UNITED STATES TARIFF COMMISSION

NONFAT DRY MILK

Report to the President on Investigation No. 22-33
Under Section 22 of the
Agricultural Adjustment Act, as Amended

TC Publication 603
Washington, D.C.
August 1973

UNITED STATES TARIFF COMMISSION

Address all communications to

United States Tariff Commission

Washington, D.C. 20436

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REPORT TO THE PRESIDENT

U.S. Tariff Commission,
August 15, 1973

To the President:

Pursuant to your request of July 18, 1973, 1/ the U.S. Tariff Commission has conducted an investigation 2/ under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to determine whether 80,000,000 pounds of dried milk described in item 115.50 of the Tariff Schedules of the United States (TSUS)(hereinafter referred to as nonfat dry milk) may be imported into the United States during the period beginning July 19, 1973, and ending August 31, 1973, in addition to the regular quota (1,807,000 pounds) specified for such article under TSUS item 950.02 and the two special additional temporary quotas (25,000,000 pounds and 60,000,000 pounds) for such article provided for in headnote 3(a)(vi) of part 3 of the appendix to the TSUS, 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. 3/

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

2/ Public notice of the investigation (No. 22-33) was issued July 19, 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 July 25, 1973 (38 F.R. 19939). A public hearing was held on July 30, 1973; all interested parties were afforded opportunities to produce evidence and to be heard.

3/ Presidential Proclamation 4230 providing for the special additional temporary quota of 80,000,000 pounds of nonfat dry milk is contained in app. B.

The report of the Commission on the aforementioned matter, including its finding and recommendation, is submitted herewith. 1/ 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.

This is the third report submitted by the Commission during this calendar year concerning the enlargement of the existing annual quota on U.S. imports of nonfat dry milk through the imposition of additional special temporary quotas under section 22. The following section of this report discusses recent developments respecting the nonfat dry milk situation, particularly those that have occurred since the Commission's last report on the subject was submitted in June 1973. Background material on the price-support program of the Department of Agriculture for milk, the U.S. production and utilization of milk, and the situation respecting nonfat dry milk is contained in appendix C.

1/ The Commission will submit another report to you on the other matters listed for determination in your letter of July 18, 1973, at the earliest practicable date. A public hearing in connection with those matters (investigation No. 22-34) has been scheduled to begin on Aug. 28, 1973.

Recent Developments in the Nonfat Dry Milk Situation

In the fall of 1972, the U.S. supply of nonfat dry milk changed from a long-term surplus situation to a deficit situation. Production of the product declined more than seasonally and was lower than consumption. Stocks owned by the Government became exhausted, and commercial stocks were drawn down to the lowest levels in many years. Market prices which had been at, or virtually at, the price-support levels of the Department of Agriculture for many years rose rapidly. Imports, meanwhile, were restricted by an annual quota of 1,807,000 pounds.

Under emergency action taken by the President, a special additional temporary quota of 25,000,000 pounds was authorized to be imported during the period December 30, 1972, through February 15, 1973; by January 15, 1973, that quota was entirely filled. On May 10, 1973, the President authorized another special additional temporary quota of 60,000,000 pounds to be imported during the period ending June 30, 1973; by May 25, that quota was entirely filled. Notwithstanding the importation of 85,000,000 pounds of nonfat dry milk under those two quotas in early 1973, the average U.S. market price for the product continued to rise. From January 1973 through early May, the market price rose from 39.0 cents to 44.9 cents per pound, or about 15 percent. During that period the purchase price of the Department of Agriculture for nonfat dry milk was increased from 31.7 cents to 37.5 cents

per pound, or about 18 percent. Nontheless, the market price remained substantially above the purchase price.

On July 18, 1973, another special additional temporary quota of 80,000,000 pounds--the subject of this investigation--was authorized to be imported during the period ending August 31, 1973; by August 6, that quota was entirely filled. The U.S. market price, meanwhile, had remained at 44.9 cents from early May until July 27 (9 days after the 80,000,000-pound quota was announced), when it rose to 45.5 cents per pound. On August 3, it increased to 46.1 cents per pound, and on August 10 it rose to 48.1 cents per pound, or to 10.6 cents per pound above the current support price--by far the largest margin on record by which the market price has exceeded the support price.

At the Commission's public hearing in the current investigation, the Department of Agriculture reported that several of its estimates presented in May 1973 concerning the aforementioned 60,000,000-pound enlargement of the annual quota had not materialized. At that time the Department expected U.S. production of milk in 1973 to be about 119.5 billion pounds, or nearly the same as in 1972. In recent months, however, production has been considerably below expectations. Accordingly, the Department of Agriculture has now reduced its estimate of 1973 milk production to 117.5 billion pounds, or 2 percent less than the 119.5 billion pounds expected in May.

Meanwhile, the flush season for nonfat dry milk production is now past and production of nonfat dry milk in that period was substantially less than anticipated. The prices of milk for manufacturing have been such that there has been an increasing shift in the use of such milk from the production of butter and nonfat dry milk to that of cheese. Also, larger amounts of the fluid skim milk remaining after the production of butter are being consumed as fluid skim and low-fat milk, thereby diminishing the amount of the fluid product available for drying. In view of the foregoing, the Department of Agriculture now estimates that production of nonfat dry milk in 1973 will amount to 938 million pounds, or 23 percent less than the 1,224 million pounds produced in 1972. The Department further reported that it does not expect production of nonfat dry milk to be adequate to meet commercial consumption requirements and maintain sufficient stocks during the current marketing year.

As production of nonfat dry milk has been below expectations, the deficit supply situation has been aggravated by continuing strong demand. Market prices for nonfat dry milk have remained sufficiently high that the Department of Agriculture has not made any purchases of the product under the price-support program since April 1973, and it does not anticipate making any such purchases during the remainder of this marketing year, even with the importation of the authorized additional 80,000,000 pounds of nonfat dry milk.

Finding and Recommendation of the Commission 1/

On the basis of the investigation, the Commission finds that the importation of 80,000,000 pounds of nonfat dry milk into the United States during the period beginning July 19, 1973, and ending August 31, 1973, in addition to the annual quota quantity specified for such article under item 950.02 of the Tariff Schedules of the United States, as provided for in Presidential Proclamation 4230 of July 18, 1973, will not render or tend to render ineffective, nor materially interfere with, the price-support program now conducted by the Department of Agriculture for milk, nor reduce substantially the amount of products processed in the United States from domestic milk.

We therefore recommend that the enlarged quota provided for by Presidential Proclamation 4230 be permitted to continue in effect until August 31, 1973.

1/ Commissioner Leonard did not participate in the finding and recommendation.

Statement of the Commission

Since mid-1953, U.S imports of certain dairy products, including nonfat dry milk, have been subject to quotas under section 22 of the Agricultural Adjustment Act, as amended, in order to protect the price-support program maintained by the Secretary of Agriculture for milk from import interference. The quota for nonfat dry milk (1,807,000 pounds) remained unchanged from 1953 until December 30, 1972, when a special additional temporary quota of 25,000,000 pounds was established for the period ending February 15, 1973, pursuant to emergency action taken by the President in Presidential Proclamation 4177; by January 15, that quota was entirely filled. On May 10, 1973, a special additional temporary quota of 60,000,000 pounds was established for nonfat dry milk for the period beginning May 11 and ending June 30, 1973, pursuant to emergency action taken by the President in Presidential Proclamation 4216. By May 25, that quota was entirely filled. On July 18, 1973, a special additional temporary quota of 80,000,000 pounds--the subject of this investigation--was authorized to be imported during the period ending August 31, 1973; by August 6, that quota was entirely filled.

During the 20-year period following the imposition of the quota in 1953, there were generally no abrupt changes in the domestic market situation for nonfat dry milk. However, the U.S. supply-demand situation for nonfat dry milk began to change significantly in the last quarter of 1972. Production during January-June 1973 declined about 20 percent from the corresponding period of 1972, whereas in most of

the past few years it had declined at an average of about 6 percent in a more or less seasonal cycle. Moreover, the Department of Agriculture has estimated that for 1973 production will be about 23 percent below the 1972 level. Commercial consumption, meanwhile, increased about 27 percent in January-June 1973, whereas it had declined about 4 percent in the corresponding period of 1972. The increase in consumption most likely included all of the 25,000,000 pounds and a substantial part of the 60,000,000 pounds of nonfat dry milk imported under the two special additional temporary quotas in the first half of 1973. Moreover, the data on increased commercial consumption may also reflect a buildup of stocks by commercial users (not included in the commercial manufacturers' stocks shown in table 5) following their apparent depletion in the fall of 1972.

In the 3 years prior to 1973, annual commercial consumption of nonfat dry milk had been declining. However, the decline in production had been about twice as rapid as that in consumption. Nevertheless, the U.S. supply of nonfat dry milk had been substantially in excess of commercial market demand for a long period preceding the fall of 1972. Even during the first three quarters of 1972, the Department of Agriculture purchased 298 million pounds of the surplus production (about a fourth of that year's output) from the commercial market. From November 1972 through August 8, 1973 (the last date for which data are available), however, the Department did not purchase any nonfat dry milk under the price-support program, except for 10.5 million pounds of the instantized product purchased on

April 4 at a price differential for processing and packaging of 12.77 cents per pound above the support-price for the product in bulk. At the Commission's public hearing on the current investigation (No. 22-33), the spokesman for the Department of Agriculture reported that the Department does not anticipate making any purchases of nonfat dry milk under the price-support program during the remainder of this marketing year.

As a result of the disposition of nonfat dry milk by the Department of Agriculture in 1972 and the abnormal seasonal lag in production, uncommitted supplies of nonfat dry milk owned by the Government were exhausted in October 1972 for the first time in more than a decade, and thus far in 1973 (through August 8) they have been nil. Commercial (manufacturer's) stocks of the product also have been drawn down to abnormally low levels. By the end of June 1973, commercial stocks were about 10 percent less than on the corresponding date in 1972 and significantly lower than they had been at the end of June during most years of the past two decades.

In the fall of 1972, when stocks of nonfat dry milk became abnormally low, the market price, which had been at or near the support price of 31.7 cents per pound for more than a year, began to rise rapidly. The 85,000,000 pounds of nonfat dry milk imported under the two special temporary quotas in early 1973 were immediately absorbed by the commercial market, but the market price continued to rise. From January through early May 1973 the market price rose from 39.0 cents per pound to 44.9 cents per pound, or about 15 percent. During

that period (effective March 15) the support price was increased from 31.7 cents to 37.5 cents per pound, but the market price remained substantially above the higher support price.

On July 18, 1973, a special additional temporary quota of 80,000,000 pounds--the subject of this investigation--was authorized to be imported during the period ending August 31, 1973. On July 27, 9 days after the quota was announced, the U.S. market price--which had remained at 44.9 cents since early May--rose to 45.5 cents per pound, and on August 3 it increased to 46.1 cents per pound. By August 6 the 80,000,000-pound additional quota was entirely filled. On August 10, the next time the market price was reported, it had risen to 48.1 cents per pound, or 10.6 cents per pound above the current support price--by far the largest margin on record by which the market price has exceeded the support price.

The supply-demand situation described above clearly demonstrates that the deficit that has existed in the United States for nearly a year respecting nonfat dry milk has continued to intensify since the Commission's last report on nonfat dry milk in June 1973. Moreover, the additional 80,000,000 pounds of nonfat dry milk permitted to enter under the special temporary quota authorized on July 18, 1973, have been readily absorbed by the commercial market. Not only did the market price rise after the announcement of that quota, but it continued to increase as well as exceed the support price of the Department of Agriculture by the largest amount on record, even after all the nonfat dry milk had been imported. Thus, it is quite clear that the additional

imports authorized under the temporary quota will not result in additional purchases having to be made by the Department under the price-support program.

On the basis of the changed circumstances described above, we have concluded that the importation of an additional 80,000,000 pounds of non-fat dry milk, as provided for in Presidential Proclamation 4230, will not render or tend to render ineffective, nor will it materially interfere with, the price-support program now conducted by the Department of Agriculture for milk, nor reduce substantially the amount of products processed in the United States from domestic milk.

Statement of Commissioners Leonard and Young

In our opinion a thorough review of the legislative history of section 22 and of the "emergency" provision of the second paragraph of subsection (b) 1/ convinces us that Congress never considered that the emergency provision would be used for the purpose of increasing import quotas. Although we are mindful of the fact the Federal District Court for the District of Columbia has recently upheld the President's authority to issue the proclamations permitting the importation of 165 million pounds of nonfat dry milk since December 30, 1972, 2/ we believe that such actions effectively foreclose the domestic milk producers from having their day before the Tariff Commission. 3/ In addition, such investigations as the Commission has conducted on three separate occasions this year are essentially exercises in futility 4/ because the nonfat dry milk permitted entry pursuant to the three proclamations had been imported and entered into consumption channels before the Commission's investigations were concluded.

1/ "In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President."

2/ National Milk Producers Federation et al. v. The Honorable George P. Schultz, Secretary of the Treasury, et al., Civil No. 1465-73 (D.D.C., filed August 1, 1973).

3/ The Tariff Commission pursuant to section 22 of the Agricultural Adjustment Act provides a public forum in which interested parties can express their views about the effect of imported agricultural commodities or products thereof on price-support or other programs of the U.S. Department of Agriculture.

4/ Statements of Commissioner Leonard in Nonfat Dry Milk: Report to the President on Investigation No. 22-30 . . ., TC Publication 541, 1973, p. 6, and Nonfat Dry Milk: Report to the President in Investigation No. 22-32 . . ., TC Publication 587, 1973, p. 8.

Section 22 as originally enacted in 1935 did not contain the second paragraph of subsection (b) (the so-called "emergency" provision). The fundamental purpose of section 22 was to provide a means of assuring that imports did not interfere with domestic price-support programs. The House Committee on Agriculture in its report on the bill explicitly recognized this purpose. 1/

> Efforts to restore agricultural prices in this country will not be wholly successful if competitive foreign imported articles are allowed to take the domestic market away from the domestic products. To obviate that danger and to provide the necessary flexibility in order that whatever restriction of imports is required may not be absolute and may be adjusted to meet the situations as they arise the bill . . . adds a new section to the Agricultural Adjustment Act (sec. 22) authorizing certain limitations on imports in connection with the agricultural adjustment program.

In 1951, Congress enacted section 104 of the Defense Production Act, which was a forerunner of the present "emergency" provision of section 22(b). The section enabled the Secretary of Agriculture to limit imports under specified conditions; the section did not provide for an investigation and report by the Tariff Commission. Section 104 of the Defense Production Act expired by its terms on June 30, 1953, and the question considered by Congress was whether to extend it or to incorporate its provisions into section 22 of the Agricultural Adjustment Act by amendment. With this background and legislative

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1/ H.R. Rept. No. 1241, 74th Cong., 1st Sess. 21 (1935).

history, the second paragraph of section 22(b) of the Agricultural Adjustment Act was enacted into law on August 7, 1953.

The legislative history of the "emergency" provision of section 22(b) also indicates that one of the reasons for its enactment was the delay that occurred before the Tariff Commission rendered its advice to the President. 1/ The Commission, however, acted promptly on all three occasions of the proclamations in question. Even if we consider the emergency authority to have been appropriately used for the first increase in the import quota, it is difficult to understand the necessity for two additional emergency actions on the same commodity within seven months. The need for the first emergency action should have indicated clearly the possible need for further action, in which event the regular procedures of section 22 should and could have been used. It is respectfully submitted that the "emergency" provision provides an exceptional remedy, and it should not be used when the normal proceedings through the Tariff Commission can be effectively utilized.

Both of us are concerned about the legality and appropriateness of this investigation. Because of these concerns, Commissioner Leonard is not participating in the finding and recommendation of the Commission; and despite these concerns, Commissioner Young is participating.

1/ 99 Cong. Rec. 7902-7910 (1953).

Appendix A

The President's Letter

THE WHITE HOUSE

WASHINGTON

July 18, 1973

Dear Madam Chairman:

Pursuant to section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that additional supplies of nonfat dried milk may be imported during a temporary period ending August 31, 1973, 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 following article presently subject to section 22 quantitative limitations under item 950.02 of the Tariff Schedules of the United States:

> Dried milk, provided for in part 4 of schedule 1 of the Tariff Schedules of the United States Annotated (1972), described in item 115.50 (Dried milk, other than buttermilk, containing not over 3 percent of butterfat).

The Secretary has also advised me, pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, that a condition exists requiring emergency treatment with respect to nonfat dried milk and has therefore recommended that I take immediate action under section 22(b) to authorize the importation of 80,000,000 pounds during a temporary period ending August 31, 1973. I have, therefore, this day issued a proclamation establishing a special temporary quota of 80,000,000 pounds to be effective through August 31, 1973. This quota is in addition to the quantities otherwise authorized to be imported under section 22 quantitative limitations

The United States Tariff Commission is, therefore, directed to make an investigation under section 22 of the Agricultural Adjustment Act, as amended, and to make findings and recommendations as to whether 80,000,000 pounds of the above-described article may be imported during a temporary period ending August 31, 1973, in addition to the quantities otherwise authorized to be imported under section 22 quantitative limitations, 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.

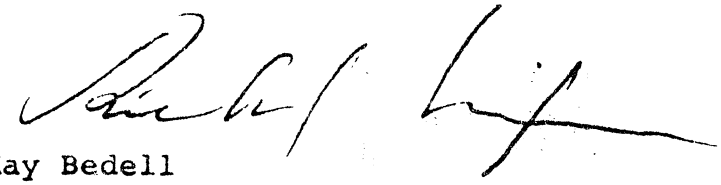
The Secretary has further advised me that a review of the annual import quota for nonfat dry milk for 1973 and future years is needed, and that also a review is needed of the quota for animal feeds containing milk or milk derivatives. This latter article is presently subject to section 22 quantitative limitations under item 950.17 of the Tariff Schedules of the United States and is described as follows:

> Animal feeds containing milk or milk derivatives, classified under item 184.75, subpart C, part 15, schedule 1.

The Commission is further directed to investigate and to make findings and recommendations as to whether the annual import quotas for the above-described articles may be increased or suspended without rendering or tending to render ineffective, or materially interfering with, the price support program conducted by the Department of Agriculture for milk, or reducing substantially the amount of products processed in the United States from domestic milk; and, in the case of a finding that such quotas should be increased, to make recommendations as to the amount of such quotas and their allocation among supplying countries.

The Commission is directed to report its findings and recommendations at the earliest practicable date.

Sincerely,



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

Appendix B

Presidential Proclamation 4230

PROCLAMATION AMENDING PART 3 OF THE APPENDIX TO THE TARIFF SCHEDULES OF THE UNITED STATES WITH RESPECT TO THE IMPORTATION OF AGRICULTURAL COMMODITIES

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), limitations have been imposed by Presidential proclamations on the quantities of certain dairy products which may be imported into the United States in any quota year; and

WHEREAS the import restrictions proclaimed pursuant to said section 22 are set forth in part 3 of the Appendix to the Tariff Schedules of the United States; and

WHEREAS the Secretary of Agriculture has reported to me that he believes that additional quantities of dried milk provided for in item 950.02 of the Tariff Schedules of the United States (hereinafter referred to as "nonfat dry milk") may be entered for a temporary period 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; and

WHEREAS, under the authority of section 22, I have requested the United States Tariff Commission to make an investigation with respect to this matter; and

WHEREAS the Secretary of Agriculture has determined and reported to me that a condition exists with respect to nonfat dry milk which requires emergency treatment and that the quantitative limitation imposed on nonfat dry milk should be increased during the period ending August 31, 1973, without awaiting the recommendations of the United States Tariff Commission with respect to such action; and

WHEREAS I find and declare that the entry during the period ending August 31, 1973, of an additional quantity of 80,000,000 pounds of nonfat dry milk will not render or tend to render ineffective, or materially interfere with, the price support program which is being undertaken by the Department of Agriculture for milk and will not reduce substantially the amount of products processed in the United States from domestic milk; and that a condition exists which requires emergency treatment and that the quantitative limitation imposed on nonfat dry milk should be increased during such period without awaiting the recommendations of the United States Tariff Commission with respect to such action;

NOW, THEREFORE, I, RICHARD NIXON, President of the United States of America, acting under and by virtue of the authority vested in me as President, and in conformity with the provisions of section 22 of the Agricultural Adjustment Act, as amended, and the Tariff Classification Act of 1962, do hereby proclaim that subdivision (vi) of headnote 3(a) of part 3 of the Appendix to the Tariff Schedules of the United States is amended to read as follows:

> (vi) Notwithstanding any other provision of this part, 25,000,000 pounds of dried milk described in item 115.50 may be entered during the period beginning December 30, 1972, and ending February 15, 1973, 60,000,000 pounds of such milk may be entered during the period beginning May 11, 1973, and ending June 30, 1973, and 80,000,000 pounds of such milk may be entered during the period beginning July 19, 1973, and ending August 31, 1973, in addition to the annual quota quantity specified for such article under item 950.02, and import licenses shall not be required for entering such additional quantities. No individual, partnership, firm, corporation, association, or other legal entity (including its affiliates or subsidiaries) may during each such period enter pursuant to this provision quantities of such additional dried milk totaling in excess of 2,500,000 pounds.

The 80,000,000 pound additional quota quantity provided for herein shall continue in effect pending Presidential action upon receipt of the report and recommendations of the Tariff Commission with respect thereto.

IN WITNESS WHEREOF, I have hereunto set my hand this eighteenth day of July in the year of our Lord nineteen hundred seventy-three, and of the Independence of the United States of America the one hundred ninety-eighth.

RICHARD NIXON

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Appendix C

Updated Version of Pertinent Parts of Nonfat Dry Milk: Report to the President on Investigation No. 22-32...,
TC Publication 587,
June 1973

Introduction

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk at such levels between 75 percent and 90 percent of parity as he determines necessary in order to assure an adequate supply. In order to satisfy that statutory requirement, the Secretary maintains a price-support program for milk under which the Department of Agriculture will purchase butter, Cheddar cheese, and nonfat dry milk at specified prices. In mid-1953, quotas were imposed on U.S. imports of certain dairy products--including nonfat dry milk--under section 22 of the Agricultural Adjustment Act, as amended, in order to protect the price-support program from import interference. From time to time since 1953 some of the quotas have been modified when changed circumstances so warranted, and additional dairy products have been made subject to quotas when it was found that the statutory criteria were met. 1/

The quota for nonfat dry milk (1,807,000 pounds) remained unchanged from 1953 until December 30, 1972, when a special additional temporary quota of 25,000,000 pounds was established for the period ending February 15, 1973, pursuant to emergency action taken by the President in Proclamation No. 4177; by January 15, that quota was entirely filled. On May 10, 1973, another special additional temporary quota (60,000,000 pounds) was established for the period beginning May 11 and ending June 30, 1973, pursuant to emergency action taken by the President in

1/ The current quotas under sec. 22, except the 80,000,000-pound quota quantity proclaimed on July 18, 1973, are shown in pt. 3 of the appendix to the Tariff Schedules of the United States Annotated (TSUSA).

Proclamation 4216; by May 25, that quota was entirely filled. On July 18, 1973, another special additional temporary quota (80,000,000 pounds) was established for the period beginning July 19, 1973, and ending August 31, 1973, pursuant to emergency action taken by the President in Proclamation 4230 (shown in app. B); by August 6, that quota was entirely filled.

Trends in U.S. Production and Utilization of Milk

Annual U.S. production of milk increased from 116.3 billion pounds in 1969 to 120.3 billion pounds in 1972 (table 1). The output in 1972 was valued at $7.2 billion (farm level). In January-June 1973, output of milk was about 2 percent less than in the corresponding period of 1972. The Department of Agriculture has recently estimated that the production of milk in 1973 will be about 117.5 billion pounds, the first time annual milk production has declined since 1969. The Department attributed the decline in production to higher feed prices and short supplies, poor quality roughage, reduced output per cow, and increased culling of herds. They indicated that dairymen's marketings in 1973 will be valued at about $7.5 billion, but net returns may be lower than in 1972 because gross incomes are rising less than costs.

Nonfat dry milk is produced only by drying the skim milk that remains after butter is produced from whole milk. In recent years the proportion of the U.S. output of milk used for butter and nonfat dry milk has declined while the proportion used for cheese has increased (table 2). Prices for cheese have risen relative to butter prices inasmuch as the demand for cheese has risen rapidly. In 1972, for the first time on record, more domestic milk was used in the production of

cheese than in butter, thereby diminishing the amount of fluid skim milk available for drying. Moreover, U.S. output of low-fat and skim milk for consumption as such, not included in table 2 because computations therein are on a fat-solids basis, increased about 65 percent during the past 5 years, also contributing to the decline of fluid skim milk available for drying.

In recent years, producers of cheese have been paying higher prices to farmers for milk than have those producing butter. In 1968, for example, producers of butter paid 2 cents more per hundred pounds of milk than producers of cheese. In 1972, however, producers of cheese paid 18 cents more per hundred pounds of milk than producers of butter, and in January-June 1973, they paid 20 cents more. 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 more per hundred pounds for milk used for cheese than for milk used for butter. The increased support price of milk used for cheese relative to the price of milk used for butter, coupled with the current strong demand for cheese, indicates that prices of milk used for cheese will remain above prices of milk used for butter and nonfat dry milk during 1973.

Nonfat Dry Milk

Production and commercial consumption

U.S. production of nonfat dry milk has been cyclical in recent years, reaching a high point in May or June and gradually receding to a low point in November (table 3). The output of nonfat dry milk

declined from 1.6 billion pounds in 1968 to 1.5 billion pounds in 1969, remained at about the 1969 level in 1970 and 1971, and then declined to 1.2 billion pounds in 1972 (table 4). The Department of Agriculture has estimated that output in 1973 will amount to 938 million pounds. In the last quarter of 1972 and the first quarter of 1973, production declined more than seasonally--about 20 percent from the corresponding period of a year earlier--whereas in most of the past few years it had declined about 9 percent. Although production resumed its cyclical upward trend in the spring of 1973, it was still about 20 percent less in January-June 1973 than in the corresponding period of 1972.

During 1968-72, commercial consumption of nonfat dry milk declined at an average annual rate of 1.9 percent; production declined at the rate of 4.4 percent. During the last quarter of 1972 and the first quarter of 1973, however, commercial consumption increased 5 percent, whereas it had declined 8 percent in the corresponding periods of a year earlier. Virtually all of this increase in consumption occurred in the first quarter of 1973. During the period January-June 1973, commercial consumption was about 27 percent larger than in the corresponding period of 1972 (table 4). The increased consumption in January-June 1973 most likely included all of the 25 million pounds of nonfat dry milk imported under the temporary quota established on December 30, 1972, and a substantial part of the 60 million pounds imported under the temporary quota established on May 10, 1973. The data showing the increase in consumption may also reflect a buildup of stocks by commercial users following an apparent depletion in the fall of 1972.

In recent years, Minnesota, Wisconsin, California, and Iowa have accounted for about 60 percent of the U.S. output of nonfat dry milk. Domestic and imported nonfat dry milk is used primarily as an ingredient in other dairy products such as ice cream and cottage cheese packaged for home use, and used in bakery and prepared dry mixes, meat processing, confectionary, soups, and pharmaceuticals. The Animal and Plant Health Inspection Service of the Department of Agriculture reported that imported nonfat dry milk from countries not designated as being free from foot-and-mouth disease or rinderpest is not to be used for livestock feed in the United States because the methods of producing the product in those countries may not be dependable for inhibiting any of the disease-transmitting virus that might be contained in the product. The Meat Inspection Service of the Department of Agriculture reported that the imported product, regardless of foreign origin, is not permitted to be used in meat processing in the United States because of possible bacteria contamination.

Prices

Nonfat dry milk is one of the three products purchased by the Department of Agriculture in order to support the price of milk. U.S. market prices for nonfat dry milk have generally increased in response to increases in the Department's support price. However, from the last quarter of 1972 until the present, market prices have remained above the support prices, indicating that commercial demand for the product has had a far greater effect on market prices than the Department of Agriculture's support price. Average annual market prices

for nonfat dry milk increased from 23.00 cents per pound in 1968 to 32.88 cents per pound in 1972; by May 4, 1973, the price had increased to 44.90 cents per pound (table 3), where it remained until July 27 when it rose to 45.50 cents per pound. On August 3, the price rose to 46.1 cents per pound and on August 10 it increased to 48.1 cents per pound.

Prior to the fall of 1972, market prices for nonfat dry milk generally had remained close to the support price, and the Department of Agriculture had purchased about a third of the annual domestic output. During the period January 1968 through August 1972, for example, monthly U.S. market prices for nonfat dry milk ranged from 1.25 cents per pound above the support price to 0.20 cents per pound below the support price (table 3). In September 1972, however, average market prices advanced above the support price (then 31.7 cents per pound) for the first time in more than a year; by December they averaged 38.5 cents per pound, or 6.8 cents per pound above the support price--by far the largest margin by which the market price had exceeded the support price during the 1968-72 period.

Notwithstanding the importation of 25,000,000 pounds of nonfat dry milk under the temporary quota in January 1973, market prices continued to increase, averaging 39.0 cents per pound in January and February, or 7.3 cents per pound above the support level. Market prices rose again in March, averaging 41.9 cents per pound. Effective March 15, the support price was increased to 37.5 cents per pound, and the market price reported the following day was 4.8 cents per pound above the new support price. Market prices continued to rise after

that date and on May 4, 7 days before the first day the temporary quota of 60,000,000 pounds was in effect, they had increased to 44.9 cents, or 7.4 cents per pound above the new support level. By May 25 the temporary quota was entirely filled, and market prices through July 20--2 days after the temporary quota of 80,000,000 pounds was announced--remained at 44.9 cents per pound. The next time market prices were reported--July 27, 9 days after the expiration of the freeze imposed by the President on June 13 on the prices of all commodities except raw agricultural products--they had risen to 45.5 cents per pound. On August 3 they increased to 46.1 cents per pound and on August 10, they rose to 48.1 cents per pound.

U.S. prices of nonfat dry milk, like those of other dairy products, have been above prices in most other countries. In June 1973, for example, the price of nonfat dry milk in the United States was about 45 cents per pound, compared with 25 cents in New Zealand and 35 cents in Canada.

Imports

The rate of duty applicable to U.S. imports of nonfat dry milk, 1.5 cents per pound, has been in effect since 1948; it reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The average ad valorem equivalent of the rate of duty, based on 1972 imports, was 6.7 percent.

The regular section 22 quota for nonfat dry milk, 1,807,000 pounds, has been virtually filled in recent years. About 75 percent of the regular quota is licensed by the Department of Agriculture to importers who are authorized to enter the article from Australia and 25 percent is licensed to importers who are authorized to enter the article from Canada.

The three temporary quotas in effect in 1973 have been administered on a first-come-first-served basis, except that no importer was permitted to enter more than 2,500,000 pounds and import licenses were not required. Imports under the temporary quota proclaimed on December 30, 1972--25,000,000 pounds to be imported during the period ending February 15, 1973--began January 4, 1973, and by January 15 the quota was entirely filled. About 78 percent of the imports came from Canada, 17 percent from Belgium, 4 percent from the Netherlands, and 1 percent from Australia. The temporary quota proclaimed on May 10, 1973--60,000,000 pounds to be imported during the period May 11 through June 30, 1973--was entirely filled as of May 25, 1973; 42 percent of the imports were from Canada, 24 percent from the Netherlands, 17 percent from Ireland, 14 percent from Belgium, 2 percent from Denmark, and 1 percent from France. The temporary quota proclaimed on July 18, 1973--80,000,000 pounds to be imported during the period beginning July 19 and ending August 31, 1973--was entirely filled as of August 6, 1973.

The regular quota for nonfat dry milk has been equivalent to about 0.1 percent of the U.S. production of nonfat dry milk in recent years. The three temporary quotas that have been in effect in 1973 are equivalent to about 18 percent of estimated production for that year.

Stocks

Total yearend stocks of nonfat dry milk (commercial and Government-owned) declined from 278 million pounds in 1968 to 45 million pounds in 1972 (table 5); at the end of June 1973 they amounted to 97 million pounds, compared with 132 million pounds at the end of June 1972. Over the years,

the great bulk of the yearend stocks of nonfat dry milk have generally been Government owned. Since the spring of 1970, however, the bulk of the stocks have been owned commercially.

Commercial stocks of nonfat dry milk were drawn down to abnormally low levels in the fall of 1972. Although they increased from 34 million pounds at the end of January 1973 to 97 million pounds at the end of June, the latter figure was about 10 percent less than the June 1972 level and significantly lower than the levels at the end of that month during most years of the past two decades. Government stocks were also drawn down in the fall of 1972; at the end of June 1973 they were nil. From October 1972 through April 1973 all the stocks owned by the Government consisted of committed supplies.

The Price-Support Program for Milk

As required by law, the price-support program for milk 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 nonfat 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 hundredweight to $4.93 per hundredweight (table 6). During most of the period, average market prices were above the price-support objective.

On March 8, 1973, the Department of Agriculture announced that effective March 15, 1973, and for the 1973 marketing year the price-support objective for manufacturing-grade milk would be $5.29 per hundredweight, or 7 percent above the support objective in effect for the 2 previous years. The market price for manufacturing-grade milk in April was 20 cents above the new support objective and by June it was 36 cents above the support objective; the new support objective was 75 percent of the parity price on April 1, the minimum required by law. The new

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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 were no purchases of nonfat dry milk under sec. 709 until July 3, 1973. During the period July 3 through July 24, 1973, the Department purchased 9,557,000 pounds of instantized nonfat dry milk under sec. 709.

support price for cheese was 62.0 cents per pound, 13 percent above the price of the 2 previous years, and the new price for nonfat dry milk was 37.5 cents per pound, an increase of 18 percent. The support price for butter was reduced to 60.9 cents per pound, or by about 10 percent. The Department of Agriculture pointed out that the increase in its price for cheese was made in order to encourage cheese production in the face of increasing consumer demand, and the reduction in the price of butter was made to increase the consumption of butter.

Purchases and costs

During the period 1968-71, removals of dairy products from the commercial market by the Department of Agriculture, in terms of milk equivalent (fat-solids basis), ranged from 3.8 percent of the production of milk in 1969 to 6.1 percent in 1971. In 1972 removals were equivalent to 4.5 percent of production, and the Department of Agriculture has estimated that removals will amount to about 2 percent of production in 1973. Removals were about one-fourth smaller in 1972 than in 1971. Annual purchases of the individual products--butter, Cheddar cheese, and nonfat dry milk--for 1968-72, January-June 1972, and January-June 1973 are shown in table 7. During 1968-72, the Department of Agriculture purchased from 39 percent (in 1968) to 24 percent (in 1972) of the annual production of nonfat dry milk. From November 1972 through March 1973 the Department did not purchase any nonfat dry milk.

On April 4, 1973, the Department of Agriculture purchased about 10.5 million pounds of instantized nonfat dry milk; the Department paid a differential of 12.77 cents per pound above the announced

support price for bulk nonfat dry milk for instantizing and packaging. 1/ As of July 1, no more nonfat dry milk had been purchased by the Department of Agriculture, although it had been offered instantized nonfat dry milk nearly each week since April 4. The Department did not accept those offers because of the high prices. During the period July 3 through July 24, however, the Department purchased 9,557,000 pounds of instantized nonfat dry milk under the authority of section 709 at prices ranging from 51.9 to 56.2 cents per pound. At the Commission's public hearing on the investigation the spokesman for the Department of Agriculture reported that the Department does not anticipate making any purchases of nonfat dry milk under the price-support program during the remainder of this marketing year.

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 an estimated $240 million in 1973 and $228 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. Most of the Department of Agriculture's

1/ In 1971 and 1972 about 20 percent of the nonfat dry milk purchased by the Department of Agriculture was instantized.

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. Virtually all of the U.S exports of nonfat dry milk in recent years have consisted of donations. In October 1972 the Department of Agriculture stopped programing exports of nonfat dry milk. Since then the Department has not had any uncommitted supplies of nonfat dry milk, for the first time since 1959.

Appendix D

Statistical Tables

Table 1.--Dairy products: U.S. milk production and milk equivalent (fat-solids basis) of U.S. exports and imports for consumption, 1968-72, January-May 1972, and January-May 1973

Period	Total milk production	Exports				Imports		Export or import (-) balance
		Sales 1/	Donations 2/	Total 1/				
				Quantity	Ratio to total milk production	Quantity	Ratio to total milk production	
	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Million pounds	Percent	Million pounds
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
January-May:								
1972	4/62,555	3/	3/	1,143	2.2	649	1.2	494
1973	4/61,200	3/	3/	324	0.6	650	1.2	-326

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.
4/ January-June.

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

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Table 2.--Milk: U.S. utilization of domestic output, 1968-72

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
	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds		
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	11.1	4.0	63.2	117.1	21	18
1972--------	54.2	22.9	23.1	3.0	11.2	4.1	64.3	118.5	19	19

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.

Note.--Quantities are in terms of milk or milk equivalent.

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Table 3.--Nonfat dry milk: U.S. production, market prices, 1/ and U.S. Department of Agriculture support prices, by months, 1968-73

(Production in thousands of pounds, prices in cents per pound)

Year and item	January	February	March	April	May	June	July	August	September	October	November	December	Total or average
1968:													
Production	125,050	126,056	142,956	165,594	191,018	189,460	152,222	119,452	89,401	88,815	89,356	114,983	1,594,363
Market price	20.50	20.50	20.40	24.00	24.00	23.80	23.80	23.80	23.80	23.80	23.80	23.80	23.00
Support price effective Apr. 1	19.60	19.60	19.60	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.10	22.23
Market price above support price	.90	.90	.80	.90	.90	.70	.70	.70	.70	.70	.70	.70	.78
1969:													
Production	117,604	114,207	129,260	147,216	175,717	176,495	140,367	113,000	83,629	79,592	72,444	102,747	1,452,278
Market price	23.80	23.80	23.80	23.80	23.80	23.80	23.80	23.80	23.90	23.90	23.90	23/90	23.80
Support price effective Apr. 1	23.10	23.10	23.10	23.35	23.35	23.35	23.35	23.35	23.35	23.35	23.35	23.35	23.29
Market price above support price	.70	.70	.70	.45	.45	.45	.45	.45	.55	.55	.55	.55	.55
1970:													
Production	104,331	104,116	128,356	139,586	171,234	169,508	141,386	117,685	88,174	89,551	81,524	108,909	1,444,360
Market price	23.80	23.80	24.60	27.80	27.70	27.70	27.70	27.70	27.70	27.70	27.70	27.70	26.80
Support price effective Apr. 1	23.35	23.35	23.35	27.20	27.20	27.20	27.20	27.20	27.20	27.20	27.20	27.20	26.24
Market price above support price	.45	.45	1.25	.60	.50	.50	.50	.50	.50	.50	.50	.50	.56
1971:													
Production	108,949	106,683	125,269	142,465	164.414	171,119	137,530	116,690	86,025	86,813	78,546	93,146	1,417,649
Market price	27.70	27.60	27.60	32.00	32.00	32.00	32.00	31.70	31.50	31.50	31.50	31.60	30.72
Support price effective Apr. 1	27.20	27.20	27.20	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	30.58
Market price above support price	.50	.40	.40	.30	.30	.30	.30	0.00	-.20	-.20	-.20	-.10	.15
1972:													
Production	95,505	99,729	115,859	130,156	151,330	155,320	121,162	92,356	69,113	63,618	57,219	72,089	1,223,456
Market price	31.70	31.70	31.70	31.60	31.60	31.60	31.60	31.70	32.20	34.40	36.30	38.50	32.88
Support price effective Apr. 1	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70	31.70
Market price above support price	0.00	0.00	0.00	-.10	-.10	-.10	-.10	0.00	.50	2.70	4.60	6.80	1.18
1973:													
Production	85,154	79,902	95,071	97,347	121,514	118,995	-	-	-	-	-	-	-
Market price	39.00	39.00	41.90	44.30	44.90	44.90	4/ 45.05	5/ 46.10	-	-	-	-	-
Support price effective Apr. 1	31.70	31.70	3/37.50	37.50	37.50	37.50	37.50	37.50	-	-	-	-	-
Market price above support price	7.30	7.30	4.40	6.80	7.40	7.40	7.55	8,60	-	-	-	-	-

1/ For 50-pound bags of high-heat powder, f.o.b. Wisconsin shipping points.
2/ Estimated by U.S. Department of Agriculture.
3/ The increased support price was effective Mar. 15, 1973; for the entire month, the market price averaged 6.8 cents per pound above the average support price.
4/ The price changed from 44.90 cents to 45.50 cents on July 27.
5/ August 3, 1973.

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

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Table 4.--Nonfat dry milk: U.S. production, imports for consumption, exports, yearend stocks, and commercial consumption, 1968-72, January-June 1972, and January-June 1973

Year	Production	Imports 1/	Exports	Yearend stocks	Commercial consumption	Ratio of exports to production
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	Percent
1968	1,594,363	1,654	396,755	278,000	1,031,000	25
1969	1,452,278	1,733	329,372	222,000	1,040,000	23
1970	1,444,360	1,807	416,000	138,000	960,000	29
1971	1,417,649	1,805	347,627	90,000	958,000	25
1972	1,269,308	1,807	282,461	45,000	899,000	22
Jan.-June:						
1972	747,899	427	3/ 77,819	4/ 132,000	476,900	3/ 10
1973	597,982	2/ 83,260	3/ 12,572	4/ 97,000	606,500	3/ 2

1/ Those entered under absolute quota pursuant to sec. 22 of the Agricultural Adjustment Act, as amended.
2/ Preliminary.
3/ January-April.
4/ June 30 stocks.

Source: Production, imports (except January-June 1972 and January-June 1973), and stocks compiled from official statistics of the U.S. Department of Agriculture; exports and imports for January-June 1972 and January-June 1973 compiled from official statistics of the U.S. Department of Commerce.

Table 5.--Nonfat dry milk: Commercial (manufacturers') and Government-owned stocks as of end of month, 1968-72 and January-June 1973

(In thousands of pounds)

Year and Stocks	January	February	March	April	May	June	July	August	September	October	November	December
1968:												
Commercial	83,017	79,170	77,044	89,730	118,999	147,678	140,878	126,962	106,317	85,533	74,852	79,047
Government-owned	166,355	185,746	193,186	202,383	207,334	228,755	256,609	253,772	232,821	202,686	196,633	198,716
Total	249,372	264,916	270,230	292,113	326,333	376,433	397,487	380,734	339,138	288,219	271,485	277,763
1969:												
Commercial	71,563	68,171	64,128	78,622	112,091	140,955	154,372	150,890	130,529	107,935	90,163	83,913
Government-owned	202,213	211,102	205,330	183,700	193,810	203,671	229,611	231,524	209,105	187,669	171,594	137,787
Total	273,776	279,273	269,458	262,322	305,901	344,626	383,983	382,414	339,634	295,604	261,757	221,700
1970:												
Commercial	77,286	75,608	76,641	96,076	136,215	155,860	156,941	161,112	139,416	118,074	101,236	95,346
Government-owned	98,332	86,080	79,298	65,634	66,692	66,357	57,175	64,503	70,518	49,881	49,755	42,569
Total	175,618	161,688	155,939	161,710	202,907	222,217	214,116	225,615	209,934	167,955	150,991	137,915
1971:												
Commercial	87,060	97,377	74,353	99,553	134,309	151,121	152,525	143,025	107,165	100,842	85,063	77,005
Government-owned	39,382	10,729	14,099	14,113	14,549	29,092	48,565	40,681	55,293	48,872	19,568	12,526
Total	126,442	108,106	88,452	113,666	148,858	180,213	201,090	183,706	162,458	149,714	104,631	89,531
1972:												
Commercial	76,282	63,817	62,132	78,364	97,073	106,687	107,427	86,343	64,679	47,907	34,889	37,928
Government-owned	8,705	12,738	15,129	14,003	15,513	25,630	40,432	48,605	40,203	19,863	14,559	6,929
Total	84,987	76,555	77,261	92,367	112,586	132,317	147,859	134,948	104,882	67,770	49,448	44,857
1973:												
Commercial	34,446	36,899	38,261	56,791	75,441	96,583	-	-	-	-	-	-
Government-owned	5,661	1,260	167	110	0	0	-	-	-	-	-	-
Total	40,107	38,159	38,428	56,901	75,441	96,583	-	-	-	-	-	-

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

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Table 6.--Butter, Cheddar cheese, nonfat dry milk, and all milk for manufacturing: U.S. market prices, Department of Agriculture support prices, and price-support objectives, marketing years 1968-72 and April 1973

Year beginning Apr. 1--	Butter (grade A) at Chicago		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing		
	Market price	Price support	Market price (Wisconsin assembly points)	Price support	Market price (U.S. average)	Price support	Market price (U.S. average)	Price-support objective: Amount	Price-support objective: Percent of parity
	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Cents per pound	
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
1972	68.3	67.7	61.1	54.8	35.2	31.7	5.21	4.93	79
1973 1/	61.6	60.9	65.8	62.0	44.3	37.5	5.49	5.29	75

1/ April 1-30.

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

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Table 7.--Butter, Cheddar cheese, and nonfat dry milk: U.S. Department of Agriculture and sec. 32 purchases, utilization (disposals), and uncommitted supplies, 1968-72, January-June 1972, and January-June 1973

(In millions of pounds)

Commodity and Year	Purchases 1/	Utilization	Uncommitted supplies at end of year 2/
Butter:			
1968	193	255	77
1969	188	223	33
1970	246	242	37
1971	324	328	33
1972	224	216	43
January-June--			
1972	188	87	134
1973	95	77	60
Cheddar cheese:			
1968	78	111	24
1969	3/ 36	58	4
1970	43	47	-
1971	101	86	15
1972	21	36	-
January-June--			
1972	21	31	5
1973	3	3	0.3
Nonfat dry milk: 4/			
1968	625	582	246
1969	354	461	137
1970	447	560	29
1971	444	462	14
1972	298	353	-
January-June--			
1972	231	209	29
1973	10	5	0

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

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

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

4/ Includes instantized 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 for domestic welfare use between Apr. 1, 1969, and Apr. 1, 1970, with sec. 32 funds.