UNITED STATES INTERNATIONAL TRADE COMMISSION

DRIED MILK MIXTURES

Report to the President
on Investigation No. 22-40
Under Section 22 of the
Agricultural Adjustment Act, as Amended

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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REPORT TO THE PRESIDENT

United States International Trade Commission,
July 21, 1976.

To the President:

Pursuant to your request of March 26, 1976, the United States International Trade Commission has conducted an investigation (No. 22-40) under subsections (a) and (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), with respect to mixtures of dried milk and other ingredients. 1/ The purpose of this investigation was to determine whether--

> Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing mixtures wherever classified under the Tariff Schedules of the United States (TSUS)

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program conducted by the Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk.

1/ Public notice of the investigation was issued Apr. 26, 1976. 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 Apr. 29, 1976 (41 F.R. 17976). A public hearing was held on May 25, 1976; all interested parties were afforded an opportunity to produce evidence and to be heard.

With your letter of March 26 you forwarded a copy of Proclamation No. 4423 (both shown in app. A of this report), which was issued pursuant to section 22(b) of the Agricultural Adjustment Act, as amended. The proclamation established an emergency quota of zero pounds for imports of the aforementioned dried milk mixtures, such quota to continue in effect pending Presidential action upon receipt of the report of the Commission's findings and recommendations with respect to such dried milk mixtures. The emergency quota was provided for by adding item 950.19 to the dairy product quota provisions in part 3 of the Appendix to the TSUS.

You also requested that the Commission advise you with respect to a recommendation you received from the Secretary of Agriculture that the monetary limitation in headnote 2(b) of part 3 of the Appendix to the TSUS for the exclusion from the quota restrictions provided for in part 3 of articles (except cotton and cotton waste) with an aggregate value of not over $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research, should be adjusted, and that the authority for making such an adjustment and any further adjustments which may become necessary in the future should be vested in the Secretary of Agriculture. You requested that the Commission's advice on this recommendation include the amounts of any increases deemed appropriate in the limitation at the present time.

The report of the Commission on the aforementioned matters, including its findings and recommendations, is submitted herewith. The information contained in this report was obtained from evidence submitted at the public hearing, from briefs, from other Government

Findings

On the basis of the investigation--

(1) The Commission finds (Chairman Leonard and Commissioner Ablondi dissenting) 1/ that the articles described below are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the United States Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk:

> Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures contain over 16 percent milk solids by weight, are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing mixtures provided for in items 182.98 and 493.16 of the Tariff Schedules of the United States, except articles within the scope of other import restrictions provided for in this part 3 of the Appendix to the Tariff Schedules of the United States.

1/ Chairman Leonard and Commissioner Ablondi find that the articles described in the President's letter of March 26, 1976, are not being, and are not practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the United States Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk.

(2) The Commission unanimously finds that increasing the monetary limitation in headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States for the exclusion from the quota restrictions provided for in part 3 of articles (except cotton and cotton waste) to an aggregate value of not over $25 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research will not render or tend to render ineffective, or materially interfere with, any program or operation undertaken under Title 7 or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law Numbered 320, Seventy-Fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken. 1/

1/ Commissioners Parker and Bedell agree that the recommended modification would have no adverse effect upon any program conducted by the Department of Agriculture but do not believe that such a finding is essential or required to support the action recommended and, in their judgment, other criteria such as administrative manageability are sufficient to warrant the action recommended. This is shown by the history of this monetary limitation.

Recommendations

(1) The Commission recommends (Chairman Leonard and Commissioner Ablondi dissenting) 1/ that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, modifying the article description in item 950.19 of the Tariff Schedules of the United States to read as set forth in finding (1).

(2) The Commission unanimously recommends that the President issue a proclamation pursuant to section 22(d) modifying headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States by changing "$10" to "$25".

(3) The Commission recommends (Commissioners Bedell and Parker dissenting) 2/ that the authority for making further adjustment in the monetary limitation in headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States not be vested in the Secretary of Agriculture.

1/ Chairman Leonard and Commissioner Ablondi recommend that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, terminating item 950.19 of the Tariff Schedules of the United States.

2/ Commissioners Bedell and Parker recommend that the authority for making further adjustments in the monetary limitation in headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States be vested in the Secretary of Agriculture provided such authority may lawfully be so delegated.

Statement of Reasons of Commissioners George M. Moore, Catherine Bedell, and Joseph O. Parker

The agricultural price support program

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk at such level between 75 percent and 90 percent of parity as he determines necessary to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. The current level of price support as established by the Secretary of Agriculture is 80 percent of parity. In carrying out the price-support program, the Department of Agriculture conducts a purchase program for three basic manufactured dairy products--butter, Cheddar cheese, and nonfat dry milk. Under this program, the Department stands ready to purchase, at announced prices, the aforementioned three products necessary to carry out the price-support objective.

The maintenance of this price-support program for dairy products has resulted in a domestic price level above the world price level and thus serves as an incentive to the importation of dairy products. Imports, if permitted to flow unabated, would displace domestically produced products in the marketplace and significantly increase the cost of the purchase program to the Department of Agriculture and would render or tend to render ineffective, or materially interfere with programs or operations undertaken by the Department of Agriculture.

Section 104 of the Defense Production Act of 1950, as amended,

of the expiration of these quotas, the President, on the basis of a report on investigation No. 22-6 from the Tariff Commission (now the United States International Trade Commission) pursuant to section 22 of the Agricultural Adjustment Act, as amended, imposed by proclamation, effective July 1, 1953, import quotas on the same dairy products that had been subject to quotas under section 104. Since 1953 the quota program has been modified in an effort to place under restriction imports of dairy products which had effectively avoided the then existing quotas.

U.S. stocks and price support

Milk solids in the form of nonfat dry milk, dried whey, dried whole milk, and dried buttermilk are used as ingredients in a wide range of food products. Historically, there has been a surplus of dried milk products (and relatively low prices) in the United States. Beginning in late 1972, production (particularly of nonfat dry milk) declined and market prices for nonfat dry milk rose above the support price. Market and support prices for nonfat dry milk rose rapidly, doubling between mid-1972 and mid-1975; however, beginning in mid-1974, the market price declined toward the support price and the Government began acquiring stocks of nonfat dry milk. Such stocks increased from 4 million pounds in June 1974 to 420 million pounds in March 1976, a record high in recent years.

The market price for nonfat dry milk is currently slightly below the support price, and the Commodity Credit Corporation purchased 102 million pounds of the product in the period from January-June 1976.

During the most recent marketing year (ended March 31, 1976), expenditures under the dairy price-support program totaled $233 million.

Actual and potential imports

In November of 1975, a mixture of dried milk and sugar was imported from Canada. This was a new product consisting of nonfat dried milk and sugar in such proportions as to avoid the then existing quota restrictions. Thus, a means had temporarily been found through which dried milk, not only from Canada but from other major producers, could enter the United States in potentially massive amounts.

Stocks of nonfat dry milk in the major foreign producing countries are very large. At the end of 1975, world stocks amounted to about 3 billion pounds, more than double the stocks available at the end of 1974. Nonfat dry milk prices on the world market are significantly below the U.S. price. For example, the price of nonfat dry milk f.o.b. New Zealand is 16 cents per pound, compared with 62 cents per pound in the United States.

The recent importation of mixtures of dried milk and sugar shows beyond doubt that importers were again proceeding to avoid the existing quotas on dairy products by producing mixtures for entry under other tariff classifications. Considering the price disparities between dried milk in the United States and dried milk in foreign countries and the potential supply available for export to the United States, together with the actions of exporters and importers to bring mixtures of dried milk and other ingredients into the United States, it was practically certain that imports of dried milk mixtures would enter the United

States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price-support program for milk.

In mid-November 1975, immediately after the first test shipment from Canada of the mixture of dried milk and sugar, the U.S. Government took up the matter with Canadian authorities. The result was that on November 21, 1975, the Canadian Dairy Commission suspended further sales of nonfat dry milk for export to the United States and the suspension continues in effect. The United States asked the governments of Australia and New Zealand not to allow shipments of nonfat dry milk to the United States and these governments promised their ongoing cooperation in the matter. The European Community also agreed not to subsidize nonfat dry milk exports to the United States. On March 26, 1976, the President, upon recommendation of the Secretary of Agriculture, exercised his emergency powers under the provisions of section 22 and placed under quota almost all imported mixtures of dried milk and other ingredients.

The conditions which led to the imposition of the original quota still exist and, indeed, as we have previously discussed, have been exacerbated by growing stocks of dried milk in both the United States and elsewhere, lower market prices, and increased purchases under support programs. If the present quota is abolished, dried milk mixtures already determined to be outside previously existing quotas would be practically certain to be exported to the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program for milk of the Department of Agriculture. There is no evidence in the record before the Commission which indicates that all those

countries which are currently restricting exportation of dried milk to the United States will permanently restrict the exportation of such milk or that it will not be sold to third countries and then re-exported to the United States. Based on all of the factors listed above, we find the criteria of section 22 of the Agricultural Adjustment Act, are satisfied and, therefore, recommend that the quota, revised as described below, be maintained.

Recommended revision of TSUS item 950.19

From the evidence established by our investigation, we do not find that all of the articles which would be excluded from entry into the United States by the President's Proclamation No. 4423, because they contain small amounts of dried milk, should be excluded. We have concluded that there are many articles which contain small amounts of dried milk which have historically been imported and which do not interfere with the price-support program for milk within the meaning of section 22. These products should not be excluded and it is our recommendation, therefore, that the quota be limited to those articles which contain over 16 percent milk solids by weight such as the mixture of dried milk and sugar from Canada, classifiable for tariff purposes in TSUS item 182.98, and the mixture of dried milk and casein in TSUS item 493.16, which could otherwise avoid previously existing quotas. Mixtures which have historically been imported, such as certain dried soup ingredients and bakery extenders which do not contain over 16 percent milk solids by weight, admitted under TSUS item 182.98, would not be within our recommended zero quota.

During the course of the Commission s investigation a representative of the Department of Agriculture testified that it was not the Department`s intention in recommending the emergency action taken by the President to include articles already subject to previously existing quotas. Under the product description we have recommended, such articles are not included under the revision to item 950.19.

Section 22(b) of the Agricultural Adjustment Act, as amended, provides that--

> no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President...

Information obtained in the investigation indicated that in the period January-October 1975 there were no imports into the United States of articles which contained over 16 percent by weight of milk solids, classifiable in TSUS items 182.98 and 493.16, which fit the other criteria of our finding and recommendation. Therefore, the zero quota we have recommended does not contravene the foregoing provision.

Monetary limitation

The request of the President for advice from the Commission with respect to the monetary limitation in headnote 2(b) of part 3 of the Appendix to the TSUS for the exclusion from the quota restriction has been considered in the light of changed conditions since the monetary

limitation was first proclaimed in 1953. We have concluded that the value of $10 per shipment is no longer realistic in the light of changes which have taken place, and we recommend that such figure be increased to $25.

Statement of Vice-Chairman Daniel Minchew

Pursuant to the request of the President of March 26, 1976, the United States International Trade Commission (Commission) conducted an investigation under subsections (a) and (d) of section 22 of the Agricultural Adjustment Act, as amended, with respect to mixtures of dried milk and other ingredients. The purpose of this investigation was to determine whether--

> Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing mixtures wherever classified under the Tariff Schedules of the United States (TSUS)

are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U. S. Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk.

A copy of Proclamation No. 4423, which was issued March 26, 1976, pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, was included with the President's request to the Commission of the same date. This proclamation established an emergency quota of zero pounds for imports of the aforementioned dried milk mixtures, such quota to continue in effect pending Presidential action upon receipt of the report of the Commission's findings and recommendations with respect to

such dried milk mixtures. The emergency quota was provided for by adding item 950.19 to the dairy product quota provisions in part 3 of the Appendix to the TSUS.

Further, the President requested advice with respect to a recommendation received from the Secretary of Agriculture that the monetary limitation in headnote 2(b) of part 3 of the Appendix to the TSUS for the exclusion from the quota restrictions provided for in part 3 of articles (except cotton and cotton waste) with an aggregate value of not over $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research should be adjusted, and that the authority for making such an adjustment and any further adjustments which may become necessary in the future should be vested in the Secretary of Agriculture. The requested advice was to include the amounts of any increases deemed appropriate in the limitation at the present time.

Findings

(1) I find that the articles described below are being, or are practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk:

> Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures contain over 16 percent milk solids by weight, are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail con-

sumers in the identical form and package in which imported; all the foregoing mixtures provided for in items 182.98 and 493.16 of the Tariff Schedules of the United States, except articles within the scope of other import restrictions provided for in this part 3 of the Appendix to the Tariff Schedules of the United States.

(2) I find that increasing the monetary limitation in headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States for the exclusion from the quota restrictions provided for in part 3 of articles (except cotton and cotton waste) to an aggregate value of not over $25 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research will not render or tend to render ineffective, or materially interfere with, any program or operation undertaken under Title 7 or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law Numbered 320, Seventy-Fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken.

Recommendations

(1) I recommend that the President issue a proclamation pursuant to section 22(b) of the Agricultural Adjustment Act, as amended, modifying item 950.19 of the Tariff Schedules of the United States to read as set forth in finding (1).

(2) I recommend that the President issue a proclamation pursuant to section 22(d) modifying headnote 2(b) of part 3 of the Appendix to the TSUS by changing "$10" to "$25".

(3) I further recommend that the authority for making further adjustment in the monetary limitation in headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States not be vested in the Secretary of Agriculture.

Considerations

The Agricultural Adjustment Act of 1949, as amended, requires the Secretary of Agriculture to support the price of milk at such level between 75 percent and 90 percent of parity as he determines necessary to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Among other things designed to support the prices of dairy products, the Department of Agriculture maintains a purchase program for three basic manufactured dairy products--butter, Cheddar cheese, and nonfat dry milk; and the Department stands ready at all times to purchase, at announced prices, unlimited quantities of these three products that meet certain specifications.

The maintanance of these price-support programs for dairy products has resulted in incentives which have made the importing of dairy products more profitable. Such imports, if permitted to flow unabated, could significantly increase the costs of the purchase program to the Department of Agriculture

and prevent or materially interfere with the price and production objectives of the total price-support programs. As a result, various quantitative limitations have been recommended by the Commission and imposed by the President under section 22 since 1953 on dairy products, including products designed to avoid previously imposed quotas.

Milk solids in the form of nonfat dry milk, dried whey, dried milk, and dried buttermilk are used as ingredients in a wide range of food products. Historically, there has been a surplus of dried milk products (and relatively low prices) in the United States. Beginning in late 1972, production (particularly of nonfat dry milk) declined and market prices for nonfat dry milk rose above the support price. Market and support prices for nonfat dry milk rose rapidly, doubling between mid-1972 and mid-1975; however, beginning in mid-1974, the market price declined toward the support price, and the Government began acquiring stocks of nonfat dry milk. Such stocks increased from 4 million pounds in June 1974 to 420 million pounds in March 1976, a record high in recent years.

The market price for nonfat dry milk is currently slightly below the support price, and the Commodity Credit Corporation purchased 102 million pounds of the product in the period January-June 1976. During the most recent marketing year, ended March 31, 1976, expenditures under the dairy program totaled $233 million, also a high in recent years.

Stocks of nonfat dry milk in the major foreign producing countries are very large. At the end of 1975, world stocks amounted to about 3 billion pounds, more than double the amount available at the end of 1974. Prices of nonfat dry milk on the world market are significantly below the U.S. price. For example, the price of nonfat dry milk f.o.b. New

Zealand is 16 cents per pound, compared with 62 cents per pound in the United States.

The recent importation of mixtures of dried milk and sugar shows beyond doubt that importers have rediscovered the method which had previously been used to avoid quotas on dairy products--mixing sugar with a milk product and creating an article not subject to outstanding quotas. Accordingly, mixtures of nonfat dry milk and sugar began to enter the United States in November 1975.

Considering the disparities between prices in the United States and in foreign countries, it was practically certain that imports of dried milk mixtures would enter the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price-support program for milk.

Despite my finding that Presidential action is necessary, I cannot agree that articles containing small amounts of dried milk should be excluded. I believe that articles which contain small amounts of dried milk and which have historically been imported are not interfering with the price-support program for milk within the meaning of section 22.

Furthermore, the question arose as to whether articles previously subject to section 22 import restrictions were included in this investigation. A representative of the Department of Agriculture advised that it was not its intention that such articles be included. Accordingly, I have recommended that the article description for the quota item 950.19 be changed to exclude articles within the scope of the other section 22 import restrictions. I have recommended that they be specifically excluded

from quota item 950.19.

Section 22(b) of the Agricultural Adjustment Act, as amended, contains a proviso that --

> no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President.

Information obtained in the investigation indicated that in the period January-October 1975 there were no imports into the United States of articles which contained over 16 percent by weight of milk solids and which were classifiable in TSUS items 182.98 and 493.16 and which fit the other criteria of my findings and recommendations. For this reason, I have found that a zero-pound quota is consistent with section 22(b).

The President's request from the Commission as to the monetary limitation in headnote 2(b) of part 3 of the Appendix to the TSUS for the exclusion from the quota restriction should be considered in light of its effect on the price-support system of the Department of Agriculture. I have concluded that increasing the value to $25 from $10 per shipment would not render or tend to render ineffective, or materially interfere with, any of the programs of the U. S. Department of Agriculture as described in finding number (2) or reduce substantially the amount of such products processed in the United States. The increase from $10 to $25 allows for the inflation in prices of imported cheese which occurred over the period 1953-76.

Statement of Chairman Will E. Leonard and
Commissioner Italo H. Ablondi

Findings and recommendations

In this investigation (No. 22-40) we find that mixtures of dried milk and other ingredients are not being, nor are they practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk. Accordingly, we recommend that Presidential Proclamation No. 4423 of March 26, 1976, be terminated. That proclamation established an emergency quota of zero pounds on imports of the aforementioned mixtures of dried milk by adding item 950.19 to the dairy product quota provisions in part 3 of the Appendix to the Tariff Schedules of the United States (TSUS).

We find also that the monetary limitation in headnote 2(b) to part 3 of the Appendix to the TSUS for the exclusion from quota restrictions of the articles provided for therein with an aggregate value of not over $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research may be increased within the criteria set forth in section 22. The limitation may be increased to $25 without such imports being, or being practically certain to be, of such magnitude as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under title 7 of the Soil Conservation and Domestic Allotment Act, as

amended, or section 32, Public Law Numbered 320, Seventy-Fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken. Finally, we recommend that the authority for making any adjustments in this limitation should not be vested in the Secretary of Agriculture.

Our considerations in support of the above findings and recommendations, developed from the information obtained in the investigation, follow.

The price-support program

In order to support the price of milk produced in the United States at some point within designated limits (currently at 80 percent of parity), the Department of Agriculture is authorized to buy unlimited quantities of the three major dairy products produced in the United States--Cheddar cheese, butter, and nonfat dry milk. Thus, the status of the price-support program for milk is determined by the total purchases of all three products bought under the program.

In some years, purchases of the three products have been large, and expenditures by the Government in order to support the price of milk

have been substantial. These large expenditures of the past were the result of excess supply in the dairy sector. However, in the recent past the production of milk and dairy products in the United States has no longer exceeded commercial consumption, and the new relationship between production and consumption is reflected in the current pattern of expenditures.

Current U.S. dairy situation

During the past year (ended June 30, 1976), purchases of Cheddar cheese and butter under the price-support program have been negligible, and purchases of nonfat dry milk are down 75 percent. Average monthly market prices of Cheddar cheese and butter have been significantly above the support prices of such products, and the price of nonfat dry milk has averaged above the support price of nonfat dry milk over virtually all of the period. In the first part of 1976, moreover, substantial quantities of the Government's inventory of nonfat dry milk purchased under the support program in 1974 and early 1975 were even sold back into the commercial market--an uncommon occurrence. Net Government expenditures on the price-support program for dairy products during the past year dropped sharply from $496 million to about $52 million, or by 90 percent. The latter amount is by far the lowest annual expenditure on the price-support program since the section 22 quotas have been in effect 1/--even lower than the expenditure in 1973, when very large quantities of additional imports were allowed into the United States.

1/ U.S. imports of certain dairy products have been subject to quotas under section 22 of the Agricultural Adjustment Act, as amended, since mid-1953 in order to protect the price-support program maintained by the Department of Agriculture for milk from import interference.

The above facts reflect the favorable commercial market situation for milk and dairy products that has existed in the United States for the past year, the period including the months when the mixtures of dried milk were imported that caused the alarm which resulted in the Presidential proclamation and the instant investigation. Import quotas under section 22, the provision of law under which this investigation was conducted, can be imposed in order to protect the price-support program. The virtual cessation of purchases of dairy products under the price-support program indicate beyond doubt that the imports of mixtures of dried milk have not adversely affected the program within the meaning of the statute.

During the investigation, advocates for continuing the zero-pound quota, including the Department of Agriculture, presented data almost exclusively on imports of a mixture of dried milk and sugar, although the product description in the investigation was considerably broader than dried milk and sugar, encompassing all mixtures of dried milk "wherever classified under the Tariff Schedules of the United States." 1/

1/ Quoted from the President's letter of Mar. 26, 1976, to the Commission which prompted the instant investigation.

The advocates of the zero quota focused their interest and their collection of data on those products they believed the President's zero quota to be directed toward, i.e., mixtures of dried milk and sugar. According to the data received from the U.S. Customs Service, only a negligible shipment of other articles interpreted by customs officers to fall within the quota (i.e., delactosed whey) had been denied entry under the zero quota.

Collection of data on mixtures other than those of dried milk and sugar included in the zero quota was attempted via a Commission questionnaire. Importers that responded indicated that data on trade in these mixtures were not available because records were not kept on mixtures so described, nor could such records be constructed. Hence, data on imports encompassed by the product description of the zero quota other than mixtures of dried milk and sugar were not obtainable from official or private sources.

About a million pounds of the mixture of dried milk and sugar was imported, and its dried milk content amounted to only 480,000 pounds, an amount too insignificant to constitute material interference with the price-support program or to cause a substantial reduction in the amount of products processed in the United States from domestic milk within the meaning of the statute.

The Department of Agriculture failed to present convincing evidence of a correlation between the imports of the mixture and purchases of nonfat dry milk under the price-support program. To the contrary, the data submitted showed that during the weeks when about half of the imports occurred, November 17-December 19, 1975, no purchases were made under the price-support program. Moreover, essentially there was no correlation in the period December 20, 1975, through January 31, 1976, between the remaining imports of the mixture and price-support purchases.

The zero-pound quota imposed by Presidential Proclamation No. 4423, effective March 31, 1976, on imports of the mixtures included in this investigation obviously means that since that date no such mixtures "are being" imported into the United States so as to have the adverse consequences described in section 22. By definition, no articles within the product description of this investigation could have been imported after the effective date of the proclamation, and hence such articles could not have any adverse effect.

No present "interference" or "reduction"

In view of the above facts, it must be concluded that the articles in question are not being imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for milk or to reduce substantially the amount of products processed in the United States from domestic milk.

Prospective U.S. dairy situation

Not only does a negative finding under section 22 require a determination that the articles in question are not being imported, but, further, that they are not practically certain to be imported into the United States in such quantities as to affect adversely the price-support program within the meaning of the statute or to reduce substantially the amount of products processed in the United States from domestic milk.

During the investigation, the Department of Agriculture emphasized that it is not primarily concerned with the comparatively small amounts of mixtures of dried milk which were actually imported, but with the practical certainty that, in the absence of the zero quota, imports would so increase as to affect the price-support program adversely. In effect, the Department advanced the view that any potential imports of articles that are not covered by existing quotas, such as the mixtures of dried milk in question, should be anticipated under any circumstances and quotas imposed under section 22.

The avenues through which such imports occur are often referred to as loopholes, i.e., quota provisions that permit dairy products to be admitted outside and in avoidance of the specific quotas. However, there is no authority under section 22 to impose quotas on imports of articles which might be admitted through such loopholes merely because the loopholes exist. Rather, such imports may be placed under restriction only if the articles are practically certain to be imported under such conditions and in such quantities as to affect the price-support program adversely or to reduce milk product production in the United States.

The words "practically certain", as they apply to anticipated imports, are clear, and the fulfillment of their intent requires much more than the mere knowledge that inventories of nonfat dry milk abroad are large, that in some countries the costs of producing dairy products are lower than in the United States, and that some countries in the past have subsidized exports of dairy products to the United States and have exploited loopholes in the section 22 quota provisions. A finding that these articles are "practically certain to be imported" cannot be based on mere speculation or conjecture; rather, it requires a showing that such imports are imminent, that is, are about to occur very soon.

The evidence offered by the Department of Agriculture in this investigation, which is corroborated by information obtained from the Customs Service (40 F.R. 21719), leads to the conclusion that mixtures of dried milk from the potential suppliers are not practically certain to be imported into the United States.

Canada, Australia, New Zealand, and the European Community (EC) account for about three-fourths of the foreign production of nonfat dry milk. At the public hearing in this investigation, a representative of the Department of Agriculture stated that the exports of the dried milk/sugar mixtures from Canada to the United States had been suspended following a countervailing duty complaint by the National Milk Producers Federation and the prospect of a prompt affirmative determination by the Department of the Treasury. The suspension, according to the Department of Agriculture, continues in effect. The Department of Agriculture also reported that the Governments of Australia and New Zealand are giving the U.S. Government their ongoing cooperation not to allow shipments of such mixtures to the United States. Further, the representative of the Department of Agriculture testified that the EC has agreed not to subsidize exports of nonfat dry milk to the United States because of the waiver granted under section 303(d)(2) of the Tariff Act of 1930, as amended by the Trade Act of 1974, of the imposition of countervailing duties on U.S. imports of certain cheeses from the EC. Without subsidy, at the prevailing prices of dried milk in the EC and the United States, exportation to the United States is economically impractical for the foreseeable future.

No "practical certainty of interference or reduction"

In view of the above evidence, foreign supplies of mixtures of dried milk for export to the United States do not appear imminent.

Upon extensive questioning at the public hearing, the spokesman for the Department of Agriculture failed to identify any specific countries from which the mixtures would be imported.

Further, current conditions show that the favorable market situation in the United States for domestic milk and dairy products is continuing. The peak season for milk production is now past. As of the end of June, market prices for manufacturing milk exceeded the support price ($8.13 per hundred pounds) by 32 cents per hundred pounds, and purchases of dairy products remained at extremely low levels.

Thus, it must be concluded that dried milk mixtures are not practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program of the U.S. Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk.

The monetary limitation

On the basis of the facts obtained in this investigation, it is our judgment that the monetary limitation of $10 wholesale value for the exclusion from quota restriction of articles imported as samples for taking orders, for the personal use of the importer, or for research is no longer realistic, and that the limitation may be increased within the criteria set forth in section 22. It appears that few, if any, products other than cheese have been imported as samples under the exemption. Articles for research do not appear to have been imported.

The outstanding $10 limitation permitted about 20 pounds of cheese to be imported under the exclusion at issue at the time section 22 quotas were imposed on dairy products in 1953. Currently, less than 10 pounds of cheese can be imported under the $10 limitation. This reduction in quantity is a result of the increase in prices since 1953.

The data gathered by the Commission in the investigation indicate that representative prices for imported cheese have somewhat more than doubled since 1953. Increasing the $10 limitation to $25 reflects this inflationary effect. As a result, about 20 pounds of cheese could be imported under the proposed $25 limitation and, in effect, the same result would be obtained in 1976 as was the case in 1953.

Data on imports under the existing $10 exemption from section 22 quotas are not reported. At the hearing in this investigation, a number of witnesses were of the opinion that the volume of imports under the $10 exemption is negligible. The customs examiner for cheese at the Port of New York, where about 60 percent of total cheese imports are entered into the United States, estimated that the value of shipments of cheese through that port for samples admitted under the $10 exemption averages less than $5,000 annually.

There have been no complaints of imports admitted under the $10 exemption interfering with the price-support program since the exemption was established in 1953.

On the basis of the above facts, the outstanding monetary limitation of $10 could be increased to $25. Imports of the said articles will not be of such magnitude as to affect adversely the price-support

program of the Department of Agriculture within the meaning of the statute, or to reduce substantially the amount of products processed in the United States from price-supported articles.

Giving to the Secretary of Agriculture the authority to make any further adjustments to the monetary limitation

Headnote 2(b) of part 3 of the Appendix to the TSUS, which provides for the monetary limitation under consideration, is a provision of law. It is based upon delegated authority given to the President by the Congress in section 22. Thus, this provision can be changed in two ways only, viz:

1) by legislative amendment or

2) by executive modification within the terms of the delegated authority.

In effect, Congress has implicitly limited delegation under section 22 in that changes under that law shall be accomplished only by proclamation. In the executive branch of the Federal Government, the President has the exclusive function of proclaiming. Section 22(b) provides:

> If, on the basis of such investigation and report . . ., the President finds the existence of such facts, *he shall by proclamation impose* such fees . . . or such quantitative limitations . . . as he finds and declares shown by such investigation to be necessary . . . . [Emphasis supplied.]

The unique function of proclaiming is not within the powers of the Secretary of Agriculture, nor can it be conveyed to him (see discussion in this report at pp. A40-A42).

Delegation to the Secretary of Agriculture of the authority to make further adjustments to the monetary limitation, even if legal, is a partial (albeit small) delivering of a function to an advocate agency which Congress wanted to forestall. Executive Order 7233 dated November 23, 1935, delegated to the Secretary of Agriculture authority to make a preliminary investigation of alleged interference by imports with a domestic farm program authorized under the Agricultural Adjustment Act. The 1950 amendment to section 22 placed the procedural step established by the aforementioned Executive order into the statute. In so doing, the House of Representatives, and later the conference committee of both Houses, rejected a Magnuson-Morse proposal in the Senate to transfer full and final investigating authority to the Secretary of Agriculture. As expressed by Congressman Patman (at 96 Cong. Rec. 8929-30):

> Under the Magnuson amendment the Secretary of Agriculture would have complete control. He would file a complaint, he would hear the testimony, he would be the judge and the jury and the executioner. He would be everything. It would be unfair. So under the Magnuson amendment as amended by this committee of conference we leave it up to a bipartisan board, the Tariff Commission, to decide. Would not the gentlemen rather have a bipartisan board composed of both Democrats and Republicans decide an important issue like that, rather than have a member of the President's Cabinet have complete and full control and charge? That is the question involved here.

At the public hearing in this investigation the domestic dairy industry expressed concern that if the authority for future adjustments in the monetary limitation were vested in the Secretary of

Agriculture, interested parties might not be given due notice and afforded a hearing before such adjustments occurred. Section 22 currently provides for these rights.

Based on the above information, it is recommended that the authority for making further adjustments to the monetary limitation in headnote 2(b) of part 3 of the Appendix to the TSUS should not be vested in the Secretary or Agriculture.

INTRODUCTION

For convenience of presentation, this report is divided into two parts. Part I includes the data obtained in the investigation with respect to imports of the dried milk mixtures involved. Part II discusses the proposed change in the monetary limitation provided for in headnote 2(b) to part 3 of the Appendix to the TSUS, which excludes from the import restrictions proclaimed under section 22 certain articles imported as samples for taking orders, for personal use of the importer, or for research, if valued not over $10 in any shipment.

PART I. DRIED MILK MIXTURES

Overview of Section 22 Quotas on Dairy Products

U.S. imports of certain dairy products made from cow's milk have been subject to quotas under section 22 since mid-1953 in order to protect the price-support program maintained by the Department of Agriculture for milk from import interference. Largely because of these existing quotas, annual imports of the affected dairy products have been generally amounted to only about 2 percent of milk production on a milk-equivalent basis.

Since 1953, several types of action have been taken under section 22 with respect to dairy products: (1) he existing quotas imposed on cheeses have been liberalized or enlarged; (2) some of the existing quotas on various dairy products have been enlarged for temporary periods; 1/

1/ In 1973 and the first part of 1974, increased imports of butter, butter oil, cheeses, and nonfat dried milk were permitted.

and (3) quotas have been established for imports which either increased rapidly in volume or appeared for the first time in the U.S. market. As a result of these actions, imports of most dairy products made from cow's milk are currently subject to quotas.

Scope of the Current Investigation

The description of the dried milk mixtures in the President's request for this investigation encompasses all of the mixtures so described "wherever classified under the Tariff Schedules of the United States." The broad language of the request covers not only mixtures of such dried milk and other ingredients which were already within quota provisions, but also encompasses a wide range of edible and inedible articles of normal trade not previously subject to quotas.

Dried milk mixtures included in quotas in effect prior to Proclamation No. 4423

The following table furnishes data on mixtures included in section 22 quotas in effect prior to Proclamation No. 4423, the imports of which are within the scope of the President's request and Proclamation No. 4423 if the criteria thereof are satisfied.

Dried milk mixtures subject to quotas in effect prior to Proclamation No. 4423: Quota quantities, U.S. production, and consumption, 1974

Dried milk mixture	Quota quantity	Production	Consumption
Animal feeds 1,000 pounds	16,300	1/ 425,000	425,000
Ice cream 1,000 gallons	431	781,971	781,971
Lowfat chocolate crumb 1,000 pounds	4,680	-	-
Lowfat cheese 1,000 pounds	8,901	-	8,901
Process cheese foods, spreads, blends, etc. 1,000 pounds	2/ 40,730	624,000	3/624,000
Cottage cheese 1,000 pounds		977,879	977,879
Butterfat/sugar/nonfat dry milk mixtures ("Junex") 1,000 pounds	2,580	-	2,580

1/ Estimated by the U.S. International Trade Commission.

2/ Includes both natural and process "other" cheeses, if having a purchase price currently less than 98 cents per pound.

3/ Imports of process cheese foods, spreads, blends, etc. are not separately reported; they probably account for only a small share of consumption.

Source: Quota quantity from the TSUS; prodution compiled from official statistics the U.S. Department of Agriculture, except as noted.

Note.--The ratio of imports to consumption was 4 percent for animal feeds and 100 percent for lowfat cheese and butterfat/sugar/nonfat dry milk mixtures ("Junex").

Dried milk mixtures not included in quotas in effect prior to Proclamation No. 4423

The President's request and Proclamation No. 4423 encompass a wide range of products that have heretofore not been subject to quotas. These imports include mixtures of dried milk and powdered tomatoes, casein and caseinates, potato granules, and so forth; sausages; breaded fish sticks, shrimp, cutlets, onion rings, and so forth; certain process cheese foods, spreads, and blends; breads and other bakery products; and chocolate and confectioners' coatings. Thus, Proclamation No. 4423 imposes a zero-pound quota on those items satisfying the product description of the proclamation.

Dried milk mixtures not included in the President's request or in any quota imposed under section 22

If the dried milk ingredient of a mixture contains over 5.5 percent of butterfat, that mixture is not subject to the quota of zero pounds specified in Proclamation No. 4423. Imports of mixtures containing not over 5.5 percent of butterfat, not in chief value of milk, and with the dried milk ingredient containing over 5.5 percent butterfat are not within the President's request or subject to any dairy-product quota.

In addition, if the imported mixtures contain dried milk components not over 5.5 percent butterfat, but are not capable of being further processed or mixed with similar or other ingredients, and they are prepared for marketing to the retail consumers in the identical form and package in which imported, they are not within the President's request or any dairy-product quota.

Origin of the Current Investigation

The impetus for this investigation involves imports of a mixture containing dried milk which appeared for the first time in the U.S. market in mid-November 1975.

For the past several years the U.S. market price of dried milk has risen rapidly. The average U.S. price of nonfat dry milk rose from about 33 cents per pound in 1972 to a record high of about 72 cents per pound in November and December 1975. This price for nonfat dry milk occurred when world stocks of the product were unusually large and prices in a number of countries were lower than U.S. prices.

Domestic users of the product began to search for alternative supplies. Imports were considered, but imports of dried milk were controlled by quotas under section 22.

In mid-November, a mixture containing, by weight, about 48 percent dried milk and 52 percent refined sugar and in chief value of sugar was imported into the United States from Canada for use in making ice cream.

The U.S. Customs Service classified this product in the tariff provision for edible preparations, not specially provided for (item 182.98). The imported mixture was not subject to any of the existing section 22 quotas for dairy products. The section 22 quota for articles classified in item 182.98 did not apply because the mixture did not contain over 5.5 percent of butterfat.

After the mixture was entered, the National Milk Producers Federation filed a complaint under section 303 of the Tariff Act of 1930 with the Department of the Treasury, alleging that the dried milk contained in the imports from Canada had benefited from a bounty or grant. The Department of Agriculture pressed for section 22 action and requested the Customs Service to monitor the imports.

The Canadian Government was informed by the Department of the Treasury that the complaint had been filed and that approximately 500,000 pounds of subsidized dried milk was, in fact, sold from stockpiles owned by the Canadian Dairy Commission for mixing with other ingredients and for export to the United States. The Canadian Government stated that no such sales of that by the Canadian Dairy Commission will take place in the future.

On March 26, 1976, the President informed the United States International Trade Commission that he had been advised by the Secretary of Agriculture, and that he agreed, that there was reason to believe that certain described mixtures of dried milk and other ingredients were being and were practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program for milk undertaken by the Department of Agriculture, or to reduce substantially the amount of products processed in the United States from domestic milk. Further, the Secretary of Agriculture advised the President that a condition existed which required emergency treatment with respect to these mixtures and recommended that immediate action be taken under section 22 to restrict the quantity of the mixtures which might be imported into the United States. Accordingly, on March 26, the President issued Proclamation No. 4423, which established an emergency quota of zero pounds for imports of the aforementioned mixtures, such quota to continue in effect pending Presidential action upon receipt of the report of the Commission with respect to such mixtures. The President found that there was no representative period for imports of the mixture; he set the quota at zero pounds.

Administration of Proclamation No. 4423

The administration and interpretation of the zero-pound quota are the responsibility of the Customs Service. However, the Customs Service has been

advised by the Department of Agriculture that the zero-pound quota specified in Proclamation No. 4423 merely supplements, and does not supersede, existing quotas for dairy products. Accordingly, the Customs Service is not classifying any imported mixtures included in previous quotas under the zero-pound quota provision established by the proclamation.

At the hearing in this investigation, the spokesman for the Department of Agriculture testified that to his knowledge the Customs Service has not denied entry to U.S. imports of any products because of the zero-pound quota established by Proclamation No. 4423. In response to formal request by the Commission for Customs' views as to the product coverage of Proclamation No. 4423 and reports of actions taken at U.S. ports of entry, Customs replied that the mixtures covered by the proclamation are clearly described therein.

On June 14, Customs further replied that one shipment had been denied entry under the proclamation. The Commission contacted the importer, who said the product was not a mixture of dried milk and other ingredients, but rather dried whey from which part of the lactose had been removed. The product was for experimental purposes in making ice cream.

In response to a question raised at the hearing as to whether certain articles classified under TSUS items 156.20-157.10 (cocoa and confectionery) were covered in the quota of zero pounds specified in Proclamation No. 4423, the spokesman for the Department of Agriculture answered, "Articles of historical trade, which have been in the past classified under TSUS items 156 and 157 are not intended to

be covered by the quota." 1/ At another time during the hearing the spokesman emphasized, "we are not trying to restrict items for which there is established trade history in a normal product of trade...." 2/

On June 17, 1976, the Department of Agriculture submitted a supplemental statement to the Commission in which it agreed that improving the existing description of the zero-pound quota specified in Proclamation No. 4423 was an important consideration in this investigation. The Department stated that it had been exerting its best efforts to submit suggested language for improving the description, particularly so as to insure exclusion therefrom of normal articles of established trade (including such articles which might be established in the future).

On June 25, 1976, the Department of Agriculture submitted for the Commission's consideration suggested language which the Department asserted would exclude processed articles not normally regarded as mixtures from the quota. The Department reemphasized its point presented at the hearing that "the quota is not intended to interrupt trade in processed foods and other items which contain, among other things, dried milk solids." The suggested language submitted by the Department of Agriculture is as follows:

950.19 Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if

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1/ Transcript of the hearing, p. 68.
2/ Ibid., p. 45.

such mixtures are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported (except articles within the scope of other import quotas provided for in this part and articles which have been so processed that their character has been changed to such an extent as to render such articles unidentifiable as mixtures); all the foregoing wherever classified under the Tariff Schedules of the United States.

Data Received on Imports of Products Containing Dried Milk

On June 21, 1976, the Commission received a letter from the British Embassy stating that it was concerned that the zero quota specified in the proclamation may restrict traditional British exports to the United States, namely, chocolate coatings, filled milk powders, and cake mixes. After importation into the United States the coatings are used for coating chocolate biscuits and cakes, or in chocolate-filled assortments; the filled milk powders and cake mixes are in bulk and packaged after importation. The British Government requested that the zero quota be changed so that bona fide items of trade are in no danger of becoming subject to the zero quota.

A questionnaire was used in an attempt to obtain information on imported products which fall within the product description of this investigation. The Commission queried a random sample of importers with respect to imports in 1973-75 and January-April 1976. Several importers reported on their imports of products under previous quotas. Such quota imports included chocolate crumb, butterfat/sugar/nonfat dry milk ("Junex"), and animal feeds containing milk.

The sample data received for previously uncontrolled products included, tomato-milk-powder blends, mixtures of casein and/or sodium caseinate and nonfat dried milk, milk chocolate coatings, sausage, and potato granules in addition to the nonfat dried milk sugar mixtures. The butterfat content reported for the dried milk ingredients in these products ranged from 1.0 to 5.4 percent. The quantity of dried milk contained in the sample of the imported products, not including the imported nonfat dried milk sugar mixtures, declined from 3.6 million pounds in 1973 to 29,393 pounds in 1975; in January-April 1976 the dried milk in the imported products amounted to 8,800 pounds. The dried milk contained in the imported nonfat dried milk sugar mixtures as reported on the questionnaire amounted to 262,800 pounds in 1975 and 400,400 pounds in January-April 1976.

Followup calls to importers sampled by the Commission's questionnaire revealed that in a number of their replies they did not report products containing, or made in part with, dried milk because they assumed the inquiry was only directed to importers of nonfat dried milk sugar mixtures. Upon further discussion some of these importers allowed that they imported soft breads, biscuits, cake layers, cookies, chocolate and confectionery products, meat patés, and potato mixes that contained dried milk. These imported products were reported to be mostly packed and marketed in retail-size containers, and therefore they would not be included in the product description involved in this investigation.

Submissions by the Department of Agriculture Supporting the Zero-Pound Quota

At the hearing the spokesman for the Department of Agriculture stated that the Department believes the zero-pound quota should be continued because without such a quota, low-priced foreign supplies of dried milk mixtures would enter in great quantities and interfere with the price-support program by displacing domestic dried milk on a pound-for-pound basis. 1/ The spokesman stated, however, that the suspension of exports of nonfat dry milk sugar mixtures from Canada to the United States continues in effect. He also reported that the Governments of Australia and New Zealand gave the U.S. Government their ongoing cooperation by not allowing shipments of such mixtures to the United States. Further, he testified that the European Community (EC) has agreed not to subsidize exports of nonfat dry milk to the United States because of the waiver granted under section 303(d)(2) of the Tariff Act of 1930, as amended by the Trade Act of 1974, for the imposition of countervailing duties on U.S. imports of certain cheeses from the E.C. The aforementioned countries or areas, Canada, Australia, New Zealand, and the EC, account for about three-fourths of the foreign production of nonfat dry milk.

In response to questions raised at the hearing concerning a pound-for-pound correlation between the imported dried milk mixtures and expenditures by the Department of Agriculture under the price-support program, the Commission received supplemental information on June 21, 1976, from the Department showing a weekly comparison of imports of

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1/ Transcript of the hearing, p. 20.

the nonfat dry milk sugar mixture and purchases of nonfat dry milk under the price-support program. The data submitted show that during November 17-December 19, 1975, when about half the imports occurred, no purchases were made under the price-support program. Moreover, there was little correlation in the period December 20, 1975, through January 31, 1976, between the remaining imports of the mixture and price-support purchases. The Department argued that there is no evidence and no reason to believe that increased demand resulted from imports of the mixture.

The data received also show that the costs of the nonfat dry milk purchased under the price-support program during the period when the imports entered totaled about $4.2 million. The Department estimated that the nonfat dry milk content of the imported mixture had a value of $300,913 at the CCC purchase price of 62.40 cents per pound. The Department emphasized that, its concern is not primarily with the comparatively small amounts of nonfat dry milk which actually entered, but rather with the practical certainty that, under the present and prospectively continuing world surplus of milk, the absence of restrictions would result in excessive imports and a corresponding increase in support purchases by the CCC.

Upon further questioning at the hearing, the spokesman allowed that the Department had not conducted any detailed research to determine which imported products would be affected by the zero-pound quota. Moreover, the Department had made no estimates as to the possible U.S. imports of dried milk mixtures that would occur in the absence of the zero-pound quota specified in Proclamation No. 4423.

The spokesman further reported at the hearing that the Department is also concerned with imports of mixtures of dried buttermilk, dried whole milk, and dried whey because of concern that these products could be readily produced in foreign countries, mixed with other ingredients, and imported free of quotas. The spokesman testified that foreign production, trade, and stocks of these dried milk products are believed to be small since commercial practice is to produce nonfat dry milk from fluid skim milk. In the supplemental information received on June 21, 1976, the Department pointed out that the present and prospective continuing world surplus of milk is evidenced chiefly as nonfat dry milk inventories, but milk can be readily processed into any manufactured form for which there is an outlet.

The Domestic Dairy Situation

Recent trends in the production of milk

U.S. production of milk has generally been declining for a number of years as the number of dairy herds and the number of cows kept for milking have decreased. However, the farmers remaining in dairying have expanded the size of their operations, specialized in dairying, and increased output per cow and per farm, so the decline in milk production has been moderate relative to the declines in the number of cows and herds.

Milk production fell abruptly from 120 billion pounds in 1972 to 115 billion pounds in 1973; production averaged about 115 billion pounds through 1975 (table 1). Dairy farmers culled their herds at accelerated rates in 1973 because utility cow prices were unusually high (an average of 33 cents per pound, compared with 25 cents in 1972) and production per cow declined as the milk-feed price ratio (1.48) became unfavorable to milk production. By 1975, utility cow prices had declined (averaging 21 cents per pound), and the milk-feed price ratio was low (1.39), although it recovered strongly in the last quarter.

The Department of Agriculture is currently predicting that production of milk in 1976 will increase by about 2 billion pounds, or by 1.7 percent over the 1975 level. During January-May 1976, production was about 2.5 percent larger than in the corresponding period of 1975.

A number of factors, including cull cow prices and feed costs, affect the production of milk. In recent months utility cow prices have been rising (from 23 cents per pound in January to 31 cents in May), and the milk-feed ratio has been declining (from 1.75 in January to 1.53 in May). If the negative production response to higher cull

repeated, the Department's estimate of a 2-billion pound increase in milk production in 1976 may be overstated.

Information on net farm income for dairy farms in the Northeastern United States is shown in the following table.

Net dairy farm income, before taxes, for a typical dairy farm in the Northeastern United States, 1970-75

Year	Net dairy farm income
1970	$14,683
1971	13,035
1972	15,190
1973	18,354
1974	19,065
1975	15,100

Source: Cooperative Extension Service, University of New Hampshire.

Note.--The data for net dairy farm income in the Northeastern United States reflect trends in net income for diary farms in major milk-producing areas such as southeastern Wisconsin and central New York.

The trend in net dairy farm income was generally upward except for an abrupt downturn in 1975. The cost of feed was the major factor in that decrease, particularly as feed costs rose in the period July 1974-June 1957 and milk prices did not reflect the increased cost. After the summer of 1975, however, the price of milk received by farmers was substantially higher, and feed costs moderated. As the favorable milk price and feed cost levels of late 1975 have generally carried over into 1976, expectations are that net dairy farm income in 1976 will improve over the levels of 1975 and possibly be as high as in 1974.

Utilization of domestic milk

The most profitable use for milk in the United States is the fluid market, including sales of whole, low-fat, or skim milk, as well as perishable products such as cottage cheese. Slightly less than half the milk produced in the United States is currently used for the fluid market (table 2). The dairy farmers receive a higher price for milk eligible for that market. Not all milk eligible for the fluid market is bottled, as some is channeled into manufactured dairy products at a lower price.

The major uses of milk in manufacturing, cheese, butter and powder (nonfat dry milk), consume about 70 percent of the available supply of manufacturing milk, but these items are made after all other uses, such as ice cream and condensed or evaporated milk, have been satisfied. In recent months, producers of cheese have been outbidding producers of butter/powder by 11 to 16 cents per hundred pounds for the available supply of manufacturing milk, and more milk has been used for cheese than for butter.

Whole milk is separated before making butter, and the products that remain are fluid skim milk and cream. For many years most of the fluid skim milk was dried and made into nonfat dry milk. More recently, there has been a trend toward utilizing larger amounts of the fluid product for drinking--for which purposes it sells at premium fluid market prices --rather than for drying. Inasmuch as the U.S. demand for fluid skim milk for drinking purposes at premium prices will probably remain strong, nonfat dry milk will continue to represent the surplus use of the fluid

Estimates of net income for butter/powder plants (including condensed and evaporated milk plants) are shown in the following table.

Estimated net income, before taxes, for U.S. butter/powder plants (including condensed and evaporated milk plants), 1968-73

(In millions of dollars)

Year	Estimated net income from--		
	Butter	Powder (including condensed and evaporated milk)	Total
1968	63.0	266.4	329.4
1969	71.4	298.4	369.8
1970	55.1	283.1	338.2
1971	58.4	312.4	370.8
1972	51.2	321.0	372.2
1973	50.4	334.5	384.9

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

The value of shipments for butter/powder plants increased from $2.3 billion in 1968 to $2.6 billion in 1973, or by 13 percent.

The improvement in estimated total net income for butter/powder plants is due, in large part, to increased prices for nonfat dry milk.

The price-support program for milk

The Agriculture and Consumer Protection Act of 1973 expressed a new statutory objective with respect to the price-support law for milk. The law now directs the Secretary of Agriculture to support the price of milk at such level between 75 percent and 90 percent of parity as he determines necessary to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs.

In order to satisfy that statutory requirement, the Secretary maintains a price-support program for milk for manufacturing under which the Department of Agriculture will purchase, at announced prices, unlimited quantities of butter, Cheddar cheese, and nonfat dry milk that meet certain specifications. The support prices and the market prices in recent years for the three products are shown in table 3.

At the beginning of the current marketing year (April 1) the Secretary of Agriculture set the support level for manufacturing milk at 80 percent of parity, or $8.13 per hundredweight. The market price for manufacturing milk in April averaged $8.59 per hundredweight, or 46 cents above the support level. In early June 1976, the market prices for butter and Cheddar cheese exceeded the support prices by about 6 cents and 5 cents per pound, respectively; the market price for nonfat dry milk was slightly below the support price.

Purchases and costs.--Purchases of butter, Cheddar cheese, and nonfat dry milk by the Department of Agriculture under the price-support program have generally trended downward since the mid-1960's. However, such purchases increased somewhat in the first part of 1975 for butter and in 1974 and the first part of 1975 for Cheddar cheese; purchases of nonfat dry milk increased substantially in 1974 and the first part of 1975 (table 4). From July 1975 through May 1976, however, purchases of butter and Cheddar cheese under the price-support program were negligible or nil, and purchases of nonfat dry milk were only a fifth as large as in July 1974-May 1975.

The virtual absence of purchases of butter and Cheddar cheese by the Department of Agriculture under the price-support program and the substantially reduced purchases of nonfat dry milk reflect the favorable commercial market situation for milk and dairy products that has existed in the United States for nearly a year, including the months when the nonfat dry milk sugar mixtures were imported.

As the quantities of dairy products purchased under the price-support program have recently declined, the total net Government expenditures on the support program have also decreased. During the 11-month period July 1975-May 1976, such expenditures amounted to about $52 million, compared with $496 million for the year beginning July 1, 1974, and ending June 30, 1975 (table 5).

Disposition of the price-support purchases.--Most of the nonfat dry milk purchased by the Department of Agriculture has been donated abroad, whereas most of the butter and cheese purchased have been disposed of quite promptly through school lunch and welfare programs in the United States. In the fall of 1975, however, about 21 million pounds of butter and 15 million pounds of nonfat dry milk were sold back to the commercial market as U.S. market prices advanced above the existing Government resale prices, which were about 115 percent of the support prices. During the period March through early June 1976, another 33 million pounds of nonfat dry milk was sold back to the commercial market.

As of April 30, 1976, there were no uncommitted supplies of butter of Cheddar cheese owned by the Government; however, about 385 million pounds of nonfat dry milk--mostly product purchased in 1974 and the

first part of 1975--was in Government inventories (table 6). Uncommitted supplies of nonfat dry milk owned by the Government have remained large because they are not sold in the commercial market at distressed prices, domestic donation outlets for the product are limited, and foreign donations have been hampered by large stocks in other major producing countries.

Section 22 quotas on imports of dairy products.--Quantitative limitations on U.S. imports of dairy products have been imposed under section 22 so that such imports will not render or tend to render ineffective, or materially interfere with, the price-support programs conducted by the Department of Agriculture for milk, or reduce substantially the amount of products processed in the United States from domestic milk. Since quotas were first imposed on dairy products under section 22 in mid-1953, most of the original quotas, except the quotas on dried milk, have been permanently enlarged (additional imports of nonfat dry milk were permitted entry in 1973 and the first part of 1974 under temporary quotas), and additional dairy products have been made subject to quotas when it was found that the statutory criteria requiring them were met. Currently, imports of most dairy products made from cow's milk are subject to section 22 quotas, except for cheeses having a purchase price of 98 cents per pound or more, namely Swiss, Gruyere-process, and "other" cheeses. The current quotas, administered on a calendar-year basis, are shown in part 3 of the Appendix to the TSUS.

Most of the quotas on dairy products are administered by the Department of Agriculture by a system of import licenses. Imports subject to the licensing prodedures may be entered only by, or for the account of, a licensed person or firm, only from a designated country, and only in accordance with certain other terms of the license. 1/ The quotas for the dairy products not subject to the licensing procedures are administered by the U.S. Customs Service on a first-come-first-served basis.

U.S. Foreign Trade in Dairy Products

U.S. exports of dairy products have been small relative to production and have consisted mostly of donations by the Department of Agriculture. In some countries, such as Australia and New Zealand, milk prices are lower than in the United States; nevertheless, those countries control imports of dairy products from the United States. In other countries, such as Finland, Norway, and Sweden, and in the EC, milk prices are higher than in the United States; exports of a number of dairy products from those countries destined for the United States have been subsidized. Those countries also control imports of dairy products from the United States.

Largely because U.S. imports of most dairy products are limited by section 22 quotas, imports have been small compared with production. For several years, however, the United States has been a net importer of dairy products (table 7). U.S. imports of dairy products reached

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1/ The administrative regulations established by the Department of Agriculture are published in 7 CFR 6.20-6.32.

a peak of 3.6 billion pounds in 1973 (in terms of milk equivalent), equivalent to 3.1 percent of U.S. milk production. In that year a number of additional temporary quotas permitted increased imports of butter, butter oil, and cheeses. In 1974, imports remained relatively large (equivalent to 2 percent of milk production) as an additional temporary quota permitted increased imports of Cheddar cheese in the first part of the year. 1/

In 1975, when no additional temporary quotas were in effect, U.S. imports of dairy products declined about 43 percent from the level of 1974. Also, imports from a number of countries, including the member States of the EC but not Australia or New Zealand, were actively being investigated by the Department of the Treasury in response to countervailing duty complaints.

On January 15, 1975, the Department of the Treasury published a notice of receipt of a countervailing duty complaint on dairy products exported from the EC to the United States. On February 14, the Department published a preliminary affirmative determination that such exports to the United States had benefited from bounties or grants within the meaning of the countervailing duty law; on April 24, the Department made a final affirmative determination.

1/ In addition, 265 million pounds of nonfat dry milk was authorized to be imported under additional temporary quotas in 1973, and 150 million pounds was authorized to be imported in the first half of 1974. The annual quota for nonfat dry milk has been 1.8 million pounds for the past two decades.

Section 303(d)(2) of the Tariff Act of 1930, as amended by the Trade Act of 1974, provides that the Secretary of the Treasury may, during the 4-year period following enactment of the Trade Act of 1974, waive countervailing duties on an import if he determines that adequate steps have been taken to substantially reduce or eliminate the adverse impact of any bounty or grant; that there is a reasonable prospect for successful multilateral trade negotiations; and that imposition of the duties would be likely to seriously jeopardize those negotiations. Not only must a waiver be revoked if the basis supporting its determination ceases to exist, but it is also subject to an override by either House of Congress.

The EC took a number of significant actions to modify its system for export payments on dairy products destined for the United States, and the Secretary of the Treasury determined that the criteria of section 303(d)(2) had been met. Accordingly, the Department waived the imposition of countervailing duties on U.S. imports of certain high-quality specialty and table cheeses from the EC. The waiver did not apply to diary products, including cheese and dried milk, used for processing; however, EC payments on these products were removed, and therefore no countervailing duties were appropriate.

EC stocks of dried milk in recent years have been unusually large (table 8), but the U.S. imports of dried milk mixtures that precipitated this section 22 investigation were not from the EC. According to information submitted at the hearing, the EC did not wish to jeopardize the waiver for specialty cheeses through involvement in U.S. imports of subsidized dried milk mixtures.

U.S. imports of milk and milk products, except butter, butter oil, cheese, and certain concentrated milk products, are restricted from countries in which it has been determined that rinderpest or foot-and-mouth disease exists. 1/ Dried milk products and formulations which contain dried milk may enter the United States from the disease-infested countries if the products are consigned directly to an establishment approved by the Animal and Plant Health Inspection Service (APHIS), U.S. Department of Agriculture, for further processing for human food. In effect, the restrictions generally limit U.S. imports of dried milk and products containing dried milk to those from Oceania, North and Central America, and small areas of Europe and Asia. Under the circumstances, U.S. imports of dried milk from the EC would not occur unless the aforementioned criteria of APHIS are satisfied.

1/ 9 CFR 94.

Dried Milk

The following portions of this part of the report present information on the four dried milk ingredients in mixtures listed in the President's request for this investigation. Data are available only with respect to dried milk in terms of butterfat content as it is traded in commerce, and not as it is specified in the request, i.e., dried milk containing not over 5.5 percent of butterfat. Table 9 shows U.S. production, consumption, and trade in all dried milk.

Nonfat dry milk (TSUS item 115.50)

Description and uses.--Nonfat dry milk is produced by drying the fluid skim milk obtained when cream is separated from whole milk to make butter. Although nonfat dry milk is used in small amounts in a variety of products by food processors, the bulk of the production is used by the dairy industry in products such as cottage cheese and ice cream, or packaged for home use (table 10).

U.S. customs treatment.--The column 1 rate of duty applicable to U.S. imports of nonfat dry milk is 1.5 cents per pound. The ad valorem equivalent of the rate of duty based on imports in 1975 was 4.1 percent.

The regular section 22 quota for nonfat dry milk (1,807,000 pounds) has remained unchanged since it was imposed in mid-1953. In 1973, four emergency temporary quotas permitted additional imports of nonfat dry milk totaling 265 million pounds. Following an investigation by the Commission, an additional 150 million pounds of the product was authorized to be imported during the first half of 1974.

U.S. production, consumption, and stocks.--U.S. production of nonfat dry milk has declined since the mid-1960's. In 1974 and 1975, production averaged about one billion pounds (table 11). In January-May 1976, production was about 20 percent lower than in the corresponding period of 1975.

Commercial consumption of nonfat dry milk (not including users' stocks), as reported by the Department of Agriculture, declined irregularly at an average annual rate of 5 percent from 1970 through 1975. In the period January-April 1976, consumption increased as market prices averaged lower than in the last quarter of 1975. A sample survey of the major users of nonfat dry milk showed that their stocks of the product declined about 15 percent from the end of April 1974 to the end of April 1976.

Users may substitute ingredients such as dried whey, soy flour, and so forth for nonfat dry milk in producing a number of manufactured foods, depending upon the price relationships of these ingredients. In recent years, the price of nonfat dry milk has been high relative to the prices of these other ingredients. These price relationships have apparently resulted in the decline in commercial consumption of nonfat dry milk.

U.S. Government-owned stocks of nonfat dry milk rose dramatically from mid-1974 to mid-1975 (table 12) as the Government purchased increased quantities of surplus production. At the end of April 1976, Government stocks were at a near-record level (368 million pounds). Manufacturers' stocks of the product (74 million pounds) were relatively low (about one-fifth as large as Government stocks), indicating that

producers were not holding the product in anticipation of significant price increases.

U.S. prices.--Over much of the past two decades, the U.S. market price of domestically produced nonfat dry milk has remained close to the support price, except from the fall of 1972 until mid-1974, a period when the market price was substantially above the support price. From mid-1974 until mid-1975, the support price slightly exceeded the market price. During September-December 1975, however, the market price again exceeded the support price by 5 cents to 9 cents per pound (table 13). In October 1975, the support price was raised from 60.6 cents to 62.4 cents per pound, but the market price averaged 71 cents. The market price increased to 72 cents in November and remained at that level through mid-December, when a large part of the nonfat dry milk sugar mixtures were imported. On December 25, 1975, the market price broke, and by June 1976 it had fallen slightly below the support price of 62.4 cents per pound.

U.S. exports and imports.--In the early 1970's about a fourth of the U.S. production of nonfat dry milk was exported (donated) under Government programs. In 1973 and 1974, U.S. exports of nonfat dry milk were negligible as the Government had purchased little of the product under the price-support program in 1973. About 300 million pounds of the product, purchased mostly from mid-1974 through mid-1975, is authorized for donation in 1976 and 1977 in order to combat malnutrition in the less developed countries.

The regular section 22 quota for nonfat dry milk (1,807,000 pounds) has been virtually filled each year since it was imposed in 1953, and all of the 265 million pounds of nonfat dry milk authorized under the four emergency temporary quotas in 1973 was imported. In the first part of 1974, an additional 150 million pounds was authorized entry; however, only about 115 million pounds of that amount was imported.

World production, stocks, and prices.--Output of nonfat dry milk in the major producing countries has increased irregularly in recent years; it is estimated that in 1976 such production will reach 6.6 billion pounds. The EC accounts for about 50 percent of total world production.

World stocks of nonfat dry milk tripled from the end of 1973 to the end of 1975 (table 8); at the end of 1975 world stocks amounted to about 3 billion pounds. About three-fourths of the world stocks at the end of 1975 were held in the EC. Methods employed by the EC to reduce its stockpile of nonfat dry milk include (a) an increase in the subsidy on nonfat dry milk used in calf feed in conjunction with an increase in the required amount of the product to be used in this feed before the subsidy can be received, (b) an increase in donations for food aid, and (c) an obligatory purchase program designed to increase the use of nonfat dry milk in animal feed other than calf feed.

The purchase program, the so-called mixing regulation scheme, requires feed manufacturers to purchase redeemable "protein certificates" before they can use imported or domestic vegetable protein products, including soybean meal, in animal feeds. The feed manufacturer's deposit for the certificate, currently equivalent to about 15 to 20

percent of the price of soybean meal in the EC, is returned after proof that a specified amount of nonfat dry milk has been purchased from the stockpile. For a ton of soybean meal purchased, about 100 pounds of nonfat dry milk must be purchased, or the deposit is forgone.

The costs of the EC mixing regulation scheme are being passed on to the livestock industry in the form of higher feed costs; higher food prices are reportedly the result. Regardless of the steps being taken to reduce the EC stockpile of nonfat dry milk, it is estimated that stocks of the product at the end of 1976 will be larger than at the end of 1975 as a result of a continued increase in production. 1/

The current EC market price of nonfat dry milk is about 51 cents per pound. The price of nonfat dry milk in Canada is about 68 cents per pound. Recent sales of nonfat dry milk for human consumption, f.o.b. New Zealand, have been made at 16 cents per pound. The U.S. market price of nonfat dry milk was 62.2 cents per pound as of July 2, 1976.

1/ In the United States, meanwhile, the National Soybean Processors Association and the American Soybean Association have recently filed a complaint under sec. 301 of the Trade Act of 1974 with the Office of the Special Representative for Trade Negotiations, alleging unfair trade practices by the EC in the form of restrictions on the U.S. soybean trade. The United States supplies about two-thirds of the EC imports of soybean and soybean meal. The complainants believe that the United States has sufficient authority under sec. 301 to cause the EC to terminate its restrictive charge on soybean meal.

Dried whole milk (TSUS item 115.55)

Description and uses.--Dried whole milk results when water is removed from fluid whole milk. In recent years, about three-fourths of the dried whole milk used in the United States has been utilized in the manufacture of candy and chocolate coatings, and 10 percent has been utilized in the baking industry. The uses of dried whole milk in the United States are shown in table 14.

U.S. customs treatment.--The column 1 rate of duty applicable to U.S. imports of dried whole milk is 3.1 cents per pound. The ad valorem equivalent of the rate of duty based on imports in 1975 was 5.1 percent. The annual section 22 quota for dried whole milk, (7,000 pounds) has remained unchanged since it was imposed in mid-1953.

U.S. production, stocks, and consumption.--U.S. production of dried whole milk averaged about 75 million pounds in 1971-74 (table 15). In 1975, however, production declined to about 64 million pounds, or by about 15 percent. U.S. yearend stocks of dried whole milk have been small compared with production. The butterfat in dried whole milk tends to become rancid if the product is stored for long periods. At the end of 1975, stocks of dried whole milk amounted to 5.6 million pounds.

Data on domestic commercial sales of dried whole milk show that U.S. consumption has fluctuated from about 48 million to 58 million pounds in recent years (table 14).

U.S. prices.--The U.S. price of dried whle milk increased irregularly from 48 cents per pound in 1970 to 71 cents per pound in 1975. Unlike the prices for a number of dairy products, the price of dried whole milk did not decline from 1974 to 1975. The demand for the prod-

uct remained strong in that period because dried whole milk is used as an ingredient in candy and chocolate coatings, products which experienced strong markets and high prices in late 1975.

U.S. exports and imports.--Data on exports of dried whole milk are not separately reported, but are included in a category containing various dried milk products. An analysis of exports in that category shows that exports of dried whole milk have ranged from 5 million to 7 million pounds in recent years.

Annual U.S. imports of dried whole milk are subject to a section 22 quota of 7,000 pounds.

Foreign production, trade, and stocks.--Data on foreign production of dried whole milk are available only for the EC. Production in the EC for the first 10 months of 1975 amounted to 694 million pounds, compared with 677 million pounds in the corresponding period of 1974. Data are not available on trade, and foreign stocks of dried whole milk are believed to be small.

Dried buttermilk (TSUS item 115.45)

Description and uses.--Buttermilk is the fluid product that remains after butter is made from cream. This fluid product is the principal source of buttermilk used for drying. Sour buttermilk results when a culture of certain bacteria is added to whole, partially skimmed, or skimmed milk, but this is a secondary source of fluid buttermilk for drying; most of this product is sold in the fluid form at the retail level.

In recent years approximately 30 percent of dried buttermilk has been used in prepared dry mixes; 30 percent, in baking; 25 percent, for

dairy purposes; and the remaining 15 percent, in candy and animal feeds.

U.S. customs treatment.--The column 1 rate of duty for dried buttermilk is 1.5 cents per pound. The average ad valorem rate of duty based on imports in 1975 was 2.9 percent. U.S. imports of dried buttermilk and dried whey combined are subject to an annual section 22 quota of 496,000 pounds.

U.S. production, stocks, and consumption.--U.S. production of dried buttermilk declined from approximately 59 million pounds in 1970 to 42 million pounds in 1975 (table 16). Yearend stocks, about 3 million pounds in 1975, have been small compared with production. U.S. consumption of dried buttermilk declined irregularly from 59 million pounds in 1971 to 44 million pounds in 1975.

U.S. prices.--The U.S. price of dried buttermilk more than doubled during the period 1970-75, increasing from 25 cents to 56 cents per pound. The increase from 1974 to 1975, however, was only about 10 percent.

U.S. exports and imports.--U.S. exports of dried buttermilk are negligible or nil. U.S. imports of dried buttermilk and dried whey combined are limited by a quota of 496,000 pounds. The quota has been filled or virtually filled in recent years, with Canada supplying roughly 70 percent of the U.S. imports.

Foreign production, trade, and stocks.--Available data from New Zealand indicate that production of dried buttermilk in that country will increase by 25 percent in the production year 1975-76 to a total of approximately 60 million pounds. Data on trade in buttermilk by New Zealand and production, trade, and stocks of the product by other

foreign countries are not available.

Dried whey (TSUS item 118.05)

Description and uses.--Whey is the liquid that remains after cheese is made from milk. In the past, fluid whey has created disposal problems for cheese plants. However, it has important commercial uses in animal feeds, and, in recent years, increasing quantities of whey have been dried for use in the confectionery, bakery, and chemical industries.

U.S. customs treatment.--The column 1 rate of duty for imports of dried whey is 1.5 cents per pound. The ad valorem equivalent of the rate of duty on any imports of dried whey would average about the same as that on dried buttermilk, 2.9 percent on imports in 1975. The section 22 quota for dried whey and dried buttermilk combined in 496,000 pounds.

U.S. production, stocks, and consumption.--Total U.S. production of dried whey increased from approximately 621 million pounds in 1970 to 851 million pounds in 1974 (table 17). In 1975, production of dried whey declined by 34 percent to a level of 560 million pounds, as less of the U.S. production of milk was used in cheese and more was used in butter.

Production of dried whey consists of edible-grade whey and whey for animal feed. Most of the growth in dried whey production in 1970-74 occurred in the edible grade. The decline in production from 1974 to 1975 was mostly whey for animal feed.

Data on U.S. producers' stocks of dried whey are available beginning in 1975. In that year, stocks were equivalent to about 14 percent of production. Consumption data are not available; however, consumption

of dried whey has undoubtedly increased since a number of food processors and feed manufacturers have reported that they substitute dried whey for nonfat dry milk in edible foods and animal feeds depending upon price relationships.

U.S. prices.--The U.S. price of dried whey (edible grade) increased from about 7 cents per pound in 1970 to 13 cents per pound in 1974; in 1975 the price amounted to 7 cents per pound.

U.S. exports and imports.--U.S. exports of dried whey declined from 40 million to 28 million pounds during the period 1973-75, or by about 30 percent. Imports of dried whey are negligible or nil.

Foreign production, trade, and stocks.--The trend in foreign production of dried whey is believed to have followed the pattern of U.S. production. As a result of problems associated with the disposal of liquid whey, foreign countries have dried more of the product in recent years. However, production of dried whey in France, West Germany, and the Netherlands, the major producers in the EC, decreased from 986 million pounds in 1974 to 928 million pounds in 1975. Data on foreign trade and stocks of dried whey are not available.

PART II. ADMINISTRATIVE EXEMPTIONS FROM SECTION 22 IMPORT RESTRICTIONS

Headnote 2(b) of part 3 of the Appendix to the Tariff Schedules of the United States provides an exclusion from the import restrictions proclaimed by the President pursuant to section 22 of the Agricultural Adjustment Act, as amended, for--

> commercial samples of cotton or cotton waste of any origin in uncompressed packages each weighing not more than 50 pounds gross weight; and articles (except cotton and cotton waste) with an aggregate value not over $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer or for research.

The President's letter of March 26, 1976, requested the Commission's advice regarding the Secretary of Agriculture's recommendation that an adjustment to the monetary limitation in the aforementioned headnote should be made, since the $10 limitation is no longer a realistic figure, and that the authority for making such an adjustment and any further adjustments which may become necessary in the future be vested in the Secretary of Agriculture, including the amounts of any increases deemed appropriate at the present time.

This headnote is not limited to imports of dairy products; it applies to all import restrictions, i.e., import fees or duties and quantitative limitations, that are imposed by the President under section 22. In addition to dairy products, the headnote also now applies to peanuts and cotton and potentially to wheat and milled wheat products for which the quotas are now in suspense.

Origin and purpose of the exemptions

The provisions of headnote 2(b) were derived principally from Proclamation No. 3025 of July 1, 1953, which nodified Proclamation 3019 of June 8, 1953. Proclamation No.3025 had imposed various fees and quantitative limitations on butter, dried milk products, various cheeses, peanuts, peanut oil, flaxseed, and linseed oil effective July 1, 1953. In this regard, it provided that--

> the provisions of the said proclamation of June 8, 1953, shall not apply with respect to articles . . . which may be imported as samples for taking orders for merchandise, or for the personal use of the importer (including articles for disposition by the importer as bona fide gifts), when the aggregate value for such articles in any importation is not over $10.

The only reason for the monetary exemption stated in the proclamation was that "it now appears that the said proclamation [No.3019] is unduly restrictive in certain respects."

The exclusions as provided for in headnote 2(b) became effective on August 31, 1963, with the adoption of the Tariff Schedules of the United States. They are designed to apply automatically to any import restrictions proclaimed by the President pursuant to section 22 unless the proclamation specifically provides to the contrary. The Tariff Classification Study submitted on November 15, 1960, by the Commission to the President and to the chairmen of the Committee on Ways and Means of the House and the Committee on Finance of the Senate pursuant to title I of the Customs Simplification Act of 1954 stated at page

125 of the explanatory notes to the Appendix to the Tariff Schedules as follows:

> Headnote 2 to part 3 sets forth the classes of articles which are not subject to the import restrictions proclaimed under section 22. In the outstanding proclamations, these exclusions are not uniformly treated. The provisions of headnote 2 bring about uniformity without significant change in the scope of the import restrictions.

Legal considerations

This section treats with legal considerations involved in determining the amount of the increase in the $10 exemption and also considers the question of the proposed delegation of the authority to modify this exemption by the President to the Secretary of Agriculture.

Amount of exemption.--It will be noted that under headnote 2(b) the administrative exemption for cotton and cotton waste is expressed in terms of weight, i.e., "uncompressed packages each weighing not more than 50 pounds gross weight;" and that the exemption for all other articles is expressed in terms of value, i.e., "articles with an aggregate value not over $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research." Of the two methods for expressing the administrative exemption, the first, viz, weight, is the more objective. However, neither weight nor value is wholly satisfactory when stated as a single exemption applicable across the board to diverse articles with widely varying unit values.

The $10 exemption from section 22 import restrictions is governed by sections 402 and 402a of the Tariff Act of 1930 (19 U.S.C. 1401a and 1402) and, hence, is basically a wholesale value. Thus, it correctly states the amount of the exemption for commercial transactions

such as might be involved in samples or research which is generally made on the basis of wholesale value, but understates the amount of the exemption in terms of the retail value that is generally the basis for personal transactions. The restrictiveness of Presidential Proclamation No. 3019 is indicated by the fact that, if the $10 exemption had not been proclaimed, customs officers at the U.S. borders would have been required to apply the quotas to certain foodstuffs (milled wheat, dairy products, and peanuts) brought across the border by shoppers for personal (including family) use and to small shipments of such articles received from abroad (i.e., unaccompanied by the person claiming the exemption).

It is of interest and possibly of some guidance in this connection to contrast the administrative exemptions from section 22 import restrictions accorded under headnote 2(b) of part 3 of the Appendix to the TSUS with the administrative exemptions from the payment of import duties accorded under section 321 of the Tariff Act of 1930 (19 U.S.C. 1321).[1/]

1/ Sec. 321 provides as follows:

> (a) The Secretary of the Treasury, in order to avoid expense and inconvenience to the Government disproportionate to the amount of revenue that would otherwise be collected, is authorized, under such regulations as he shall prescribe, to--
>
> (1) disregard a difference of less than $3 between the total estimated duties or taxes deposited, or the total duties or taxes tentatively assessed, with respect to any entry of merchandise and the total amount of duties or taxes actually accruing thereon; and
>
> (2) admit articles free of duty and of any tax imposed on or by reason of importation, but the aggregate fair retail value in the country of shipment of articles imported by one person on one day and exempted from the payment of duty shall not exceed--
>
> (A) $10 in the case of articles sent as bona fide gifts from persons in foreign countries to persons in the United States ($20, in the case of articles sent as bona fide gifts from persons in the Virgin Islands, Guam, and American Samoa), or (continued)

It will be noted that section 321 provides exemption from the payment of duties "in order to avoid expense and inconvenience to the Government disproportionate to the amount of revenue that would otherwise be collected. . .." The exemptions from duty set forth in subsection (a) (2) are dollar values in terms of *aggregate fair retail value in the country of shipment.* The retail value concept was substituted for regular value by Public Law 89-62, approved June 30, 1965. A comparison of headnote 2(b) and section 321 import exemptions may be tabulated as follows:

Type of exemption	Headnote 2(b)	Sec. 321
Personal:		
Accompanied	$10 (wholesale)	$10 (retail) 1/
Unaccompanied	----do	$10 (retail), but bona fide gifts only. 1/
Samples and research:		
Accompanied	----do	$1 (retail)
Unaccompanied	----do	----do
Other	None	----do

1/ $20 (retail) if gifts from persons in U.S. insular possessions. The $20 exemption for insular possessions was enacted by Public Law 93-618, approved Jan. 3, 1975.

(Continued)

(B) $10 in the case of articles accompanying, and for the personal or household use of, persons arriving in the United States who are not entitled to any exemption from duty under item 812.25 or 813.31 of section 1202 of this title, or

(C) $1 in any other case.

The privilege of this subdivision (2) shall not be granted in any case in which merchandise covered by a single order or contract is forwarded in separate lots to secure the benefit of this subdivision (2).

(b) The Secretary of the Treasury is authorized by regulations to diminish any dollar amount specified in subsection (a) of this section and to prescribe exceptions to any exemptions to any exemption provided for in such subsection whenever he finds that such action is consistent with the purpose of such subsection or is necessary for any reason to protect the revenue or to prevent unlawful importations.

Section 205 of H.R. 9220, the "Customs Simplification Act of 1975," would, if enacted, amend section 321 by changing the $10 exemption to $25 and $1 exemption to $5. The concept of *fair retail value* would be retained.

The legislated exemptions from duty provided by subsection (a) of section 321 are subject to reduction by the Secretary of the Treasury under subsection (b). The Secretary is authorized by regulation to diminish any dollar amount specified in subsection (a) and to prescribe exceptions to any exemption provided for in such subsection whenever he finds that such action is consistent with the purpose of such subsection or is necessary for any reason to protect the revenue or to prevent unlawful importations.

Authority to delegate.-- The Commission has serious reservations about whether the President has the power to delegate the authority to make adjustments in the monetary exemption. The authority relied upon for the President to delegate this function is provided by 3 U.S.C. 301-303, as follows:

> Section 301. General authorization to delegate functions; publication of delegations.--The President of the United States is authorized to designate and empower the head of any department or agency in the executive branch, or any official thereof who is required to be appointed by and with the advice and consent of the Senate, to perform without approval, ratification, or other action by the President (1) any function which is vested in the President by law, or (2) any function which such officer is required or authorized by law to perform only with or subject to the approval, ratification, or other action of the President: Provided, That nothing contained herein shall relieve the President of his responsibility in office for the acts

> of any such head or other official designated by him to perform such functions. Such designation and authorization shall be in writing, shall be published in the Federal Register, shall be subject to such terms, conditions, and limitations as the President may deem advisable, and shall be revocable at any time by the President in whole or in part.
>
> Section 302. Scope of delegation of functions.--The Authority conferred by this chapter [secs.301-303 of this title] shall apply to any function vested in the President by law *if such law does not affirmatively prohibit delegation of the performance of such function as herein provided for,* or specifically designate the officer or officers to whom it may be delegated. This chapter shall not be deemed to limit or derogate from any existing or inherent right of the President to delegate the performance of functions vested in him by law, and nothing herein shall be deemed to require express authorization in any case in which such an official would be presumed in law to have acted by authority or direction of the President. [Emphasis supplied.]
>
> Section 303. Definitions.--As used in this chapter, the term "function" embraces any duty, power, responsibility, authority, or discretion vested in the President or other officer concerned, and the terms "perform" and "performance" may be construed to mean "exercise."

Headnote 2(b) is a provision of law. It is based upon delegated authority given to the President by the Congress in section 22. Thus, this provision can be changed in only two ways--

(1) By legislative amendment, or

(2) By executive modification within the terms of the delegated authority.

It will be noted that section 22(b) provides:

> If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence

> of such facts, *he shall by proclamation impose* such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles which may be entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary . . . . [Emphasis supplied.]

The only proclamations issued by the executive branch of the Federal Government are those issued by the President; he has an exclusive function of proclaiming. This is an implicit limitation on delegation in that the Congress has provided that changes in law under this delegated authority shall be accomplished by proclamation. We, therefore, have serious reservations about the legality of such delegation to the Secretary of Agriculture.

Volume of trade

Data on imports under the $10 exemption from existing section 22 quotas are not reported. At the hearing, a number of witnesses were of the opinion that the volume of imports under the $10 exemption is negligible. The Customs examiner for cheese at the port of New York, the port of entry for about 60 percent of the cheese imported into the United States, estimated that total shipments of cheese through that port invoiced as samples for taking orders averaged less than $20,000 annually (on the basis of the exporter's wholesale price). Of these imports of cheese samples, an average of less than 5,000 dollars worth has been admitted annually under the $10 exemption. It appears that few, if any, products other than cheese have been imported as samples under the exemption. Articles for research do not appear to have been imported.

There have been no complaints of imports admitted under the $10 exemption interfering with the price-support program [illegible]

Difficulties encountered with the $10 exemption by the Customs Service

The Customs examiner for cheese at the port of New York reported that because of the $10 exemption, Customs encounters difficulty several times a week with shipments of cheese which include a shipment of samples of cheese subject to quota. For example, a single container of cheese weighing 40,000 pounds might include two cartons of cheese for samples with an aggregate value of $20. Because the aggregate value of the cheese samples in the shipment exceeded the $10 exemption, they would not be permitted entry under the exemption. If the importer had a license issued by the Department of Agriculture to import that type of cheese, the samples could be charged to the quota and entered. If the importer did not have a license for the samples, he could sell them to an importer with a license, export them, or make application to have them destroyed. The examiner reported that the difficulty of entering samples under the $10 exemption has caused many importers to request foreign suppliers either not to ship samples or to bill them as part of the regular order.

Economic changes since the initiation of the exemptions

A number of economic factors, including the rate of inflation, changes in exchange rates, and changes in marketing practices, have occurred since the $10 exemption was established in 1953.

Inflation.--The wholesale price index of all commodities (1967=100), as compiled by the U.S. Department of Labor, increased from 86.9 in June 1953 to 179.8 in March 1976, or by 107 percent; the index for dairy products increased from 78.3 to 166.7, or by 113 percent.

The quotas affected by the $10 exemption are currently limited to certain dairy products and peanuts. Domestic products purchased under the price-support programs of the Department of Agriculture are butter, Cheddar cheese, nonfat dry milk, and peanuts. Support prices, market prices, and increases in the prices for these products from 1953 to 1976 are shown in the following table.

Butter, Cheddar cheese, nonfat dry milk, and peanuts: Market prices, support prices, and their increases, 1953 and 1976

Year and increase	Butter		Cheddar cheese		Nonfat dry milk		Peanuts	
	Market price	Support price	Market price	Support price	Market price	Support price	Price received	Support price
1953 (cents per pound)	65.5	65.8	36.8	37.0	15.5	16.0	11.1	11.9
1976 (cents per pound)	89.5	85.8	96.9	90.5	62.5	62.4	19.7	19.7
Increase in prices (percent)	37	30	163	145	303	290	77	66

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

Testimony presented at the hearing indicated that importers of specialty cheeses are the principal proponents for an increase in the $10 exemption. The unit value of imported blue-mold cheese, a specialty

cheese, was 45 cents per pound in 1953, while in April 1976 it was $1.14 per pound: the increase amounted to 153 percent. 1/

Effect of exchange-rate changes.--A major realinement in exchange rates between countries occurred from 1953 to 1976. Under normal circumstances these adjustments in exchange rates would have an effect on the price and quantity relationships which determine the size of the sample shipped under the $10 exemption. Inasmuch as the $10 exemption concerns only products subject to section 22 quotas and the quotas have generally been filled, the effect of exchange-rate changes on the quantities of the products imported as samples has been minimal.

Marketing factors.--The representative of the cheese importers contended that changes in marketing factors have also affected the quantities of cheese that can be entered under the $10 exemptions. Cheese importers prefer two to four samples of a cheese in a shipment in order to permit comparisons for consistency and to allow for any loss or damage which may occur to an individual loaf. These samples are usually in the form of loaves of 6, 8, or 10 pounds. As the demand for specialty cheeses has increased since 1953, the import trade has shifted to larger loaves because of the lower cost per pound. Because of their ppreference for several samples of cheese in a shipment and the increased size of the loaves, cheese importers believe an increase in the $10 exemption based solely on the rate of inflation since 1953 to be inadequate.

1/ There are 600 to 700 varieties of specialty cheeses. Blue-mold cheese is used for illustrative purposes because increases in the price of imported blue-mold cheese are believed to be representative of increases in the prices of all imported specialty cheeses.

Exemptions suggested by interested parties

The consensus of testimony received at the hearing from the Department of Agriculure and the domestic dairy industry indicated that the $10 exemption could be increased by the same proportion as the increase in prices which occurred during the 1953-76 period. Such an increase, it was agreed, would not allow imports in such increased quantities as to interfere with the price-support program for milk. If the increase in the unit value of imported blue-mold cheese of 153 percent from 1953 to April 1976 was used as a basis for increasing the $10 exemption, the exemption would be raised to $25. 1/ On a pound-for-pound basis, the same quantity of cheese (about 20 pounds) could be imported under a $25 exemption in 1976 as was imported under the $10 exemption in 1953.

An exemption of $25 may not allow for the changed marketing factors, such as the shift in the import trade in cheese to larger loaves, which was discussed earlier. The Cheese Importers Association of America, Inc., requested that the $10 exemption be increased to $50 a shipment, or a similar amount, to reflect current economic conditions. The association contended that such an increase, 400 percent, would provide for both the effect of inflation and changes in marketing factors. The spokesman for the Department of Agriculture testified, "on a mathematical trend basis, this may be somewhat generous. Viewed commercially, $50 for merchandise samples does not seem to be unreasonable." 2/

1/ A simple average of the percent changes of market and support prices of butter, Cheddar cheese, nonfat dry milk, and peanuts--commodities with specific price-support programs and subject to section 22 quotas--is 140 percent.

2/ Transcript of the hearing , p. 22.

The examiner for cheese at the port of New York estimated that samples have averaged over $10, but not over $25, in value, and from 10 to 25 pounds in weight in recent years. He believed that increasing the current exemption to $25 or 25 pounds would solve the problems encountered in entering samples.

APPENDIX A

THE PRESIDENT'S LETTER
AND
PROCLAMATION NO. 4423

THE WHITE HOUSE

WASHINGTON

March 26, 1976

Dear Mr. 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 mixtures of dried milk and other ingredients are being and are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for milk undertaken by the Department of Agriculture, or to reduce substantially the amount of products processed in the United States from domestic milk.

Specifically, reference is made to the following mixtures:

> Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing mixtures wherever classified under the Tariff Schedules of the United States.

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 these mixtures and has, therefore, recommended that I take immediate action under Section 22(b) to restrict the quantity of the aforementioned mixtures, which may be entered. It is my intention promptly to issue a proclamation establishing a quota of zero pounds for the aforementioned mixtures, such quota to continue in effect pending Presidential action upon receipt of the report and recommendation of the United States International Trade Commission with respect thereto.

The United States International Trade Commission is therefore directed to make an immediate investigation under Section 22 of the Agricultural Adjustment Act, as amended, to determine whether the above-described mixtures are being, or are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with the price support program now conducted by the Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk, and to report its findings and recommendations to me at the earliest practicable date.

The Secretary of Agriculture has further advised me that the monetary limitation in headnote 2(b) of Part 3 of the Appendix to the Tariff Schedules of the United States for the exclusion from the quota restrictions provided for in Part 3 of articles (except cotton and cotton waste) with an aggregate value of not over $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research, is no longer a realistic figure. This limitation was originally established by Presidential Proclamation No. 3025 of June 30, 1953. The Secretary has recommended that an adjustment of this limitation be made, and that the authority for making such an adjustment and any further adjustments which may become necessary in the future be vested in the Secretary of Agriculture. The Commission is therefore further directed to advise me with respect to this recommendation, including the amounts of any increases deemed appropriate at the present time.

Sincerely,

Gerald R. Ford

The Honorable Will E. Leonard
Chairman
United States International
Trade Commission
Washington, D.C. 20436

presidential documents

Title 3—The President

Proclamation 4423 • March 26, 1976

IMPORT LIMITATION ON DRY MILK MIXTURES

By the President of the United States of America

A Proclamation

Import quota limitations have been imposed on certain dairy products, including dried milk, pursuant to the provisions of Section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624). Those limitations are set forth in Part 3 of the Appendix to the Tariff Schedules of the United States, which schedules are hereinafter referred to as TSUS, under items 950.01, 950.02, and 950.03, and relate to products classified for tariff purposes under items 115.45, 115.50, 115.55, 115.60, and 118.05 of Schedule 1 of the TSUS.

The Secretary of Agriculture has advised me that he has reason to believe that dry milk, containing not more than 5.5 percent butterfat by weight, mixed with other ingredients, and thus classified for tariff purposes under items of the TSUS other than the items referenced above, are being, and are practically certain to be, imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program now conducted by the Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk.

I agree that there is reason for such belief by the Secretary of Agriculture, and, therefore, have requested the United States International Trade Commission to make an immediate investigation with respect to this matter, pursuant to said Section 22.

The Secretary of Agriculture has also determined and reported to me with regard to such dry milk mixtures that a condition exists which requires emergency treatment and that the import restrictions hereinafter proclaimed should be imposed immediately without awaiting the recommendations of the United States International Trade Commission.

On the basis of the information submitted to me, I find and declare that:

(a) Such dry milk mixtures are being imported, or are practically certain to be imported, into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program now conducted by the Department of Agriculture for milk, or to reduce substantially the amount of products processed in the United States from domestic milk;

(b) a condition exists which requires the immediate imposition of the import limitations hereinafter set forth, without awaiting the recommendations of the United States International Trade Commission with respect to such action;

(c) there is no representative period, within the meaning of the first proviso to subsection (b) of the said Section 22, for imports of the said dry milk mixtures; and

(d) the imposition of the import limitation hereinafter proclaimed is necessary in order that the entry, or withdrawal from warehouse, for consumption of such dry milk mixtures will not render or tend to render ineffective, or materially interfere

with, the price support program now conducted by the Department of Agriculture for milk, or reduce substantially the amount of products processed in the United States from domestic milk.

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, by virtue of the authority vested in me by Section 22 of the Agricultural Adjustment Act, as amended, do hereby proclaim that Part 3 of the Appendix to the TSUS is amended by adding after item 950.18 the following:

"

	Articles	*Quota Quantity*
950.19	Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 percent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing mixtures wherever classified under the Tariff Schedules of the United States.	None

".

Pending Presidential action upon receipt of the report and recommendations of the United States International Trade Commission with respect thereto, the limitation established by item 950.19 shall be applicable to articles entered, or withdrawn from warehouse, for consumption on and after the effective date of this proclamation. Articles which were exported to the United States on a through bill of lading or which were in a bonded warehouse, but not entered, or withdrawn from warehouse, for consumption prior to the date of publication of this proclamation, shall not be denied entry under the import limitation herein proclaimed.

This proclamation shall be effective on the second day following the day it is published in the FEDERAL REGISTER.[1]

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-sixth day of March, in the year of our Lord nineteen hundred seventy-six, and of the Independence of the United States of America the two hundredth.

Gerald R. Ford

[FR Doc.76 9025 Filed 3 26 76;10:58 am]

[1] The effective date of Proclamation 4423 is March 31, 1976.

APPENDIX B

STATISTICAL TABLES

Table 1.--U.S. milk production, milk cows and replacement heifers on U.S. farms Jan. 1, production per cow, and number of dairy herds, 1970-76 and U.S. milk production and production per cow, January-May 1975 and January-May 1976

Period	Total milk production	Milk cows on farms	Replacement heifers	Production per cow	Number of dairy herds
	Million pounds	Thousands	Thousands	Pounds	
1970	116,962	12,000	3,880	9,747	1/
1971	118,532	11,842	3,843	10,009	1/
1972	119,904	11,698	3,828	10,250	1/
1973	115,385	11,409	3,874	10,114	384,562
1974	115,553	11,219	3,942	10,300	1/
1975	115,458	11,151	4,095	10,354	2/300,000
1976	3/	11,079	3,973	1/	1/
January-May					
1975	49,120	4/	4/	4,390	1/
1976	50,677	4/	4/	4,678	1/

1/ Not available.
2/ Estimated by the U.S. Department of Agriculture.
3/ Currently estimated by the Department of Agriculture to be 117,000 million pounds.
4/ Not applicable.

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

Table 2.--Milk: U.S. utilization of domestic milk supply, 1970-75

Year	Fluid use 1/	Manufactured dairy products						Grand total	Percent of grand total used for--	
		Butter 2/	Cheese	Condensed and evaporated milk	Frozen products	Other 3/	Total		Butter	Cheese
	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds	Billion pounds		
1970	52.0	23.9	19.6	3.3	11.1	2.1	60.0	112.0	21	18
1971	51.8	23.9	20.9	3.2	11.0	2.4	61.4	113.2	21	18
1972	53.2	22.8	22.7	3.1	11.0	2.7	62.3	115.5	20	20
1973	52.4	18.6	23.6	2.9	11.1	2.4	58.6	111.0	17	21
1974	50.5	19.3	25.7	2.8	11.2	2.4	61.4	111.9	17	23
1975	51.4	19.6	24.1	2.5	12.0	2.3	60.5	111.9	18	22

1/ Does not include milk fed to calves but does include other milk consumed on farms.
2/ Includes farm and nonfarm butter.
3/ Includes dry whole milk, 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.

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Table 3.--Butter, Cheddar cheese, nonfat dry milk, and all milk for manufacturing: U.S. market prices, U.S. Department of Agriculture support prices, and price-support objectives, 1970-76

(Money figures in cents per pound)

Year beginning Apr. 1--	Butter (grade A) at Chicago		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing		
								Price-support objectives	
	Market price	Price support	Market price (Wisconsin assembly points)	Price support	Market price (U.S. average)	Price support	Market price (U.S. average)	Amount	Percent of parity
1970	69.9	69.846	55.3	52.00	27.3	27.2	4.76	4.66	85
1971	67.9	67.784	57.0	54.75	31.8	31.7	4.91	4.93	85
1972	68.3	67.708	61.1	54.75	35.2	31.7	5.22	4.93	79
1973:									
Mar. 15-Aug. 9	64.9	60.922	66.6	62.00	45.0	37.5	5.68	5.29	75
Aug. 10-May 31 (1974)	73.3	60.912	85.4	65.00	61.2	41.4	7.52	5.61	80
1974	65.3	60.570	76.3	70.75	58.0	56.6	6.83	6.57	80
1975:									
Jan. 4-Mar. 31	67.7	68.070	76.4	77.25	60.3	60.6	6.97	7.24	80
Apr. 1-Oct. 1	75.9	69.193	85.1	79.25	61.5	60.6	7.46	7.24	75
Oct. 2-Mar. 31 (1976)	91.2	79.693	97.5	85.00	67.6	62.4	8.74	7.71	75
1976	89.5	85.817	96.9	90.50	62.8	62.4	8.59	8.13	80

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

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Table 4.--CCC purchases, contract basis, butter, Cheddar cheese, and nonfat dry milk, by months, 1970-76

(In millions of pounds)

Year and commodity	January	February	March	April	May	June	July	August	September	October	November	December	Year total
1970:													
Butter	22	30	17	35	49	35	27	11	4	5	7	5	247
Cheddar cheese	-	-	-	13	2	13	7	4	4	-	-	-	43
Nonfat dry milk	5	4	78	21	65	57	21	38	72	7	52	27	447
1971:													
Butter	25	37	108	6	16	40	27	15	5	5	36	4	324
Cheddar cheese	11	8	1/ 5	10	14	19	2	6	13	3	2/	10	101
Nonfat dry milk	6	28	62	32	49	85	29	51	16	10	17	60	445
1972:													
Butter	15	52	18	21	40	43	16	6	5	5	2	2	225
Cheddar cheese	-	2/	7	2	9	2	-	-	-	-	-	-	20
Nonfat dry milk	6	71	10	18	89	37	17	43	2	-	5	-	298
1973:													
Butter	21	26	28	4	9	7	3	-	-	-	-	-	98
Cheddar cheese	-	-	2	-	1/ -	1/ 1	-	-	-	-	1	-	4
Nonfat dry milk	-	-	-	10	-	-	1/ 10	1/ 2	9	-	-	4/ 1	32
1974:													
Butter	3/ 1	3/ 2	-	-	8	13	9	2/	-	-	-	1	34
Cheddar cheese	4/ -	4/ -	4/ 2	-	2/	3	31	1	4	7	17	6	72
Nonfat dry milk	4/ 9	4/ 1	4/ 3	4/ 3	3/ 11	35	50	40	29	28	23	35	267
1975:													
Butter	7	22	22	17	12	4	-	-	-	-	-	-	84
Cheddar cheese	8	12	15	9	5	7	2/	-	-	-	-	-	56
Nonfat dry milk	38	46	55	72	76	84	37	-	-	-	-	-	408
1976:													
Butter	-	-	-	-	-								
Cheddar cheese	-	-	1	1	3								
Nonfat dry milk	7	6	13	18	25								

1/ Purchased under sec. 709 of the Food and Agriculture Act of 1965.
2/ Less than 500,000 pounds.
3/ Includes purchases under sec. 4 (a) of the Agriculture and Consumer Protection Act of 1973.
4/ Purchased under sec. 4 (a) of the Agriculture and Consumer Protection Act of 1973.

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

Table 5.--Net U.S. Government expenditures on dairy support and related programs, fiscal years 1969-74 and July 1975-May 1976

(In millions of dollars)

Year beginning July 1--	Net support purchases 1/	Sec. 32 2/	Sec. 709 3/	Export assistance 4/	Total (excluding special milk program)	Special milk program 5/
1969	168.6	107.1	7.8	7.4	290.9	102.9
1970	315.4	91.6	3.2	11.6	421.8	91.8
1971	267.0	63.9	-	7.3	338.2	93.6
1972	135.8	15.4	.1	1.5	152.8	90.8
1973	31.4	10.8	28.7	-	70.9	50.2
1974	485.8	6.5	3.8	-	496.1	122.9
1975 (July-May)	44.9	4.1	2.8	6/	51.8	6/

1/ CCC support purchases and related costs (for processing, packaging, transporting, and storing) of dairy products, less proceeds from sales.

2/ Expenditures of sec. 32 funds to buy dairy products in the market and from CCC for school lunch and welfare uses.

3/ Purchases of dairy products at market prices under sec. 709, Food and Agriculture Act of 1965, for domestic school lunch and welfare use; beginning in 1973, includes purchases under sec. 4 (a) of the Agriculture and Consumer Protection Act of 1973.

4/ Value of payment-in-kind certificates issued by CCC on exports of nonfat dry milk, butter, and other high-milkfat products, and CCC cost of exports under Title I, Public Law 480, of dairy products not originating in CCC stocks.

5/ Expenditures of CCC and sec. 32 funds to increase milk consumption by children in schools, child-care centers, and similar institutions.

6/ Not available.

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

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Table 6.--Butter, Cheddar cheese, and nonfat dry milk: U.S. production, U.S. Department of Agriculture price-support purchases, ratio of purchases to production, and CCC uncommitted supplies, 1970-76 and January-May 1975 and 1976

Commodity and year	Production	Price-support purchases	Ratio of purchases to production	Uncommitted supplies at end of period
	Million pounds	Million pounds	Percent	Million pounds
Butter:				
1970	1,137	246	21.6	37
1971	1,146	324	28.3	33
1972	1,102	224	20.3	43
1973	919	98	10.7	6
1974	962	35	3.6	9
1975	976	84	8.6	-
January-May:				
1975	424	80	18.9	46
1976	440	1/ -	-	2/ -
Cheddar cheese:				
1970	1,427	43	3.0	-
1971	1,511	101	6.7	15
1972	1,644	21	1.3	-
1973	1,637	4	.2	-
1974	1,859	71	3.8	3
1975	1,665	56	3.4	-
January-May:				
1975	718	50	7.0	12
1976	836	5	.6	2/ -
Nonfat dry milk:				
1970	1,444	447	31.0	29
1971	1,418	444	31.3	14
1972	1,223	298	24.4	-
1973	917	32	3.5	-
1974	1,020	267	26.2	184
1975	1,025	408	40.0	425
January-May:				
1975	504	287	57.0	358
1976	3/ 421	69	16.4	2/ 385

1/ Less than 0.5 million pounds.
2/ Data for uncommitted supplies in 1976 is for the end of April.
3/ Production for May of 1976 estimated.

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

Table 7.--Dairy products: U.S. milk production and whole-milk equivalent (fat-solids basis) of U.S. exports and imports for consumption, 1970-75, January-April 1975, and January-April 1976

Period	Total milk production	Exports 1/		Imports		Export or import (-) balance
		Quantity	Ratio to total milk production	Quantity	Ratio to total milk production	
	Million pounds	Million pounds	Percent	Million pounds	Percent	Million pounds
1970	116,962	438	0.4	1,878	1.6	-1,440
1971	118,532	2,458	2.1	1,356	1.1	1,102
1972	119,904	1,470	1.2	1,694	1.4	-224
1973	115,385	654	.6	3,608	3.1	-2,954
1974	115,553	582	.5	2,293	2.0	-1,711
1975	115,458	546	.5	1,306	1.1	-760
January-April --						
1975	38,302	184	.5	428	1.1	-244
1976	39,493	184	.5	534	1.4	-350

1/ Includes some commercial sales subsidized by the Commodity Credit Corporation and some donations by Commodity Credit Corporation chiefly to relief agencies for shipment to overseas destinations.

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

Table 8.-- Nonfat dry milk: Yearend stocks in major producing and exporting countries, 1973-76

(In millions of pounds)

Country	1973	1974	1975	1976
EC total	754	1,025	2,284	1/3,086
Canada	95	141	278	2/
West Europe except EC	35	51	57	2/
Eastern Europe	-	20	27	2/
Australia	35	7	57	2/
New Zealand	115	115	390	2/
Oceania total	150	121	448	2/
Grand total	1,034	1,358	3,093	2/

1/ Estimated.
2/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture, Foreign Agricultural Service, except as noted.

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

Table 9.--Dried milk (dried whole milk, nonfat dry milk, dried buttermilk, and dried whey): U.S. production, imports for consumption, exports, yearend stocks, and commercial consumption, 1970-75

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

Year	Production	Imports 1/	Exports	Yearend stocks 2/	Commercial consumption	Import/consumption ratio (percent)
	Quantity					
1970	2,193,302	2,428	428,594	151,910	1,081,936	3/
1971	2,221,330	2,362	371,607	96,738	1,090,754	3/
1972	2,109,777	2,503	319,610	51,117	1,022,828	3/
1973	1,810,680	267,414	67,443	86,115	1,208,784	22.1
1974	1,991,831	115,297	53,719	304,653	903,732	12.8
1975	1,691,093	2,500	147,797	554,273	816,767	3/
	Value					
1970	472,973	249	105,764	4/	4/	4/
1971	510,568	472	101,354	4/	4/	4/
1972	503,657	502	84,166	4/	4/	4/
1973	554,445	87,445	14,193	4/	4/	4/
1974	760,153	47,065	14,679	4/	4/	4/
1975	751,533	1,153	72,271	4/	4/	4/

1/ Imports are subject to quotas under sec. 22 of the Agricultural Adjustment Act, as amended.

2/ Data on yearend stocks of whey were not maintained prior to 1975.

3/ Less than 0.5 percent.

4/ Not meaningful.

Source: Production and stocks compiled from official statistics of the U.S. Department of Agriculture; imports and exports compiled from official statistics of the U.S. Department of Commerce; commercial consumption compiled from official statistics of the U.S. Department of Agriculture and statistics of the American Dry Milk Institute.

Table 10.--Nonfat dry milk: Commercial sales in the United States, by end uses, 1970-75

(In millions of pounds)

End use	1970	1971	1972	1973	1974	1975
Dairy 1/	286.2	304.7	313.4	348.0	324.8	255.6
Packaged for home use	271.2	231.8	212.4	245.6	298.5	228.9
Bakery	166.5	165.4	152.7	119.9	64.8	49.1
Prepared dry mixes	98.2	95.3	85.2	142.3	105.0	87.1
Meat processing	34.6	43.9	31.6	28.3	15.8	24.6
Confectionery	15.0	22.4	25.5	20.5	10.5	8.4
Institutions	10.3	9.4	8.8	11.7	3.5	2.1
Soft drink bottlers	5.6	5.6	5.3	3.9	0.9	0.7
Soup manufacturers	4.7	14.0	4.4	7.8	5.3	5.6
Chemicals and pharmaceuticals	1.9	1.0	0.9	3.9	6.1	3.5
Animal feed 2/	4.7	4.7	5.3	2.9	4.4	2.8
Other uses	36.4	36.4	32.4	40.0	35.8	33.7
Total	935.3	934.6	877.9	974.8	875.4	702.1

1/ Includes use for ice cream and cottage cheese.
2/ Nonfat dry milk processed originally for human food.

Source: Compiled from 1973 and 1975 Census of Dry Milk Distribution and Production Trends, a census conducted under the direction of the American Dry Milk Institute, Inc., Chicago, Ill.

Table 11.--Nonfat dry milk: U.S. production, imports for consumption, exports, yearend stocks, and commercial consumption, 1970-75, January-April 1975, and January-April 1976

Period	Production	Imports 1/	Exports	Yearend stocks	Commercial consumption 2/	Ratio of exports to production
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1970	1,444	2	416	138	983	29
1971	1,418	2	348	90	982	25
1972	1,223	2	282	45	919	23
1973	917	267	18	75	1,110	2
1974	1,020	115	9	293	810	1
1975	1,025	2	113	469	3/ 720	11
Jan-Apr 1975	373	1	36	328	188	10
Jan-Apr 1976	304	1	5	442	253	2

1/ Imports entered under absolute quota pursuant to sec. 22 of the Agricultural Adjustment Act, as amended, until 1973.

2/ Does not include any surplus product removed from the market under Government programs.

3/ Preliminary.

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

Table 12.--Nonfat dry milk: Commercial (manufacturers') and U.S. Government-owned stocks as of end of month, 1970-75 and January-April 1976

(In thousands of pounds)

Year and kind of stocks	January	February	March	April	May	June	July	August	September	October	November	December
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 stocks	98,332	86,080	79,298	65,634	66,652	66,357	57,175	64,503	70,518	49,881	49,755	42,569
Total	175,618	161,688	155,939	161,710	202,867	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 stocks	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 stocks	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	34,548	36,888	39,040	57,657	81,456	102,196	100,711	93,339	84,652	78,138	63,474	74,507
Government-owned stocks	5,661	1,260	167	110	-	-	-	-	-	54	54	78
Total	40,209	38,148	39,207	57,767	81,456	102,196	100,711	93,339	84,652	78,192	63,528	74,585
1974:												
Commercial	57,866	51,797	56,738	86,103	147,953	192,246	199,322	190,300	167,270	114,139	130,081	134,622
Government-owned stocks	16	17	-	11	96	3,888	25,209	61,666	85,020	105,994	130,017	158,581
Total	57,882	51,814	56,738	86,114	148,049	196,134	224,531	251,966	252,290	220,133	260,098	293,203
1975:												
Commercial	121,163	113,582	114,416	108,496	119,153	111,672	91,947	70,328	48,596	36,031	36,908	47,147
Government-owned stocks	187,244	201,935	220,461	219,885	263,523	328,639	397,401	459,156	463,858	449,779	436,376	421,796
Total	308,407	315,517	334,877	328,381	382,676	440,311	489,348	529,484	512,454	485,810	473,284	468,943
1976:												
Commercial	43,255	49,778	55,485	73,821	-	-	-	-	-	-	-	-
Government-owned stocks	410,375	410,563	420,092	368,142	-	-	-	-	-	-	-	-
Total	453,630	460,341	475,577	441,963	-	-	-	-	-	-	-	-

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

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Table 13.--Nonfat dry milk: U.S. production, market prices, 1/ and U.S. Department of Agriculture support prices, by months, 1970-75 and January-May 1976

(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
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	27.70	27.70	27.70	27.70	27.70	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	86,825	86,813	78,546	93,146	1,418,449
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	-.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	0	0	-.10	-.10	-.10	-.10	0	.50	2.70	4.60	6.80	1.18
1973:													
Production	74,532	71,606	83,006	95,669	118,865	115,755	86,191	64,904	49,465	54,423	43,986	58,168	916,570
Market price	39.00	39.00	41.90	44.30	44.90	44.90	2/ 45.05	48.50	49.50	49.50	51.09	52.18	45.80
Support price effective Apr. 1	31.70	31.70	3/ 37.50	37.50	37.50	37.50	37.50	4/ 41.40	41.40	41.40	41.40	41.40	38.20
Market price above support price	7.30	7.30	4.40	6.80	7.40	7.40	7.55	7.10	8.10	8.10	9.69	10.78	7.66
1974:													
Production	55,025	56,509	70,894	97,643	125,725	138,094	118,654	99,054	68,094	54,612	51,475	83,327	1,019,916
Market price	53.07	57.16	62.54	66.24	60.78	56.88	56.27	56.00	56.42	56.42	56.42	56.12	57.86
Support price effective Apr. 1	41.40	41.40	41.40	56.60	56.60	56.60	56.60	56.60	56.60	56.60	56.60	56.60	52.80
Market price above support price	11.67	15.76	21.14	9.64	4.18	.28	-.33	-.60	-.18	-.18	-.18	-.48	5.06
1975:													
Production	83,470	81,569	95,800	111,500	131,400	126,500	98,700	76,200	53,170	50,306	49,283	67,111	1,025,018
Market price	58.44	58.92	58.92	58.96	59.22	59.72	60.30	61.50	66.00	70.58	71.81	71.48	62.99
Support price effective Apr. 1	60.60	60.60	60.60	60.60	60.60	60.60	60.60	60.60	60.60	62.40	62.40	62.40	61.05
Market price above support price	-2.16	-1.68	-1.68	-1.64	-1.38	-.88	-.30	1.50	5.40	8.18	9.41	9.08	1.94
1976:													
Production	67,000	71,078	78,367	87,586	107,000	-	-	-	-	-	-	-	-
Market price	64.76	63.56	63.50	62.80	62.50	-	-	-	-	-	-	-	-
Support price effective Apr. 1	62.40	62.40	62.40	62.40	62.40	-	-	-	-	-	-	-	-
Market price above support price	2.36	1.16	1.10	.40	.10	-	-	-	-	-	-	-	-

1/ For 50-pound bags of high-heat powder, f.o.b. Wisconsin shipping points.
2/ The price changed from 44.90 cents to 45.50 cents on July 27.
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.
4/ The support price changed Aug. 10, 1973.

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

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Table 14.--Dried whole milk: Commercial sales, by end uses, 1970-75

(In millions of pounds)

End use	1970	1971	1972	1973	1974	1975
Candy, chocolate-coating manufacturers	32.9	38.4	40.0	46.2	36.2	39.7
Bakery	4.4	4.5	3.9	5.3	4.0	4.6
Institutions	1.8	2.1	1.6	1.0	1.7	1.5
Baby food manufacturers	2.0	2.3	2.4	2.2	1.5	1.6
Packaged for home use	.1	.1	1.0	1.0	1.2	1.6
Dairy	.7	.8	1.4	1.3	1.1	.7
Soup manufacturers	.4	.4	.4	.3	.6	.9
Other uses	.9	1.6	3.1	.8	1.4	1.7
Total	43.2	50.2	53.8	58.1	47.7	52.3

Source: Compiled from 1973 and 1975 Census of Dry Milk Distribution and Production Trends, a census conducted under the direction of the American Dry Milk Institute, Inc., Chicago, Ill.

Table 15.--Dried whole milk (item 115.55): U.S. production, imports for consumption, exports, yearend stocks, and commercial sales, 1970-75

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

Year	Production	Imports 1/	Exports 2/	Yearend stocks	Commercial sales	Import/ commercial sales ratio (percent)
	Quantity					
1970	68,749	7	1,889	4,700	43,200	3/
1971	72,156	7	3,541	4,000	50,200	3/
1972	75,246	7	5,641	3,400	53,800	3/
1973	77,965	7	7,416	5,400	58,100	3/
1974	75,200	7	6,708	6,400	47,700	3/
1975	63,600	7	5,220	5,600	52,300	3/
	Value					
1970	33,068	3	550	4/	4/	4/
1971	36,872	3	673	4/	4/	4/
1972	36,360	3	897	4/	4/	4/
1973	45,344	4	1,350	4/	4/	4/
1974	49,587	4	1,643	4/	4/	4/
1975	45,143	4	1,279	4/	4/	4/

1/ Imports are subject to quota under sec. 22 of the Agricultural Adjustment Act, as amended.
2/ Estimated.
3/ Less than 0.5 percent.
4/ Not available.

Source: Production and stocks compiled from official statistics of the U.S. Department of Agriculture; imports and exports compiled from official statistics of the U.S. Department of Commerce; commercial sales are data from the American Dry Milk Institute, Chicago, Ill.

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Table 16.--Dried buttermilk (item 115.45): U.S. production, imports for consumption, yearend stocks, apparent consumption, and ratio of imports to consumption, 1970-75 (Quantity in thousands of pounds; value in thousands of dollars)

Year	Production	Imports 1/	Year-end stocks	Apparent consumption	Import/ consumption ratio (percent)
	Quantity				
1970	59,222	421	9,210	55,736	0.8
1971	51,727	355	2,738	58,554	.6
1972	49,511	496	2,717	50,028	1.0
1973	43,275	407	5,715	40,684	1.0
1974	45,280	290	5,253	46,032	.6
1975	42,016	493	3,295	44,467	1.1
	Value				
1970	15,053	76	2/	2/	2/
1971	14,478	86	2/	2/	2/
1972	15,779	139	2/	2/	2/
1973	19,777	142	2/	2/	2/
1974	22,925	110	2/	2/	2/
1975	23,378	258	2/	2/	2/

1/ Imports are subject to quota under sec. 22 of the Agricultural Adjustment Act, as amended; imports include dried whey.
2/ Not meaningful.

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

Note.--Data on exports of dried buttermilk are not separately reported, but are included in a category the exports of which are believed to consist mostly of dry whole milk (see item 115.55).°

Table 17.--Dried whey (item 118.05): U.S. production, exports, and yearend stocks, 1970-75

Year	Production			Exports	Yearend stocks		
	Edible grade	Animal feed	Total		Edible grade	Animal feed	Total
	Quantity (1,000 pounds)						
1970--	293,859	327,172	621,031	10,075	1/	1/	1/
1971--	319,017	360,430	679,447	18,886	1/	1/	1/
1972--	376,668	385,352	762,020	30,088	1/	1/	1/
1973--	383,550	388,890	772,440	39,554	1/	1/	1/
1974--	452,611	398,740	851,351	35,775	1/	1/	1/
1975--	412,992	147,485	560,477	27,838	37,476	38,902	76,378
	Value (1,000 dollars)						
1970--	19,571	18,289	37,860	2,933	1/	1/	1/
1971--	20,896	18,634	23,608	3,584	1/	1/	1/
1972--	27,007	22,389	49,396	4,786	1/	1/	1/
1973--	36,399	32,939	69,338	7,182	1/	1/	1/
1974--	58,432	39,037	97,469	8,770	1/	1/	1/
1975--	28,249	9,115	37,364	6,832	2/	2/	2/

1/ Data on yearend stocks were not maintained prior to 1975.
2/ Not meaningful.

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