Zealand, the largest individual exporting country, accounted for about a fifth of the total followed by Denmark with about a seventh of the total. Other large exporters were the Netherlands, Switzerland, France, Australia, and Finland. The principal importing countries (exclusive of intra-EC trade), were the United Kingdom, the United States, Japan, Switzerland, Sweden, and Canada.

Stocks of cheese (January 1, 1973), in twelve of the countries eligible to enter cheese into the United States under the quotas, were 750 million pounds, or about 12 times the proposed increase of 64 million pounds in the maximum permissible quota quantity. The stocks in those countries in January 1973 were 20 percent higher than they were a year earlier when they amounted to 625 million pounds. At the Commission's public hearing on the investigation, the spokesman for the Department of Agriculture, as well as representatives of a number of countries that export cheese to the United States, stated that foreign supplies are available to fill the proposed temporary additional quota.

Additional Information Relating to Individual Cheeses Subject to Quota

Blue-mold cheese

Domestic production of blue-mold cheese ranged from 23.2 million pounds in 1970 to 29.0 million pounds in 1972. Imports of such cheese are subject to an annual quota limitation of 5,016,999 pounds (TSUS item 950.07). During the period 1970-72, imports averaged about 4.5 million pounds annually or from 13 to 17 percent of consumption. The proposed additional temporary quota quantity (2,533,500 pounds) is equivalent to about 8 percent of consumption in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 7,525,498 pounds; this amount is equivalent to about 23 percent of consumption in 1972. Average wholesale prices (table 11) for domestic blue-mold cheese ranged from 78 to 84 cents per pound in the period 1970-72 and averaged 88 cents per pound during the first quarter of 1973. Average wholesale prices for the imported product ranged from 89 cents to $1.03 per pound during 1970-72 and averaged $1.04 per pound in the first quarter of 1973.

Cheddar cheese (unaged)

Domestic production of unaged Cheddar cheese increased from 1,131 million pounds in 1970 to 1,282 million pounds in 1972. Imports of such cheese are subject to an annual quota limitation of 8,812,500 pounds (TSUS item 950.08A). During the period 1970-72, imports averaged about 8.4 million pounds annually, or less than 1 percent of consumption. The proposed additional temporary quota for unaged Cheddar cheese (4,406,250 pounds) is equivalent to 0.3 percent of the consumption of such cheese in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 13,218,750 pounds; this amount is equivalent to 1.0 percent of consumption in 1972. Average wholesale prices at processing points (table 11) for domestic unaged Cheddar cheese increased from 57 cents per pound in 1970 to 66 cents per pound in the first quarter of 1973 compared with such prices for imported unaged Cheddar cheese of 52 cents per pound in 1970 and 62 cents per pound during the first quarter of 1973.

Cheddar cheese (aged)

Domestic production of aged Cheddar cheese increased from 120 million pounds in 1970 to 135 million pounds in 1972. Imports of such cheese are subject to an annual quota limitation of 1,225,000 pounds (TSUS item 950.09A). During the period 1970-72, imports virtually filled the quota each year and were equivalent to about 1.0 percent of consumption. The proposed additional temporary quota quantity for aged Cheddar cheese (612,500 pounds) is equivalent to about 0.5 percent of consumption in 1972. The total quantity that could be entered under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 1,837,500 pounds; this amount is equivalent to about 1.4 percent of consumption in 1972. Average wholesale prices (table 11) for domestic aged Cheddar cheese increased from 77 cents per pound in 1970 to 91 cents per pound in the first quarter of 1973 while prices quoted by importers (table 11) for the imported cheese increased from $1.20 per pound to $1.66 per pound in that period.

American-type cheese, except Cheddar

Domestic production of American-type cheese (except Cheddar) increased from 235 million pounds in 1970 to 324 million pounds in 1972. Imports of such cheese are subject to an annual quota limitation of 6,096,600 pounds (TSUS item 950.08B). During the period 1970-72, imports averaged 5,948,000 pounds annually and were equivalent to about 2 percent of consumption each year. The proposed additional temporary quota quantity for such American-type cheese (3,048,300 pounds) is equivalent to about 0.9 percent of consumption in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 9,144,900 pounds; this amount is equivalent to about 2.8 percent of consumption in 1972. Average wholesale prices at processing points (table 11) for domestic American-type cheese increased from 58 cents per pound in 1970 to 62 cents per pound in January-March 1973. Average wholesale prices at processing points for imported American-type cheese increased from 52 cents per pound in 1970 to 60 cents per pound in 1972; the only price reported for January-March 1973 was an offer price (with no sales) of 70 cents per pound.

Edam and Gouda cheese, not processed

Domestic production of unprocessed Edam and Gouda cheese is estimated to have averaged about 18 million pounds annually during 1970-72. Imports of such cheese are subject to an annual quota limitation of 9,200,400 pounds (TSUS item 950.09A) and averaged 8,948,000 pounds annually during 1970-72 (equivalent to about 33 percent of U.S. consumption of such cheese). The proposed additional temporary quota quantity for unprocessed Edam and Gouda cheese (4,600,200 pounds) is equivalent to about 17 percent of the consumption of such cheese in the United States in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 13,800,600 pounds; this amount is equivalent to about 51 percent of consumption in 1972. The average wholesale price (table 11) of domestic Edam cheese was 83 cents per pound in 1970-72 and 84 cents per pound in January-March 1973, while that for imported Edam cheese increased from 78 cents per pound in 1970 to $1.02 per pound in the first quarter of 1973. The average wholesale price (table 11) of domestic Gouda cheese increased from $1.05 per pound in 1970 to $1.20 per pound in January-March 1973, while that for the imported product increased from $1.07 to $1.41 per pound in the same period.

Edam and Gouda cheese, processed

There is no domestic production of processed Edam and Gouda cheese. Imports of such cheese are subject to an annual quota limitation of 3,151,000 pounds (TSUS item 950.09B). Imports declined from 2,469,000 pounds in 1970 (78 percent of the quota quantity), to 1,509,000 pounds in 1971 (48 percent of the quota quantity), and to 1,116,000 pounds in 1972 (35 percent of the quota quantity). The proposed additional temporary quota quantity for processed Edam and Gouda cheese is 1,050,333 pounds. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 4,726,500 pounds. Prices quoted by importers (table 11) for this cheese increased from 84 cents per pound in 1970 to $1.18 per pound in 1972.

Italian-type, in original loaves

Domestic production of Italian-type cheese (in original loaves) increased from 97 million pounds in 1970 to 115 million pounds in 1972. Imports of such cheese are subject to an annual quota limitation of 11,500,100 pounds (TSUS item 950,10). During the period 1970-72, imports increased from 6.8 million pounds to 10.2 million pounds and were equivalent to from 6 to 8 percent of domestic consumption. The proposed additional temporary quota quantity (5,750,050 pounds) is equivalent to about 5 percent of U.S. consumption in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 17,250,150 pounds; this amount is equivalent to about 14 percent of consumption in 1972. Average wholesale prices (table 11) of domestic Parmesano and Provoloni cheese (two cheeses in this category) increased from 92 and 88 cents per pound to $1.06 and 97 cents per pound, respectively, in the period 1970 to January-March 1973. In the same period, the average wholesale price of imported Parmesano cheese increased from $1.73 per pound to $2.28 per pound and that for imported Provoloni cheese increased from $1.63 to $1.89 per pound.

Italian-type cheese, not in original loaves

There is no domestic production of Italian-type cheese not in original loaves; however, about 60 percent of the domestically produced Italian-type cheese in original loaves is grated, sliced, or cut into pieces before it is sold to the consumer. Imports of Italian-type cheese not in original loaves are subject to an annual quota limitation of 1,494,000 pounds (TSUS item 950.10A). During the period 1970-72, imports increased from 650,000 pounds to 1,329,000 pounds, or from 44 percent to 89 percent of the quota quantity. The proposed additional temporary quota quantity is 747,000 pounds. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 2,241,000 pounds. Prices for such imported cheese are not reported.

Swiss or Emmenthaler cheese, with eye formation

U.S. production of Swiss cheese increased from 144 million pounds in 1970 to 178 million pounds in 1972. Imports are subject to a price-break quota (TSUS item 950.10B). Prior to June 6, 1972, the price-break was 47 cents per pound. From that date until March 15, 1973, it was 62 cents per pound. Currently the price-break quota applies to Swiss cheese priced under 69 cents per pound and allows a maximum quantity of 20,420,000 pounds to be imported annually. Imports of cheese priced at 69 cents or more per pound are not subject to quota restrictions. The proposed additional temporary quota quantity of 10,210,000 pounds is equivalent to about 4.8 percent of U.S. consumption of Swiss cheese in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 30,630,000 pounds; this amount is equivalent to about 14.5 percent of total U.S. consumption of Swiss cheese in 1972. During 1970-72, imports of Swiss cheese that were subject to quota restrictions increased from 3.6 million pounds to 11.4 million pounds; imports not subject to quota limitations declined slightly in the same period, from 22.7 million pounds to 22.1 million pounds. Imports were equivalent to 16 percent of U.S. consumption of Swiss cheese in 1970 and 1972 and to 13 percent in 1971. The average wholesale price of domestic grade-A cheese (table 11) ranged from 79 cents to 86 cents per pound during 1970 through March 1973. The price of imported Swiss (nonquota) cheese during the same period increased from $1.04 to $1.21 per pound. The prices for imported Finnish and Austrian Swiss (nonquota) cheese in that period increased from 78 to 86 and from 74 to 87 cents per pound, respectively.

Gruyere-process cheese

U.S. production of Gruyere-process cheese averaged 411,000 pounds annually in 1970-72. There is only one known domestic producer. Imports of such cheese are subject to a price-break quota (TSUS item 950.10C). The current quota applies to products priced under 69 cents per pound and limits annual imports to 11,242,000 pounds. In 1972, 58 percent of the quota was utilized. The proposed additional temporary quota quantity of 5,621,000 is equivalent to 42 percent of U.S. consumption of Gruyere-process cheese in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 16,863,000 pounds; this amount is equivalent to 127 percent of total U.S. consumption of Gruyere-process cheese in 1972. Imports of Gruyere-process cheese not subject to quota restrictions declined from 10.8 million pounds in 1970 to 8.2 million pounds in 1972. The average wholesale price (table 11) for the domestic cheese increased from 94 cents per pound in 1970 to $1.03 per pound in January-March 1973; the price quoted by importers (table 11) for the comparable imported product (wedge-shaped pieces) during the same period increased from 90 cents per pound to $1.11 per pound. The average wholesale price of imported Gruyere-process cheese in loaf form increased during this period from 60 cents per pound to 67 cents per pound.

Other cheese

Domestic production of this group of cheeses increased from 501 million pounds in 1970 to 599 million pounds in 1972. Imports are subject to a price-break quota (TSUS item 950.10D). The current quota applies to products priced under 69 cents per pound and allows a maximum quantity of such imports of 40,730,000 pounds. Virtually all domestic production of these cheeses is believed to be priced at 69 cents per pound or more (i.e. above the quota price-break). The proposed additional temporary quota quantity (20,365,000 pounds) is equivalent to about 3.1 percent of U.S. consumption in 1972. The total quantity that could enter under the existing quota plus the proposed additional temporary quota (assuming both were filled) is 61,095,000 pounds; this amount is equivalent to about 9.3 percent of U.S. consumption in 1972. Imports of the cheeses subject to quota restrictions amounted to 22.9 million pounds in 1970, 15.6 million pounds in 1971, and 32.3 million pounds in 1972. Imports of the nonquota cheeses declined from 39.2 million pounds in 1970 to 23.0 million pounds in 1971 and increased slightly to 24.0 million pounds in 1972. Imports filled about 95 percent of the quota in 1972 and together with nonquota imports were equivalent to about 9 percent of U.S. consumption of this group of cheeses in 1972. The average wholesale price (table 11) of domestic mozzerella cheese (a cheese in this category) increased from 51 cents per pound in 1970 to 62 cents per pound in the first quarter of 1973. The average wholesale price (table 11) of imported mozzarella cheese increased from 47 cents per pound in 1970 to 60 cents per pound in 1972 (prices for the first quarter of 1973 are not available).

Other cheese (low-fat)

There is no production of these low-fat cheeses in the United States. Imports are currently limited by a price-break quota which restricts imports priced under 69 cents per pound to a maximum quantity of 8,901,000 pounds (TSUS item 950.10E). The proposed additional temporary quota quantity for low-fat cheese is 4,450,500 pounds. The total quantity that could enter under the existing quota plus the proposed additional temporary quota is 13,351,500 pounds.

The Price-Support Program for Milk

The price-support for milk, as required by law, is carried out 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 Department of Agriculture will purchase unlimited quantities of butter, Cheddar cheese, and non-fat dry milk, which meet certain specifications, in order to reflect that objective to the farmer. 1/ During the marketing years 1968-72, the price-support objective for milk for manufacturing was increased from $4.28 per hundred weight to $4.93 per hundred weight (table 15). During most of the period, average market prices were above the price-support objective.

1/ Since 1965, the Secretary of Agriculture has been authorized (sec. 709, Public Law 89-321) to purchase the three products at market prices--above support prices--if necessary to meet commitments under various Government programs. There have been no purchases of cheese under sec. 709 since March 1971, when 5.3 million pounds were so purchased.

On March 8, 1973, the Department of Agriculture announced that effective March 15, 1973, and for the 1973 marketing year the support-price objective for manufacturing milk would be $5.29 per hundred weight, or 7 percent above the support objective in effect for the two previous years. The market price for manufacturing milk in February was 16 cents above the new support objective. The Department of Agriculture has estimated the new support objective to be 75 percent of the parity price on April 1, the minimum required by law. The new support price for cheese is 62.0 cents per pound, an increase of 13 percent above the price of the two previous years, and the new price for nonfat dry milk, 37.5 cents per pound, is an increase of 18 percent. The support price for butter, meanwhile, was reduced to 60.9 cents per pound, or about 10 percent.

In announcing the aforementioned changes in the support prices, the Acting Secretary of Agriculture pointed out that the increase in the Department's price for cheese was made in order to encourage cheese production in the face of increasing consumer demand. He anticipated that market prices of cheese and nonfat dry milk will not be increased because of the increased price supports, since they are presently above the new announced prices. Wholesale butter prices, he stated, are expected to decline, resulting in lower prices to consumers. On March 12, the first time prices were reported for cheese after the announcement, market prices for Cheddar rose 1/2 cent per pound (after they had already increased 1 cent per pound in the previous week--the first increase since November 1972). By March 20 they had risen another 1/2 cent per pound, the level at which they had remained as of March 27. On March 9, the day following the announcement, prices for nonfat dry milk (Wisconsin) rose 1.3 cents per pound, the first increase since mid-December 1972. By March 23, nonfat dry milk prices had risen another 3.7 cents per pound. Butter prices, which had declined to the support level in early January 1973, dropped further by 5.75 cents per pound on the Chicago Mercantile Exchange, the day following the newly announced (reduced) support level for that product. On March 27, however, butter prices (Chicago) were 0.85 cents per pound above the support price.

The Department of Agriculture generally stands ready to resell dairy products to domestic commercial users at announced prices which are always above the purchase prices. 1/ The Department of Agriculture has not sold any cheese to commercial users since 1969 when about 2 million pounds were so sold.

Purchases and costs

During the period 1968-71, removals of dairy products from the commercial market by the Department of Agriculture ranged from 3.8 percent of the production of milk (fat-solids basis) in 1969 to 6.1 percent in 1971. In 1972 removals were equivalent to 4.4 percent of production, 2/

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

2/ The purchases of nonfat dry milk, not included in the calculations of fat-solids, ranged from 35 percent of the production of nonfat dry milk in 1968 to an estimated 23 percent in 1972.

and the Department of Agriculture has estimated that removals will amount to a smaller percent of production (probably about 3 percent) in 1973 than in 1972. Removals were about one-fifth smaller in 1972 than in 1971. Annual purchases of the individual products--butter, Cheddar cheese, and nonfat dry milk--for the years 1968-72 are shown in table 16. During 1968-71, the Department of Agriculture purchased from 3.4 percent to 8.2 percent of the annual production of Cheddar cheese. In 1972, it purchased 1.6 percent of production, the smallest amount of the output purchased in any year since 1966. All of the cheese purchased in 1972 (and 97 percent of that purchased in 1971) consisted of processed Cheddar cheese. Such process cheese has been purchased at price differentials above the announced support-price for natural (unprocessed) Cheddar cheese, inasmuch as the Department of Agriculture pays the manufacturer for processing and packaging. In 1972, the differential paid for processing and packaging ranged from 4.49 cents to 6.49 cents per pound; in 1971, from 3.7 cents to 6.49 cents per pound. The natural Cheddar purchased in 1971--2.7 million pounds--was purchased at the support level existing at the time of purchase (54.75 cents per pound).

The Department of Agriculture did not purchase any Cheddar cheese under the price support program from June 1972 to March 21, 1973. On March 22, 1973, the Department of Agriculture purchased 2 million pounds of processed Cheddar cheese; the Department of Agriculture paid a differential of 6.5 cents per pound above the announced support price for natural Cheddar for processing and packaging the cheese. As of

April 6, no more cheese had been offered to the Department of Agriculture. At the Commission's public hearing on the investigation the spokesman for the Department of Agriculture testified that "the Department of Agriculture does not expect to acquire substantial amounts of cheese in the foreseeable future." He further reported, on March 27, that there had been no change in the Department's expectations.

The annual net Government expenditures on the dairy price-support and related programs, as reported by the Department of Agriculture, amounted to $364 million in the year ending June 30, 1968, $327 million in 1969, $291 million in 1970, $422 million in 1971, $338 million in 1972, and estimated $260 million in 1973 and $245 million in 1974. Generally, the expenditures have varied inversely with the amounts by which market prices have been above the support prices.

Dispositions

The dairy products acquired by the Government under the price-support program are nearly all disposed of quite promptly through donations to domestic welfare and institutional outlets, and donations or subsidized sales abroad. The Government programs under which such products are disposed generally had their origin several decades ago. In recent years about 10 percent of the milk consumed in the United States has been distributed under various Federal programs. Most of the Department of Agriculture's purchases of nonfat dry milk have been donated abroad, whereas most of the purchases of butter and cheese have been disposed of through school lunch and welfare programs in the

United States. Dispositions of Cheddar cheese by the Department of Agriculture for the years 1968-72 are shown in table 17. Since July 1972, the Department of Agriculture has had no uncommitted supplies of Cheddar cheese; the cheese bought on March 22 was committed upon purchase.

U.S. Exports

In the period 1968-72, the U.S. exports of cheese ranged from 7.2 million pounds (1969) to 6.5 million pounds (1972) (table 4). Annual exports were equivalent to less than 0.5 percent of the total annual production thereof during the period. The bulk of the exports consisted of process cheese. Canada, one of the principal markets for U.S. exports of cheese in recent years, took about one-third of the exports in 1972. Mexico, Panama and the Bahamas also took considerable portions of the total exports.

APPENDIX A

President's Letter

THE WHITE HOUSE

WASHINGTON

March 8, 1973

Dear Madam Chairman:

Pursuant to Section 22(d) of the Agricultural Adjustment Act, as amended, I have reason to believe that additional quantities of cheese and substitutes for cheese may be imported for a temporary period without rendering or tending to render ineffective, or materially interfering with the price support program for milk now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic milk.

Specifically, reference is made to the articles presently subject to Section 22 quantitative limitations as described in items 950.07 through 950.10E of part 3 of the Appendix to the Tariff schedules of the United States.

The United States Tariff Commission is therefore directed to make an investigation under Section 22 of the Agricultural Adjustment Act, as amended. The investigation shall be for the purpose of determining whether each of the annual quota quantities for the above-described articles, and for each of the supplying countries wherever applicable, may be increased by fifty percentum for the calendar year 1973, such additional quantities to be entered during a temporary period ending July 31, 1973, without rendering or tending to render ineffective, or materially interfering with, the price support program now conducted by the Department of Agriculture for milk, or reducing substantially the amount of products processed in the United States from domestic milk. The effect of this increase would be to allow the importation of additional quantities of such articles of not more than 63,894,799 pounds.

The Commission shall report its findings and recommendations at the earliest practicable date, but not later than thirty days from receipt of this letter.

Sincerely,

Richard Nixon

Honorable Catherine May Bedell
Chairman
United States Tariff Commission
Washington, D.C. 20436

APPENDIX B

Statistical Tables

Table 1.--Cheese and substitutes for cheese: Quantity imported under section 22 quotas and amount of quotas utilized, by type, 1970-72

Article	1970		1971		1972 1/	
	Quantity imported	Quota utilized	Quantity imported	Quota utilized	Quantity imported	Quota utilized
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Blue-mold cheese	4,664,208	93	4,429,108	88	4,441,553	89
Cheddar cheese (aged)	1,225,000	100	1,219,643	99	1,225,000	100
Cheddar cheese (unaged)	8,377,504	95	8,154,993	79	8,293,442	83
American-type cheese (except Cheddar)	5,954,889	98	5,966,697	98	5,922,365	97
Edam and Gouda cheeses (not processed)	9,062,370	98	8,897,888	97	8,884,657	97
Edam and Gouda cheeses (processed)	2,469,213	78	1,508,594	48	1,116,135	35
Italian-type cheese (in original loaves)	6,761,142	59	7,244,308	63	10,165,332	88
Italian-type cheese (not in original loaves)	650,248	44	922,245	62	1,329,454	89
Swiss or Emmenthaler cheese with eye formation:						
Under 47¢ per pound	3,605,638	84	2,532,747	59	3,352,410	78
47¢ to 62¢ per pound	2/	2/	2/	2/	8,020,956	85
Total	3,605,638	84	2,532,747	59	11,373,366	83
Swiss or Emmenthaler cheese without eye formation:						
Under 47¢ per pound	3,098,982	94	2,711,266	82	2,974,682	90
47¢ to 62¢ per pound	2/	2/	2/	2/	1,595,083	34
Total	3,098,982	94	2,711,266	82	4,569,765	58
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 0.5 percent or less by weight of butterfat, and articles within the scope of other import quotas):						
Under 47¢ per pound	22,937,597	92	15,595,389	62	23,790,655	95
47¢ to 62¢ per pound	2/	2/	2/	2/	8,544,865	94
Total	22,937,597	92	15,595,389	62	32,335,520	95
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 articles within the scope of other import quotas:						
Under 47¢ per pound	2/	2/	3,683,102	41	2/	2/
Under 62¢ per pound	2/	2/	2/	2/	8,506,985	96
Total	2/	2/	3,683,102	41	8,506,985	96
Total all cheese	67,581,791	87	61,646,337	71	96,938,574	87

1/ Preliminary.
2/ Not applicable.

Source: 1970 and 1971 compiled from official statistics of the U.S. Department of Agriculture; 1972 compiled from unpublished data of the U.S. Department of Agriculture and, in the case of articles having a purchase price under 62 cents per pound, from official statistics of the Bureau of Customs.

Table 2.--Cheese and substitutes for cheese: Quantity imported under section 22 quotas and amount of quotas utilized, by type, Jan-Feb. 1971-73

Article	1971 Jan. - Feb. Quantity imported	1971 Jan. - Feb. Quota utilized	1972 Jan. - Feb. Quantity imported	1972 Jan. - Feb. Quota utilized	1973 1/ Jan. - Feb. Quantity imported	1973 1/ Jan. - Feb. Quota utilized
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Blue-mold cheese	424,122	17	696,339	28	261,368	10
Cheddar cheese (aged)	206,763	34	79,542	13	612,500	100
Cheddar cheese (unaged)	707,477	16	747,897	17	1,632,073	37
American-type cheese (except Cheddar)	1,019,840	33	1,459,198	48	889,693	29
Edam and Gouda cheeses (not processed)	1,157,553	26	1,126,749	24	715,684	16
Edam and Gouda cheese (processed)	119,964	8	154,690	10	86,563	5
Italian-type cheese (in original loaves)	743,493	13	2,143,149	37	1,266,100	22
Italian-type cheese (not in original loaves)	-	-	170,320	23	201,891	27
Swiss or Emmenthaler cheese with eye formation:						
Under 47¢ per pound	623,620	29	886,152	41	2/	-
47¢ to 62¢ per pound	2/	2/	2/	2/	3,739,976	37
Total	623,620	29	886,152	41	3,739,976	37
Swiss or Emmenthaler cheese without eye formation:						
Under 47¢ per pound	704,158	43	169,304	10	2/	2/
47¢ to 62¢ per pound	2/	2/	2/	2/	633,509	11
Total	704,158	43	169,304	10	633,509	.11
Cheeses and substitutes for cheese provided for in items 117.75 and 117.85, part 48, schedule 1 (except cheese not containing cow's milk; cheese, except cottage cheese, containing 0.5 percent or less by weight of butterfat, and articles within the scope of other import quotas):						
Under 47¢ per pound	1,602,245	13	3,802,612	30	2/	2/
47¢ to 62¢ per pound	2/	2/	2/	2/	4,757,685	23
Total	1,602,245	13	3,802,612	30	4,757,685	23
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 articles within the scope of other import quotas:						
Under 47¢ per pound	2/	2/	693,361	15	2/	2/
Under 62¢ per pound	2/	2/	2/	2/	1,710,869	38
Total	2/	2/	693,361	15	1,710,869	38
Total all cheese	7,309,235	16	12,129,313	21	16,505,911	26

1/ Preliminary.
2/ Not applicable.

Source: 1970 and 1971 compiled from official statistics of the U.S. Department of Agriculture; 1972 compiled from unpublished data of the U.S. Department of Agriculture and, in the case of articles having a purchase price under 62 cents per pound, from official statistics of the Bureau of Customs.

Table 3.--Total cheese: U.S. imports for consumption, by months, 1968-72 and January-February 1973

(In thousands of pounds)

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
1968--	9,345	8,888	9,078	9,473	14,806	12,885	20,865	23,514	22,197	10,673	11,571	17,130	170,425
1969--	4,466	5,865	11,211	12,856	13,221	11,960	9,990	9,608	12,510	14,269	17,218	20,899	144,073
1970--	10,900	10,829	16,001	11,512	9,353	10,884	10,811	11,804	11,072	15,566	18,033	24,589	161,354
1971--	11,370	8,991	9,128	12,617	12,251	9,912	11,118	12,163	19,148	8,791	5,300	15,257	136,046
1972--	13,821	17,234	12,682	10,030	12,951	10,137	14,867	14,114	15,571	17,811	20,328	19,944	179,490
1973--	15,214	11,389											

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

A-47

Table 4.--Total Cheese: U.S. production, imports for consumption, exports, year-end stocks, commercial consumption and ratio of imports to consumption, 1968-72

Year	Production	Imports	Exports	Year-end stocks	Commercial consumption	Ratio of import to consumption
	(In 1,000 pounds)					(percent)
1968	2,804,530	170,425	6,822	404,984	2,882,622	5.9
1969	2,894,249	144,073	7,161	317,566	3,052,571	4.7
1970	3,179,880	161,354	6,798	324,500	3,285,552	4.9
1971	3,375,926	136,046	6,536	307,142	3,443,422	4.0
1972 1/	3,650,901	179,490	6,490	329,994	3,772,262	4.8

1/ Estimated from unpublished data of the U.S. Department of Agriculture.

Source: Production, year-end stocks, and commercial consumption compiled from official statistics of the U.S. Department of Agriculture, except as noted; imports and exports compiled from official statistics of the U.S. Department of Commerce.

A-48

Table 5.--Dairy products: U.S. milk production and milk equivalent (fat-solids basis) of U.S. exports and imports for consumption, annual 1968-72

Period	Total milk production	Exports: Sales 1/	Exports: Donations 2/	Exports: Total 1/ Quantity	Exports: Total 1/ Ratio to total milk production	Imports: Quantity	Imports: Ratio to total milk production	Export or import (-) balance
	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Million pounds	Percent	Million pounds
Annual:								
1968	117,234	455	730	1,185	1.0	1,780	1.5	-595
1969	116,345	444	477	921	.8	1,600	1.4	-679
1970	117,149	397	41	438	.4	1,874	1.6	-1,436
1971	118,640	480	2,000	2,480	2.1	1,347	1.1	1,133
1972	120,300	3/	3/	1,481	1.2	1,684	1.4	-203

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.
3/ Not available.

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

Table 6.--Net farm income: Net farm income 1/ (before income taxes) for typical Grade A dairy farms in Southeastern Wisconsin and Central New York, 1968-72

Period	Southeastern Wisconsin	Central New York
1968	$17,761	$13,635
1969	19,415	15,533
1970	20,519	17,170
1971	20,062	16,094
1972 2/	21,000	16,500

1/ Assumes farms are debt free and producers are full owners.
2/ Projected estimates.

Source: ERS, U.S. Department of Agriculture.

Table 7.--Milk: U.S. utilization of domestic output, 1968-72

(In billions of pounds of milk or milk equivalent)

Year	Fluid use	Manufactured dairy products						Grand total	Percent of total used for--	
		Butter	Cheese	Condensed and evaporated milk	Frozen products	Other 1/	Total		Butter	Cheese
1968	56.3	25.1	17.4	3.9	11.0	1.7	59.1	115.4	22	15
1969	55.3	23.8	17.7	3.8	11.0	3.0	59.3	114.6	21	15
1970	54.2	24.1	19.5	3.3	11.0	3.3	61.2	115.4	21	17
1971	53.9	24.0	20.9	3.2	11.0	4.0	63.1	117.0	21	18
1972	53.8	23.5	23.3	3.0	11.2	4.3	65.3	119.1	20	20

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

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

Table 8.--Estimated net return: Estimated net return (before income taxes) for cheese manufacturers, 1968-71

Period	Net return
1968	$145,500,000
1969	190,500,000
1970	228,800,000
1971	261,100,000

Source: Compiled from official statistics of the U.S. Department of Commerce; Annual Survey of Manufactures 1967-71.

Basis of estimate: Shipments and changes in yearend inventories less costs of materials, payrolls, and capital expenditures.

Table 9.--Cheese: U.S. production, by specified type, by months, 1968-February 1973

(1,000 pounds)

Year and type	January	February	March	April	May	June	July	August	September	October	November	December	Total
1968													
Cheddar cheese	76,753	76,176	87,617	100,417	118,990	118,146	102,577	87,668	75,152	71,828	64,990	69,856	1,050,170
Other cheese (except cottage cheese)	71,057	67,295	75,923	79,203	80,740	78,524	73,406	72,142	70,227	74,410	69,657	75,454	888,038
Cottage cheese	68,974	71,087	79,657	76,054	76,878	73,632	76,174	73,521	68,434	72,745	66,454	62,712	866,322
Total	216,784	214,558	243,197	255,674	276,608	270,302	252,157	233,331	213,813	218,983	201,101	208,022	2,804,530
1969													
Cheddar cheese	74,331	70,879	82,547	94,255	114,043	118,873	103,664	92,230	79,532	75,315	69,611	82,899	1,058,179
Other cheese (except cottage cheese)	69,668	65,125	80,400	78,134	83,197	83,250	77,609	75,074	75,480	78,096	76,509	85,173	927,715
Cottage cheese	71,438	73,507	81,510	78,643	82,872	76,196	80,362	75,009	74,672	76,063	69,281	68,802	908,355
Total	215,437	209,511	244,457	251,032	280,112	278,319	261,635	242,313	229,684	229,474	215,401	236,874	2,894,249
1970													
Cheddar cheese	86,911	85,151	101,225	110,267	125,338	127,124	113,395	98,216	84,420	84,354	76,556	89,429	1,182,386
Other cheese (except cottage cheese)	79,929	74,855	86,805	84,406	88,768	90,228	83,576	82,111	81,921	88,797	84,706	92,940	1,019,042
Cottage cheese	75,446	78,950	87,892	86,334	87,282	89,252	83,932	81,211	81,441	81,689	73,781	71,242	978,452
Total	242,286	238,956	275,922	281,007	301,388	306,604	280,903	261,538	247,782	254,840	235,043	253,611	3,179,880
1971													
Cheddar cheese	91,069	85,363	103,958	113,230	130,752	132,788	115,273	103,139	89,356	87,648	81,978	90,330	1,224,884
Other cheese (except cottage cheese)	87,272	82,837	98,399	96,989	99,075	103,261	96,279	93,589	89,598	96,124	97,535	106,662	1,147,620
Cottage cheese	79,615	80,152	94,638	88,963	88,388	86,508	87,021	83,106	81,511	80,383	78,933	74,204	1,003,422
Total	257,956	248,352	296,995	299,182	318,215	322,557	298,573	279,834	260,465	264,155	258,446	271,196	3,375,926
1972 1/ 2/													
Cheddar cheese	101,482	100,641	117,726	125,331	142,980	144,422	128,427	114,402	99,853	94,588	85,046	94,182	1,349,080
Other cheese (except cottage cheese)	97,503	96,695	113,109	106,764	107,862	113,474	109,401	105,602	99,853	102,579	99,837	110,561	1,263,240
Cottage cheese	83,225	86,115	98,305	87,370	96,164	91,783	86,567	87,429	83,778	85,016	77,927	74,583	1,038,262
Total	282,210	283,451	329,140	318,465	347,006	349,679	324,395	307,433	283,484	282,183	262,810	279,326	3,650,582
1973 2/													
Cheddar cheese; Other cheese (except cottage cheese)	202,879	193,732											
Cottage cheese	85,209	81,859											
Total	288,088	275,591											

1/ Estimated from unpublished data of the U.S. Department of Agriculture.
2/ Preliminary.
Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 10.--Total cheese; U,S, commercial consumption, by months, 1968-February 1973

(In thousands of pounds)

Year	January	February	March	April	May	June	July	August	Sept-ber	October	November	December	Total
1968--	232,174	223,787	253,457	253,054	259,378	244,732	240,074	243,821	224,134	248,345	220,954	238,712	2,882,622
1969--	238,908	244,045	263,569	249,724	265,472	257,923	246,556	249,900	259,175	263,532	250,411	263,356	3,052,571
1970--	270,446	259,750	289,492	269,434	277,582	277,052	265,532	279,011	263,741	295,789	260,881	276,842	3,285,552
1971--	272,215	264,052	304,538	292,963	301,088	288,908	285,021	285,206	290,211	290,583	275,333	293,304	3,443,422
1972 1/	302,525	305,615	333,105	306,070	320,064	323,783	308,367	314,329	300,878	325,516	308,427	323,583	3,772,262
1973 1/	311,100	293,200											

1/ Preliminary.

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

Table 11.--Cheeses (quota and nonquota): U.S. production, imports for consumption, percent of quotas filled, consumption, and prices, 1970-72 and Jan.-March 1973

Type of cheese	Production	Imports-- Quota	Imports-- Non-quota	Percent of quota filled	Consumption	Ratio of imports to-- Consumption	Ratio of imports to-- Production	Prices 1/ Imported	Prices 1/ Domestic
	1,000 pounds	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent	Percent	Per pound	Per pound
Blue-mold:									
1970	23,250	4,664	2/	93	27,914	17	20	$0.89	$0.78
1971	25,219	4,429	2/	88	29,648	15	18	.92	.81
1972	28,991	4,416	2/	89	33,407	13	15	1.03	.84
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	1.04	.88
Cheddar (unaged):									
1970	1,131,430	8,378	2/	95	1,151,068	1	1	3/ .52	.57
1971	1,163,640	8,155	2/	79	1,182,029	1	1	3/ .57	.59
1972	11/1,281,729	8,293	2/	83	1,265,434	1	1	3/ .58	.61
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	3/ .62	3/ .65
Cheddar (aged):									
1970	119,076	1,225	2/	100	120,301	1	1	4/ 1.20	5/ .77
1971	122,488	1,225	2/	99	123,713	1	1	4/ 1.30	5/ .80
1972	11/134,918	1,225	2/	100	136,143	1	1	4/ 1.58	5/ .84
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	4/1.66	5/ .91
American-type, except Cheddar:									
1970	235,123	5,955	2/	98	241,078	2	3	3/ .52	6/ .58
1971	285,738	5,967	2/	98	291,705	2	2	3/ .58	6/ .59
1972	11/323,616	5,922	2/	97	329,538	2	2	3/ .60	6/ .60
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	3/ .70	6/ .62
Edam and Gouda, not processed:								Edam : Gouda	Edam : Gouda
1970	7/ 18,000	9,062	2/	98	27,062	33	50	.78:8/1.07	.83:9/ 1.05
1971	7/ 18,000	8,898	2/	97	26,898	33	49	.96:8/1.15	.83:10/1.09
1972	7/ 18,000	8,885	2/	97	26,885	33	49	1.00:8/1.37	.83:10/1.15
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	1.02:8/1.41	.84 10/ 1.20
Edam and Gouda, processed:									
1970	-	2,469	2/	78	2,469	100	-	- 4/ .84	-
1971	-	1,509	2/	48	1,509	100	-	- 4/ .91	-
1972	-	1,116	2/	35	1,116	100	-	- 4/1.18	-
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	-	-
Italian-type, original loaves:								Parm. : Provo.	Parm. : Provo.
1970	96,834	6,761	2/	59	103,595	7	7	1.73: 1.63	.92: .88
1971	106,150	7,224	2/	63	113,374	6	7	1.91: 1.75	.98: .91
1972	115,107	10,165	2/	88	125,272	8	9	2.20: 1.83	1.02: .91
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	2.28: 1.89	1.06: .97
Italian-type, not in original loaves:									
1970	12/	650	2/	44	650	12/	12/	13/	-
1971	12/	922	2/	62	922	12/	12/	13/	-
1972	12/	1,329	2/	89	1,329	12/	12/	13/	-

See footnotes on page 3.

Table 11.--Cheeses (quota and nonquota): U.S. production, imports for consumption, percent of quotas filled, consumption, and prices, 1970-72 and Jan.-March 1973--Continued

Type of cheese	Production	Imports-- Quota	Imports-- Non-quota	Percent of quota filled	Consumption	Ratio of imports to-- Consumption: Quota	Consumption: Non-quota	Consumption: Total	Production: Quota	Production: Non-quota	Production: Total	Prices 1/ Imported			Domestic		
	1,000 pounds	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent			Percent			Per pound			Per pound		
Swiss or Ementhaler, with eye formation:												15/	16/	17/			
1970	14/ 143,957	3,606	22,749	84	167,981	2	14	16	2	16	18	1.04	.78	.74	15/ .79		
1971	14/ 153,843	2,533	21,784	59	183,613	1	12	13	2	14	16	1.17	.86	.81	15/ .80		
1972	14/ 178,346	11,373	22,124	83	210,912	5	10	16	6	12	19	1.21	.87	.86	15/ .86		
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	-	-	-	-	1.12	.86	.87	15/ .84		
Gruyere-process:												19/	20/				
1970	18/ 434	3,099	10,850	94	14,383	22	75	97	714	2500	3214	.90	.60		.94		
1971	18/ 373	2,711	8,923	82	12,007	23	74	97	727	2392	3119	.98	.61		.94		
1972	18/ 428	4,570	8,222	58	13,220	35	62	97	1068	1921	2989	1.06	.61		.99		
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	-	-	-	-	1.11	.67		1.03		
"Other" cheese:												22/	23/	24/	22/	23/	24/
1970	11/,21/501,444	22,938	39,183	92	547,494	4	7	11	5	8	12	.47	.68	1.99	.51	.66	-
1971	11/,21/557,236	15,595	23,036	62	595,545	3	4	6	3	4	7	.50	.70	1.88	.54	.70	-
1972	11/,21/598,971	32,336	23,983	95	659,583	5	4	9	5	4	9	.60	.80	1.88	.56	.74	-
1973 (Jan.-Mar.)	-	-	-	-	-	-	-	-	-	-	-	13/	.87	2.29	.62	.79	-
"Other" cheese, low fat:																	
1970	-	2/	2/	2/	2/												
1971	-	3,683	-	41	3,683			100.0			-	-			-		
1972	-	8,507	-	96	8,507			100.0			-	-			-		
1973 (Jan.-Mar.)	-	-	-	-	-			-			-	-			-		

See footnotes on page 3.

Footnotes for Table 11

1/ Unless otherwise stated, prices are the midpoint of the simple average of the low and high side of weekly reported price ranges as quoted by the Annual Summary of Market Statistics, U.S. Department of Agriculture.

2/ Not applicable.

3/ Prices (delivered) reported at points of processing. Imported cheese is aged in blocks for processing; domestic is mostly in barrels with an allowance for aging. 1973 price for American-type was an offer not taken.

4/ Price quoted on importer's price list at New York City in the spring of each year shown.

5/ Prices quoted in Dairy Market Statistics, U.S. Department of Agriculture for midget Cheddars.

6/ Reported aged barrel Cheddar, points of processing.

7/ Estimate per transcript, page 80.

8/ Per 2 doz.10-oz. packages (Gouda).

9/ Per doz. 7-oz. packages (Gouda).

10/ Per doz. 8-oz. packages (Gouda).

11/ Estimate obtained mostly by taking total cheese production for 1972, as estimated by the U.S. Department of Agriculture, and assuming that about the same ratios of the individual cheeses of production was the same in 1972 as in earlier years.

12/ About 3/5 of the U.S. production, in original loaves, is grated or sliced at the wholesale level; most of remainder is probably grated or sliced in the store before being retailed.

13/ Not available.

14/ All production from 1970 through mid-1972 over price-break; virtually all since mid-1972 has been over price-break.

15/ Imported (Swiss cheese nonquota (cuts) from Switzerland); domestic (grade-A cuts).

16/ Finnish Swiss.

17/ Austrian Swiss.

18/ All production over price-break; production and domestic price reported for wedge-shaped pieces by the only U.S. producer.

19/ Wedge-shaped pieces from Switzerland; prices from importer's price list in spring of each year.

20/ Five-pound loaf from Finland.

21/ Cottage cheese not imported and not included in production; virtually all cheese production (not including cottage cheese) in 1970-71 over price-break and most in 1972 was over high (62-cent) price-break.

22/ Mozzarella (delivered plant) for imported; at plant for domestic.

23/ Munster (prices from importer's price list in spring of each year).

24/ Camembert, nonquota (prices from importer's price list in spring of each year).

A-57

Table 12.--Certain dairy products: Average annual prices, 1968-73

Period	Retail prices			Wholesale prices
	Butter	American process cheese	Milk	Nonfat dry milk
	Cents/ pound	Cents/ 8-oz. pack	Cents/ half gallon	Cents/pound
1968	83.6	44.4	53.7	23.4
1969	84.6	47.0	55.1	24.3
1970	86.6	50.4	57.4	26.8
1971	87.6	52.8	58.9	31.4
1972	87.1	54.3	59.8	34.4
1973:				
January	87.4	55.9	60.6	41.7
February	87.4	56.5	61.9	41.9

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 13.--Total Cheese: Commercial stocks, by type, and CCC-owned stocks (all Cheddar), end of the month, 1969-72 and January-February 1973

(In thousands of pounds)

Item	January	February	March	April	May	June	July	August	September	October	November	December
						1969						
Commercial:												
Cheddar----------	297,255	271,485	260,180	259,948	280,659	307,021	326,407	325,892	309,034	294,641	274,782	265,438
Swiss------------	14,561	12,659	11,764	11,974	11,074	11,562	10,935	11,880	12,590	10,034	9,337	10,313
Other------------	46,694	44,773	43,089	44,184	45,745	47,498	49,767	48,447	47,844	46,229	44,572	41,784
Total--------	358,510	328,917	315,033	316,106	337,478	366,081	387,109	386,219	369,468	350,904	328,691	317,535
Government-owned (all Cheddar)----	34,563	27,204	21,957	24,613	25,122	21,276	15,009	11,850	7,043	4,889	1,558	1,089
Grand total----	393,073	356,121	336,990	340,719	362,600	387,357	402,118	398,069	376,511	355,793	330,249	318,624
						1970						
Commercial:												
Cheddar----------	249,614	238,020	238,899	257,675	281,548	313,200	324,363	309,368	290,679	264,762	254,817	253,984
Swiss------------	9,984	10,074	10,472	9,657	10,097	9,835	10,389	10,515	10,744	10,984	11,736	12,644
Other------------	38,426	37,578	36,821	41,576	44,697	45,221	50,591	52,352	62,111	60,544	60,203	57,855
Total--------	298,024	285,672	286,192	308,908	336,342	368,256	385,343	372,235	363,534	336,290	326,756	324,483
Government-owned (all Cheddar)----	732	457	399	361	414	892	703	1,413	3,390	3,630	3,614	1,283
Grand total----	298,756	286,129	286,591	309,269	336,756	369,148	386,046	373,648	366,924	339,920	330,370	325,766
						1971						
Commercial												
Cheddar----------	255,141	242,808	236,281	248,009	268,823	296,402	311,021	303,902	283,674	262,439	250,876	238,900
Swiss------------	12,542	12,302	11,599	11,600	11,248	10,614	10,300	10,151	10,594	9,111	8,084	7,191
Other------------	53,219	54,807	54,247	54,967	57,306	64,328	64,241	64,756	63,321	61,956	57,757	58,177
Total--------	320,902	309,917	302,127	314,576	337,377	371,344	385,562	378,809	357,589	333,506	316,717	304,268
Government-owned (all Cheddar)----	846	816	946	606	1,744	2,532	2,962	3,138	2,969	3,111	3,538	6,133
Grand total----	321,748	310,733	303,073	315,182	339,121	373,876	388,524	381,047	360,558	336,617	320,255	310,401
						1972						
Commercial:												
Cheddar----------	237,083	229,498	226,707	246,380	275,042	307,789	341,201	341,935	335,777	314,175	291,670	269,438
Swiss------------	6,636	7,052	7,103	7,766	8,824	8,926	7,855	8,500	9,322	8,225	7,784	8,122
Other------------	48,086	48,856	53,506	57,565	56,513	59,579	58,499	59,269	58,911	56,905	54,139	53,884
Total--------	291,805	285,406	287,316	311,711	340,379	376,294	407,555	409,704	404,010	379,305	353,593	331,444
Government-owned (all Cheddar)----	6,743	4,255	956	649	403	483	1,478	208	337	303	200	183
Grand total----	298,548	289,661	288,272	312,360	340,782	376,777	409,033	409,912	404,347	379,608	353,793	331,627
						1973						
Commercial:												
Cheddar----------	257,268	255,950	-	-	-	-	-	-	-	-	-	-
Swiss------------	7,879	8,660	-	-	-	-	-	-	-	-	-	-
Other------------	51,837	51,330	-	-	-	-	-	-	-	-	-	-
Total--------	316,984	315,940	-	-	-	-	-	-	-	-	-	-
Government-owned (all Cheddar)----	113	135	-	-	-	-	-	-	-	-	-	-
Grand total----	317,097	316,075	-	-	-	-	-	-	-	-	-	-

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

Table 14.--Cheddar cheese: U.S. market prices 1/ and CCC support prices, by months, 1968-73

(Cents per pound)

Year	January	February	March	April	May	June	July	August	September	October	November	December	Average
1968													
Market price	46.46	46.25	45.06	47.97	48.16	47.75	47.25	47.72	47.94	48.75	48.75	49.25	47.61
CCC support price effective: April 1	42.80	42.80	42.80	47.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00	45.95
Market price above purchase: price	3.66	3.45	1.26	0.97	1.16	0.75	0.25	0.72	0.94	1.75	1.75	2.25	1.66
1969													
Market price	48.77	48.38	49.97	51.31	51.72	52.31	52.04	52.00	52.85	53.97	55.00	55.47	51.98
CCC support price effective: April 1	47.00	47.00	47.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	47.75
Market price above purchase: price	1.77	1.38	2.97	3.31	3.72	4.31	4.04	4.00	4.85	5.97	7.00	7.47	4.23
1970													
Market price	56.31	55.57	54.11	53.78	53.68	53.75	53.75	53.75	54.18	56.56	57.00	57.00	54.95
CCC support price effective: April 1	48.00	48.00	48.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	51.00
Market price above purchase: price	8.31	7.57	6.11	1.72	1.68	1.75	1.75	1.75	2.18	4.56	5.00	5.00	3.95
1971													
Market price	56.00	56.07	58.13	57.09	56.09	56.00	56.00	56.00	56.00	56.00	56.09	58.21	56.47
CCC support price effective: April 1	52.00	52.00	52.00	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.06
Market price above purchase: price	4.00	4.07	6.31	2.34	1.34	1.25	1.25	1.25	1.25	1.25	1.34	3.46	2.41
1972													
Market price	58.50	58.69	59.65	57.94	57.75	57.99	59.33	60.11	60.02	61.14	63.01	63.75	59.82
CCC support price effective: April 1	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75	54.75
Market price above purchase: price	3.75	3.94	4.90	3.19	3.00	3.24	4.58	5.36	5.27	6.39	8.26	9.00	5.07
1973													
Market price	63.75	63.75	2/65.75										
CCC support price effective: April 1	54.75	54.75	3/62.00										
Market price above purchase: price	9.00	9.00	4/ 3.75										

1/ Average prices paid for 40-pound blocks, f.o.b. Wisconsin assembly points.
2/ Price on March 27.
3/ Effective March 15.
4/ Difference between market price on March 27 and support price on that date.

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

Table 15.--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 annual 1968-71, and April-March 1972

(Money figures in cents per pound)

Period (marketing years beginning April 1)	Butter (Grade A) at Chicago		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing		
	Market price	CCC purchase price	Market price (Wisconsin assembly points)	CCC purchase price	Market price (U.S. average)	CCC purchase price	Market price (U.S. average)	CCC support objective: Amount	CCC support objective: Percent of parity
Annual:									
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	4.55	4.28	83
1970	69.9	69.8	55.3	52.0	27.3	27.2	4.76	4.66	85
1971	67.9	67.8	57.0	54.8	31.8	31.7	4.91	4.93	85
April-March 14:									
1972	1/68.8	67.7	1/ 60.5	54.8	1/34.0	31.7	2/ 5.17	4.93	79
March 27	61.8	60.9	65.8	62.0	44.0	37.5	3/ 5.45	5.29	75

1/ April-January.
2/ April-February.
Source: Compiled from official statistics of the U.S. Department of Agriculture.
3/ February

Table 16.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation (CCC) and sec. 32 purchases, utilization (disposals), and CCC uncommitted supplies, 1968-72, and January-March 1972 and 1973

(In millions of pounds)

Year	Purchases 1/	Utilization	Uncommitted supplies at end of year 2/
	Butter		
Annual:			
1968	193	255	77
1969	188	223	33
1970	246	242	37
1971	324	328	33
1972	224	216	43
January-March:			
1972	28	3/	3/
1973	0.4	3/	3/
	Cheddar cheese		
Annual:			
1968	78	111	24
1969	4/ 36	58	4
1970	43	47	-
1971	101	86	15
1972	21	36	-
January-March:			
1972	8	3/	3/
1973	2	3/	3/
	Nonfat dry milk 5/		
Annual:			
1968	625	582	246
1969	354	461	137
1970	447	560	29
1971	444	462	14
1972	298	353	-
January-March:			
1972	60	3/	3/
1973	-	3/	3/

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/ Not yet available.

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

5/ 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 April 1, 1969 and April 1, 1970, with sec. 32 funds for domestic welfare use.

Table 17.--Cheddar cheese: CCC purchases and disposition of supplies 1968-72

CCC operation	1968	1969	1970	1971	1972
	In million of pounds				
Purchases	78	36	43	101	21
Dispositions:					
Domestic sales	0.6	2.1	-	-	-
Donations:					
Domestic 1/	109.8	55.9	47.0	85.6	35.9
Foreign	0.1	-	-	-	-
Total dispositions	110.5	58.0	47.0	85.6	35.9

1/ For school lunch, charitable institutions, needy families, U.S. military and penal institutions.

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