UNITED STATES TARIFF COMMISSION

CERTAIN DAIRY PRODUCTS

Report on Investigation No. 332-64 Under Section 332 of the Tariff Act of 1930 Pursuant to a Resolution of the Committee on Ways and Means of the House of Representatives Adopted June 23, 1970

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UNITED STATES TARIFF COMMISSION

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INTRODUCTION

This report has been prepared in response to the following resolution (dated June 23, 1970) of the Committee on Ways and Means of the House of Representatives:

> Resolved, That the United States Tariff Commission is hereby directed, pursuant to section 332(g) of the Tariff Act of 1930, (1) to make an investigation of the conditions of competition in the United States between dairy products being produced in the United States and the following dairy products produced in foreign countries:
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> (A) cheese and substitutes for cheese of the kinds described in items 950.10B, 950.10C, and 950.10D, part 3, appendix to the Tariff Schedules, if having a purchase price of 47 cents per pound or over;
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> (B) lactose (item 493.65, T.S.U.S.);
>
> (C) chocolate provided for in item 156.30 of part 10 and articles containing chocolate provided for in item 182.95, part 15, Schedule 1 of the T.S.U.S. (except articles for consumption at retail as candy or confection);
>
> (D) cheese and substitutes for cheese, the product of New Zealand, subject to quota under item 950.10D, T.S.U.S.,
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> and (2) report the results of such investigation to the Committee on Ways and Means at the earliest practicable date, but if possible, no later than its report to the President on its investigation of dairy products requested May 13, 1970.
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> The report of the Commission shall include factual information on domestic production, foreign production, imports, consumption, channels and methods of distribution, prices (including pricing practices), United States exports, and other factors of competition. The report shall also include information indicating whether any of the dairy products specified herein is being imported into the United States under circumstances and in quantities interfering with, or threatening to interfere with, any price support programs of the Department of Agriculture for milk and butterfat or any other program or operation undertaken by the Department of Agriculture,

> or any agency operating under its direction, with respect to any of these dairy products or to reduce substantially the amount of any of these products processed in the United States from milk and butterfat or product thereof with respect to which any such program or operation is being undertaken.

On May 19, 1970, in response to the President's request of May 13 mentioned in the Committee's resolution, the Tariff Commission had instituted an investigation (No. 22-28) under subsection (a) of section 22 of the Agricultural Adjustment Act, as amended, to determine whether certain dairy products--including part of those designated in item (C) of the Committee's resolution--were being, or were practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support programs of the U.S. Department of Agriculture for milk and butterfat, or to reduce substantially the amount of products processed in the United States from domestic milk and butterfat. On September 21, 1970, the Commission submitted to the President its report on that investigation (No. 22-28) in which it unanimously recommended for the cheese investigated therein an absolute quota of 30,000 pounds for the remainder of 1970 and an absolute quota of 100,000 pounds for each calendar year after 1970; for the remaining products it recommended import quotas of zero.

The Commission received a letter dated August 28, 1970, from the Chairman of the Committee on Ways and Means requesting that the Commission obtain detailed information regarding import controls recently imposed by Canada on a wide range of dairy products and that the Commission make a comparison of the import controls on dairy products by Canada and by the United States under section 22. The letter further suggested that the Commission incorporate

such information in the reports of its pending dairy import investigations. Appropriate information regarding the Canadian import controls on dairy products is being sought from several sources, including the Departments of Agriculture and State. As soon as the required information is received the Commission will submit to the Committee a supplemental report fully responding to the letter of August 28, 1970.

The information contained in this report on investigation No. 332-64 was obtained from evidence submitted at the public hearing, from briefs, from fieldwork, from other Government agencies, and from the Commission's files. 1/

Milk and other dairy products play a major role in the farm economy of the United States. In 1969, U.S. farmers produced 116 billion pounds of milk; their sales of milk, which accounted for a seventh of total cash receipts from the sale of all farm products, had a value of about $6.2 billion. The sales of dairy products ranked second only to sales of livestock. The annual value of dairy products sold by farmers in recent years has been less than half the value of meat animals sold, but substantially larger than that of either feed crops or poultry products; it has been double to triple the value of farmers' sales of cotton, food grains, or tobacco.

1/ The Commission issued a public notice of the institution of this investigation on June 26, 1970. The notice was posted at the Commission's offices in Washington, D.C., and in New York City; it was published in the Federal Register of July 1, 1970 (35 F.R. 10704) and in the July 15, 1970, issue of the Customs Bulletin. A public hearing was held Aug. 3-7, 1970; all interested parties were afforded an opportunity to produce evidence and to be heard.

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

Dairy products are derivative from whole milk. In studying imports of dairy products, and in particular, the effects of imports on programs of the Department of Agriculture, a method for comparing these products with varying milk content, i.e., the concept of "milk equivalency," was formulated. This concept, which

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

is based upon the solids content of whole milk, assumes that the fat and nonfat solid portions in whole milk are in the ratio of 1:2.3 at the present time. Thus, for a given poundage of whole milk, it is assumed that 3.7 percent thereof is butterfat and 8.6 percent thereof is nonfat solids. 1/

Even though imports of dairy products do not contain butterfat and nonfat milk solids in the same proportion as in whole milk, the milk equivalent thereof has usually been computed only on the basis of their butterfat content. The Department of Agriculture, however, supports the price of both butterfat and nonfat milk solids through the purchase of 3 products--butter (the milk solids content of which is virtually all butterfat), Cheddar cheese (which contains virtually all the butterfat and about half of the nonfat milk solids in whole milk), and nonfat dry milk (the milk solids content of which is virtually all nonfat milk solids). In examining the effects of imports on the price-support programs, it is therefore necessary to give due consideration not only to the butterfat, but also to the nonfat milk solids contained therein.

Imports of many of the basic forms of nonfat milk solids (i.e., nonfat dry milk, dry buttermilk, and dry whey) have been subject to section 22 quotas since the initial section 22 quotas

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

were established in 1953. Since that time most of the emphasis on imports of dairy products has been on products containing butterfat and no nonfat milk solids or on products containing large proportions of butterfat in relation to their nonfat milk solids content. As the imports of these products have increased they have generally been placed under section 22 limitations to prevent them from interfering with the price support programs.

As the imports of dairy products with significant butterfat content have been for the most part brought under section 22 controls, importers have now also turned their attention toward products which contain little or no butterfat, but which contain significant amounts of nonfat milk solids (e.g., the lactose considered in this investigation and the animal feeds and low-fat cheese considered in investigation No. 22-28). When measuring imports of such products, milk equivalency on a butterfat basis is obviously of limited usefulness. In this report, as in previous Tariff Commission reports on dairy products, the milk equivalency concept on a butterfat basis is used in discussions regarding total imports, production, exports, and stocks of dairy products. However, in the portion of this report that deals with individual dairy products, such products are discussed in terms of their relevant fat and nonfat solids content.

Since January 1969, when the latest section 22 quotas on dairy products became effective, imports of uncontrolled dairy

products have increased sharply or entered for the first time in substantial quantities. In January-July 1970, U.S. imports of dairy products amounted to 975 million pounds of milk equivalent, of which 441 million pounds was admitted under section 22 quotas. 1/ Total imports of dairy products were about 29 percent larger in January-July 1970 than in the corresponding period of 1969.

Four of the quota-free articles that entered in increased quantities in 1969 and early 1970 are the subject of the section 22 report submitted to the President on September 21, 1970 and released to the public on October 6, 1970: ice cream, chocolate crumb containing 5.5 percent or less by weight of butterfat (low-fat chocolate crumb), certain animal feeds containing milk or milk derivatives (milk replacer bases), and certain cheese containing 0.5 percent or less by weight of butterfat (skim milk cheese for manufacturing). These four articles 2/ accounted for 180 million pounds of the 534 million pounds of quota-free imports of dairy products entered in January-July 1970; the cheeses having a purchase price of 47 cents per pound or over that are comprised in item (A) in the Ways and Means Committee resolution accounted for another 239 million pounds; and sheep's milk cheese, 3/

1/ The milk equivalent of part of the products in item (C) and of all of the products in item (D) of the Ways and Means Committee resolution is included in the 441-million-pound figure.

2/ Ice cream accounted for nearly all of the milk equivalent of the four products.

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

which is not included in either this investigation or investigation No. 22-28, accounted for the remainder (115 million pounds). Currently, imports of lactose--item (B) of the resolution--and chocolate crumb containing 5.5 percent or less by weight of butterfat--included in item (C)--are also quota free. Imports of the other chocolate articles comprised in product (C) of the resolution and "other cheese" from New Zealand--item (D)--have been subject to section 22 quotas since January 1969.

U.S. CONSUMPTION

Aggregate annual U.S. consumption of milk and other dairy products increased gradually after World War II to a peak of 123 billion pounds in 1964 (table 2). Thereafter it declined to 119 billion pounds in 1966 and 116 billion pounds in 1967. During the period 1967-69, however, aggregate annual consumption of milk and dairy products ranged from 116 billion to 117 billion pounds, indicating that the decline in consumption that occurred from 1964 to 1967 may have temporarily halted. Nonetheless, aggregate consumption was substantially smaller in each of the years 1967-69 than in any year since 1955 (table 2).

Annual per capita civilian consumption of milk and other dairy products (in terms of milk equivalent) has declined in almost every year since World War II (table 3). In 1969, civilian consumption of 568 pounds per capita was about a fourth less than in the years immediately following World War II. The U.S. Department of Agriculture has recently estimated that by 1980 per capita consumption will amount to about 450 pounds. 1/ Although per capita consumption has declined substantially, the growth in U.S. population has resulted in aggregate consumption being larger in recent years than immediately after World War II. Aggregate consumption of milk and dairy products exclusive of that under Federal programs has declined in recent years, indicating that Government donations have been playing a larger role in maintaining U.S. consumption of milk and dairy products.

1/ U.S. Department of Agriculture, Agricultural Outlook Digest, August 1970, p. 3.

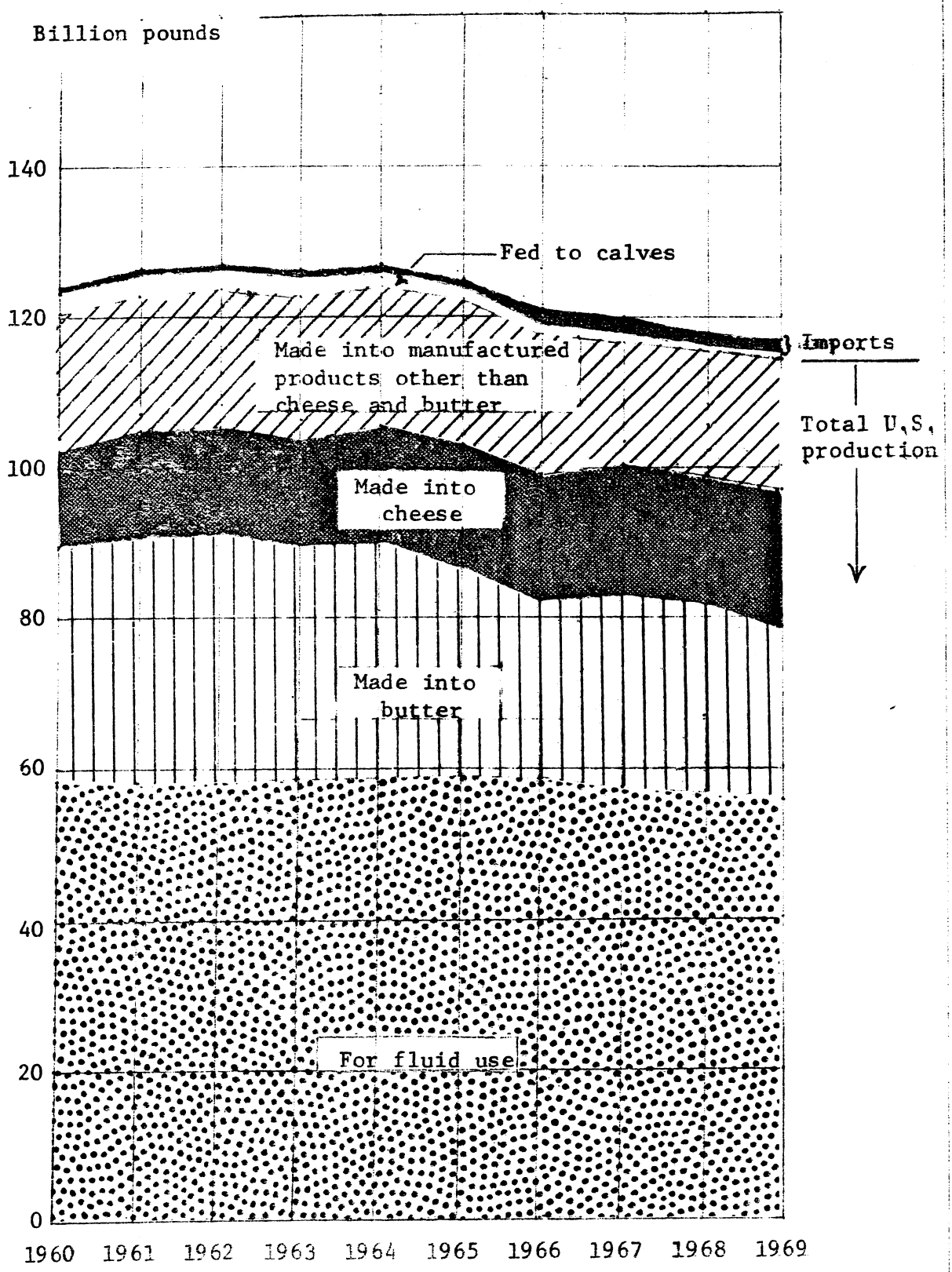
Trends, by Major Products

Over the years, the civilian consumption of milk in the United States has consisted about equally of that consumed in fluid form (hereinafter referred to as fluid milk) and that consumed in the form of manufactured dairy products (fig. 1). The per capita consumption of both fluid milk and manufactured dairy products has declined materially since 1950--by about 20 percent for each type of product. The longrun trend of per capita consumption of some dairy products, however, differs materially from that of others (table 3). The per capita consumption of fluid milk and cream, butter, and evaporated milk, on the one hand, has declined for a number of years; that of cheeses, on the other hand, has increased. Developments in the consumption of the individual dairy products considered in this investigation are discussed in subsequent sections of this report.

Distribution Channels

The great bulk of U.S. consumption of milk and other dairy products--more than nine-tenths--has been accounted for by products that have moved into consumption through commercial channels. Milk consumed on farms where it was produced and dairy products donated or subsidized by Federal programs have accounted for the remainder. The annual quantity of milk consumed on farms has declined sharply since World War II, dropping from an average of about 15.0 billion pounds in 1947-49 (14 percent of aggregate consumption) to 2.6 billion pounds in 1969 (3 percent).

Figure 1.--U.S. production of milk and milk equivalent of U.S. imports of dairy products, 1960-69



In the last decade, 4.5 billion to 8.7 billion pounds of milk and other dairy products have reached the consumer annually through two groups of Federal programs: (1) donations to welfare programs and (2) school lunch and special milk programs (table 2). In 1968 and 1969 an average of 8.4 billion pounds of milk and other dairy products (7.2 percent of average annual consumption of milk in the United States) was distributed through those programs, compared with an annual average of 616 million pounds in 1947-49 (0.5 percent of consumption), when only the school lunch program was in effect. Federal donations to welfare programs have varied widely from year to year, depending largely on the quantities of dairy products held by the Federal Government as a result of acquisitions under the price-support program. The quantities of milk and dairy products consumed through the school lunch and special milk programs generally have been increasing for many years. In 1968 and 1969 about 3.5 billion pounds of milk and dairy products were distributed through those two programs.

Factors Affecting Consumption

The longrun decline in aggregate per capita consumption of dairy products occurred despite a marked rise in disposable real personal income in the United States. 1/ Changing food consumption patterns arising from a variety of economic, cultural, and technological developments have, on balance, adversely affected the per capita consumption

1/ Aggregate disposable personal income in the United States, in terms of constant (1958) dollars, increased 127 percent from 1950 to 1969; such income on a per capita basis rose by 69 percent in the same period.

of both fluid milk and manufactured dairy products. In recent years, many consumers have adhered to low-fat diets because of concern about their weight and intake of cholesterol. Shifts in food habits resulting from such diets have contributed to the decline in per capita consumption of butter, cream, and other high-fat dairy products; on the other hand, such shifts have stimulated the consumption of skimmed milk and nonfat dry milk, as well as low-fat nondairy products. In recent years, substitute products that are lower in cost and/or more convenient to use than the competitive dairy products have become increasingly available to the consumer. Among such articles currently on the market are oleomargarine, nondairy creamers, whipped toppings, and imitation dairy products (including milk) made from vegetable fat. Oleomargarine, which has long competed with butter, has had the greatest impact on the decline in the domestic consumption of dairy products.

U.S. PRODUCTION

In the two decades following World War II, annual production of milk in the United States increased slowly and reached a peak of 127 billion pounds in 1964 (table 4). Production varied little from year to year during that period; fluctuations in annual output rarely exceeded 2 percent. After 1964, however, U.S. production of milk declined significantly. By 1969, output had decreased to 116 billion pounds, an amount only slightly larger than the 1947-49 annual average of 115 billion pounds. In February 1970, the U.S. Department of Agriculture estimated that the output of milk in 1970 would be about the same as that in 1969. Notwithstanding the reduced output of milk

in 1969, the value of sales of milk by U.S. farmers in that year was $6.2 billion, the highest on record.

U.S. Dairy Farmers

In the past two decades U.S. dairy farmers have altered their operations considerably. The number of U.S. farms selling milk and/or cream declined from about 2.0 million in 1950 to 400,000 in 1969 (table 5); the Department of Agriculture has recently estimated that only 200,000 farms will be selling milk and cream by 1980. 1/ From 1950 to 1969, the number of cows kept for milking declined from about 22 million to 13 million head. Output per cow, meanwhile, increased from about 5,300 pounds to 9,200 pounds.

The farmers that have remained in dairying in recent years have expanded and specialized, thus increasing their output per unit. The actual net farm income as reported by the U.S. Department of Agriculture for "typical" dairy farms producing Grade A 2/ milk in central New York and southeast Wisconsin increased from an average of $7,494 and $9,945, respectively, in 1964-66 to $12,381 and $15,121 in 1969. 3/

Distribution of the Domestic Output of Milk

In recent years, about half of total U.S. production of milk has been consumed in the fluid form (table 6). Of the remaining half,

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1/ U.S. Department of Agriculture, Agricultural Outlook Digest, August 1970, p. 3.

2/ Grade A milk, which is produced under specified sanitary conditions, may be either sold for fluid consumption or used in the production of manufactured dairy products. Manufacturing grade milk may not be sold for fluid consumption; it is only sold to produce manufactured dairy products.

3/ The "typical" farms are statistical models constructed in large part from information obtained from dairy farmers in those regions.

about 44 percent has been used in making butter (and its byproduct nonfat dry milk); 27 percent, in cheese; 17 percent, in frozen dairy products (principally ice cream); and the remaining 12 percent, in a variety of other products, including condensed and evaporated milk. The aggregate quantity of milk used in making dairy products has declined since 1964, largely because of a reduction in the output of butter. The quantity of milk used in making cheese, however, has increased. Because of the strong demand for cheese and the declining supplies of milk, producers of cheese have been increasing the prices paid to farmers for milk more than have those producing butter.

YEAREND STOCKS OF DAIRY PRODUCTS

During the last two decades, annual yearend stocks of dairy products (commercial and Government-owned) have fluctuated widely (table 7). From 1967 to 1969 total yearend stocks declined 35 percent. During that period the bulk of the stocks were owned commercially, indicating that supplies of dairy products were more in balance with commercial demand at prevailing prices than in earlier periods such as 1960-62 and 1953-55, when total stocks were exceedingly large and the bulk of the stocks were Government owned.

FEDERAL PROGRAMS FOR DAIRY PRODUCTS

Federal Marketing Orders

In 1969 about 56 percent of the milk sold by farmers to handlers (processors or dealers) was marketed under Federal Milk Marketing Orders, as compared with about 50 percent in 1967. These orders,

administered by the U.S. Department of Agriculture, require milk handlers in each Federal Milk Marketing Order area to pay farmers in the area certain minimum prices for Grade A milk, based on its end use. In June 1970, 68 orders were in effect, as compared with 74 orders in 1967. Minimum prices for Grade A milk marketed for consumption in the fluid state (class I) and that marketed for manufacturing use (surplus Grade A milk) are established under the orders. Federal Milk Marketing Orders for manufacturing-grade milk are permitted by law, but none have been established to date. Government price support, by the purchase of manufactured dairy products, affects the price of manufacturing-grade milk, particularly in the Minnesota-Wisconsin area, where about half of that milk is produced. Minimum prices for Grade A milk in other areas are generally fixed at specified premiums above the price of manufacturing-grade milk in the Minnesota-Wisconsin area. 1/

The Price-Support Program

The Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the prices of whole milk, butterfat, and products made therefrom, at such level between 75 percent and 90 percent of parity as will assure an adequate supply of milk. 2/ To achieve

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

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

this objective the Department of Agriculture maintains a purchase program for three manufactured dairy products--butter, Cheddar cheese, and nonfat dry milk--which enables farmers to be paid a price for their milk at least equal to the announced support objective for manufacturing-grade milk and butterfat. As indicated earlier, the Department also establishes minimum prices to be paid to farmers for Grade A milk under Federal Milk Marketing Orders in many areas. 1/

In advance of each marketing year (which begins April 1), the Secretary of Agriculture announces the price-support objective for manufacturing-grade milk and the price at which the Department of Agriculture will purchase butter, Cheddar cheese, and nonfat dry milk in order to reflect that objective to the farmer. 2/ The support objective for milk for manufacturing and the purchase price of the three dairy products may be altered--within the limits imposed by the legal parity objectives--whenever the Secretary deems it necessary to carry out the statute's directive. The Department's offer to purchase butter, Cheddar cheese, and nonfat dry milk is not limited to specific quantities; 3/ the products offered, however, must meet certain specifications.

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

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

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

Since November 1965, the Secretary of Agriculture has also been authorized to purchase the three products at market prices above the support price, if necessary to meet commitments under various Government programs (e.g., the school lunch program). 1/

The Secretary of Agriculture has periodically increased the price-support objective for milk for manufacturing since the beginning of the 1963 marketing year (table 8). The most recent increase was on April 1, 1970, when the support price for manufacturing-grade milk was increased from $4.28 to $4.66 per hundredweight, the highest price on record. The support objective on April 1, 1970, was equivalent to 85 percent of parity. During 1969 the average price received by farmers for manufacturing-grade milk was 26 cents per hundredweight above the Commodity Credit Corporation (CCC) support objective; the market price for Cheddar cheese at Wisconsin assembly points averaged about 5.5 cents per pound above the CCC support price. Market prices for butter and nonfat dry milk approximated the support prices.

The Department of Agriculture generally stands ready to resell dairy products to domestic commercial users for unrestricted use at announced prices, which are always above the Government purchase price. 2/ The announced resale price ordinarily sets a ceiling on the

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

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

wholesale market price for the products except when Government stocks are low. Stocks of dairy products owned by the CCC have not been resold to the domestic market at less than 110 percent of the purchase price since March 30, 1967. Previously the Department's resale price of dairy products for unrestricted use was about 105 percent of the purchase price.

Government Purchases

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

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

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

years were as follows (in millions of pounds, milk equivalent fat-solids basis):

Period 1/	U.S. milk production	Milk equivalent of gross removals (CCC purchases and PIK exports on a delivery basis)	Percent of U.S. milk production	Milk equivalent of subsequent unrestricted domestic sales
Average:				
1953-57--	123,070	7,089	5.8	180
1958-62--	124,055	5,962	4.8	19
Annual:				
1963-----	125,202	7,777	6.2	32
1964-----	126,967	8,464	6.7	788
1965-----	124,173	6,426	5.2	761
1966-----	119,892	645	.5	-
1967-----	118,769	7,428	6.3	1
1968-----	117,234	2/ 5,165	4.4	6
1969-----	116,200	3/ 4,552	3.9	25
January-July-----				
1969---	70,363	4/ 4,148	5.9	21
1970---	70,566	5,186	7.3	-

1/ Calendar year basis.
2/ Includes milk equivalent of 115 million pounds of evaporated milk purchased with sec. 32 funds.
3/ Includes milk equivalent of 226 million pounds of evaporated milk purchased with sec. 32 funds.
4/ Includes milk equivalent of 32 million pounds of evaporated milk purchased with sec. 32 funds.

Gross removals of dairy products from the commercial market by the Department of Agriculture accounted for a smaller share of the U.S. output of milk in 1968 and 1969 than in most earlier years. Such removals were larger in January-July 1970, however, than in the comparable period of 1969. Annual purchases of the individual products--butter, Cheddar cheese, and nonfat dry milk--under the support program have varied (table 10); generally, CCC purchases have decreased when

the market prices have been materially greater than the Government's support prices (table 8).

When purchases at support prices have been small and stocks of dairy products owned by the CCC are deemed insufficient to meet commitments under various Government programs such as the school lunch program, the Secretary of Agriculture is authorized under section 709 of Public Law 89-321 (the Food and Agriculture Act of 1965) to use CCC funds to purchase dairy products at market prices (rather than at support prices). In 1966, when purchases were first made under the authority of section 709, all of the cheese and about a third of the butter were bought at market prices; no nonfat dry milk was purchased under section 709. From 1966 until the latter part of 1969, dairy products were not purchased under section 709, but rather were bought at support prices. During the period October-December 1969, Cheddar cheese was again purchased at market prices under section 709.

During the period January-March 1970, no purchases of cheese were made by the Government. On April 1, 1970, the support price for cheese was increased (table 8) and the difference between the market prices and the support prices narrowed. Thus, in April the Government resumed purchases of cheese at support prices.

Disposition of Government stocks

The dairy products acquired by the Government under the price-support programs are nearly all disposed of through domestic welfare outlets and sales or donations abroad. As shown in the tabulation in the previous section, small quantities have been disposed of through

unrestricted commercial sales. Domestic disposal has been to welfare recipients, the school lunch program, military and veterans' hospitals, and penal and correctional institutions. The quantity of dairy products consumed under Federal programs and that consumed through commercial channels in the United States are shown in table 2. Disposal abroad has been through sales for local currency, barter, long-term supply contracts, and donations to famine relief.

Inasmuch as the dairy products acquired by the Government under the price-support program have generally been utilized quite promptly in recent years, uncommitted yearend supplies have been small (table 10). The purchases of butter and Cheddar cheese by the Government in recent years have generally been disposed of through school lunch and welfare programs within the United States, whereas most of the nonfat dry milk has been donated abroad. In 1962-65, however, substantial quantities of nonfat dry milk and small amounts of butter were exported under the U.S. Government PIK program. On March 2, 1966, the U.S. Department of Agriculture announced that the PIK export program for dairy products had been temporarily suspended until the domestic dairy supply situation again justified its use; by May 1, 1970, the program had not been reinstated. 1/

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

Costs of the Dairy Price-Support Programs

The U.S. Department of Agriculture reports that the annual net Government expenditures 1/ on the dairy price-support and related programs reached a peak of $612.0 million in the year ending June 30, 1962, owing to unusually large Government purchases of butter, Cheddar cheese, and nonfat dry milk. During the years ending June 30, 1963-69, the expenditures ranged from $68.6 million (in 1966) to $485.5 million (in 1963) a year (table 9); in the year ending June 30, 1970, they amounted to about $285.0 million. With the exception of 1966, the expenditures in the year ending June 30, 1970, were at the lowest level since 1963. In July 1970, the Department of Agriculture estimated that the expenditures for the 1970-71 marketing year (ending March 31) would amount to $403 million. 2/

The great bulk of the expenditures have been for purchasing butter, Cheddar cheese, and nonfat dry milk. In recent years the expenditures for purchasing Cheddar cheese have been lower than those for purchasing butter and nonfat dry milk. Since 1965 the expenditures for Cheddar cheese have only accounted for 4 percent (in 1966) to 18 percent (in 1968) of the total annual expenditures for the three products.

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

2/ Transcript of hearing on Tariff Commission investigation No. 22-28, p. 12.

Section 22 Quotas on Imports of Dairy Products

For a number of years, U.S. imports of a variety of dairy products have been subject to absolute quotas under the provisions of section 22 of the Agricultural Adjustment Act, as amended (hereinafter referred to as section 22).

Current quotas

The current annual quotas are as follows:

Commodity 1/	Quantity (product-weight)
Fluid or frozen milk and cream containing over 5.5 percent by weight of butterfat.	1,500,000 gals.
Milk and cream, condensed or evaporated---	5,391,000 lbs.
Dried buttermilk and dried whey----------	496,000 lbs.
Dried skimmed milk----------	1,807,000 lbs.
Dried whole milk----------	7,000 lbs.
Dried cream----------	500 lbs.
Butter----------	707,000 lbs.
Butter substitutes containing more than 45 percent of butterfat and butter oil.	1,200,000 lbs.
Blue-mold (except Stilton) cheese, and cheese substitutes for cheese containing, or processed from, blue-mold cheese.	5,016,999 lbs.
Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese.	10,037,500 lbs. 2/
American-type cheese, including Colby, washed curd, and granular cheese (but not including Cheddar) and cheese and substitutes for cheese containing, or processed from, such American-type cheese.	6,096,600 lbs.
Edam and Gouda cheeses----------	9,200,400 lbs.
Cheese and substitutes for cheese containing, or processed from, Edam and Gouda cheeses.	3,151,000 lbs.
Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provolone, Provolette, and Sbrinz).	11,500,100 lbs.

See footnotes at end of table.

Commodity	Quantity (product-weight)
Italian-type cheeses, made from cow's milk, not in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provolone, Provolette, and Sbrinz), and cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves.	1,494,000 lbs.
Swiss or Emmenthaler cheese with eye formation; Gruyere-process cheese; and cheese and substitutes for cheese containing, or processed from, such cheeses: 3/	
Swiss or Emmenthaler cheese with eye formation.	4,271,000 lbs.
Other than Swiss or Emmenthaler cheese with eye formation.	3,289,000 lbs.
Cheeses and substitutes for cheese provided for in items 117.75 and 117.85, part 4C, schedule 1 (except cheese not containing cow's milk; cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat, and articles within the scope of other import quotas provided for in part 3 of the appendix to the TSUS (hereafter referred to as "other cheese"). 3/	25,001,000 lbs.
Malted milk, and articles of milk or cream.	6,000 lbs.
Chocolate provided for in item 156.30, part 10, schedule 1, if containing over 5.5 percent by weight of butterfat (except articles for consumption at retail as candy or confection).	17,000,000 lbs.
Certain articles containing over 45 percent of butterfat.	None.
Certain articles containing over 5.5 percent but not over 45 percent by weight of butterfat and classifiable under item 182.92 or 182.95.	2,580,000 lbs.

1/ For the complete description, see pt. 3 of the appendix to the Tariff Schedules of the United States (TSUS).

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

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

About half of the import quotas shown above were established in 1953; the remainder were proclaimed subsequently after imports of particular articles derived from milk were determined to have interfered with the price-support programs of the U.S. Department of Agriculture for milk and butterfat. The most recent quotas, which were established in January 1969 (Presidential Proclamation No. 3884), apply to condensed or evaporated milk and cream; process Edam and Gouda cheese; certain Italian-type cheeses not in original loaves; Swiss or Emmenthaler cheese, Gruyere-process cheese, and certain "other cheeses," if having a purchase price of less than 47 cents per pound; certain chocolate provided for in item 156.30; and certain articles containing over 5.5 percent but not over 45 percent butterfat provided for in items 182.92 or 182.95. 1/

On an annual basis, the maximum permissible quantity of the specified dairy products that can currently be imported under the quotas amounts to about 946 million pounds (milk equivalent, fat-solids basis) --an amount equal to 0.8 percent of U.S. production of milk in 1969. The quantity of some dairy products permitted entry under quota is very small compared with U.S. production, whereas the quantity of others is large. The quantities specified in the existing quotas on butter, cream, Cheddar and American-type cheeses, certain Swiss cheese, certain "other cheese," and dried milk products, for example, are very small

1/ Earlier actions under sec. 22--including the temporary quotas imposed in 1968 on condensed or evaporated milk and cream, process Edam and Gouda cheese, certain Swiss or Emmenthaler and Gruyere-process cheese and certain "other cheeses"--are discussed in TC Publication 274, op.cit., pp. A-16-17.

compared with the domestic output. The quotas on blue-mold cheese and Italian-type cheeses were equivalent to about 24 percent and 14 percent, respectively, of the domestic output in 1969, and the quotas on Edam and Gouda cheese (natural and process) and Gruyere-process cheese were larger than the domestic output.

In recent years the quotas on most dairy products (except dried cream) have been filled or substantially filled. The quotas on dried cream (500 pounds) and on condensed milk and cream not packed in air-tight containers (5,000 pounds) are not large enough to attract commercial shipments.

Administration of section 22 quotas

Import quotas on butter substitutes containing over 45 percent butterfat and butter oil, aged Cheddar cheese, certain articles containing 5.5 to 45 percent butterfat--including fluid or frozen milk and cream--and condensed and evaporated milk and cream are administered by the Bureau of Customs on a first-come, first-served basis; imports of all other dairy products under quota are subject to licensing procedures of the Department of Agriculture. The dairy products subject to such licensing procedures may be imported into the United States only by or for the account of a person or firm licensed by the Department of Agriculture, and only in accordance with the terms of the license. The license authorizes a particular firm to enter designated quantities of a specific dairy product from a designated country through a specified port of entry; the license for entries of most cheeses further require that not more than half of the designated quantity be imported in the first 6 months of the quota year.

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

U.S. FOREIGN TRADE IN DAIRY PRODUCTS

Although the United States has generally been a net exporter of dairy products since World War II, imports have exceeded exports since 1966 (table 1). Exports have been small compared with domestic production. Most of the U.S. exports of dairy products have been under various Government programs. Unsubsidized U.S. exports of dairy products have been negligible. During the period 1963-69, annual U.S. exports of dairy products ranged from 6,872 million pounds in 1964 (equivalent

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

to 5.4 percent of the U.S. output) to 363 million pounds in 1967 (0.3 percent of U.S. output). In 1969, exports amounted to 937 million pounds, equal to 0.8 percent of milk production.

For many years, U.S. imports of dairy products have been small compared with domestic production (table 1). U.S. imports of certain dairy products are shown in table 11 for the years 1966-69 and January-June 1969 and 1970 (product-weight basis). Until 1966, annual imports amounted to less than 1 billion pounds (milk equivalent) and were equal to less than 1 percent of U.S. production of milk. In 1966, however, imports increased sharply, amounting to 2.8 billion pounds (equivalent to 2.3 percent of domestic output). Imports in 1967 were even higher --2.9 billion pounds (equivalent to 2.4 percent of U.S. production).

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

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

In 1968 several Presidential actions were taken with regard to U.S. imports of dairy products. First, on June 10, 1968, the President requested the Tariff Commission to make an investigation under section 22 with respect to eight articles, imports of which he had reason to believe, as did the Secretary of Agriculture, were interfering with the price-support program for milk and butterfat. 1/ In conjunction with the request, the President proclaimed emergency (temporary) quotas under section 22(b) on condensed or evaporated milk and cream; 2/ subsequently, on September 24, 1968, he proclaimed emergency quotas on "process" Edam and Gouda cheese as well as on Swiss or Emmenthaler cheese, Gruyere-process cheese, and certain "other cheese" having a purchase price under 47 cents per pound. 3/

On January 6, 1969, following a report by the Tariff Commission, the above-mentioned emergency quotas on the canned milk products and on all cheese except "other cheese" were made "permanent"; 4/ for "other cheese" the product coverage and the quota quantity were changed. For the purpose of the permanent quota, the term "other cheese" does not include cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat, but does include whey

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1/ The articles were condensed or evaporated milk and cream; "aged" Cheddar cheese; "process" Edam and Gouda cheese; certain Italian-type cheeses made from cow's milk, not in original loaves; certain "other cheeses"; Swiss or Emmenthaler cheese with eye formation and Gruyere-process cheese; certain chocolate products containing over 5.5 percent by weight of butterfat; and certain articles provided for in TSUS items 182.92 and 182.95 containing over 5.5 percent by weight of butterfat.

2/ Presidential Proclamation No. 3856.

3/ Presidential Proclamation No. 3870.

4/ Presidential Proclamation No. 3884.

cheese if it contains 0.5 percent or more by weight of butterfat or has a purchase price under 47 cents per pound. Moreover, the new annual quota was 7,500,000 pounds larger than the emergency quota; all of the increase was allocated to New Zealand, a country that had not been a historical supplier of "other cheese" to the United States.

Certain Italian-type cheeses (not included in "other cheese") and certain other products having a butterfat content of 5.5 percent or more were also made subject to quota for the first time on January 6, 1969. When the proclamation was issued on that date, the U.S. Department of Agriculture announced: "It is estimated that 1969 U.S. imports of all dairy products--both within and outside the import control system--will amount to approximately 1.3 billion pounds (milk equivalent)." 1/ In 1969, imports of dairy products amounted to 1.6 billion pounds (equal to 1.4 percent of the U.S. production of milk). In January-July 1970, imports of dairy products were 975 million pounds, about 29 percent larger than in the corresponding period of 1969. Projected on an annual-rate basis, imports in 1970 would amount to 1.7 billion pounds of milk equivalent.

Shortly after the quotas became effective in January 1969, imports of uncontrolled dairy products increased sharply or entered for the first time in substantial quantities. Four of the articles that entered in increased quantities in 1969 and early 1970 are the subject of a recent section 22 investigation: ice cream, chocolate crumb containing 5.5 percent or less by weight of butterfat (low-fat chocolate

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1/ U.S. Department of Agriculture press release U.S.D.A. 31-69, Jan. 6, 1969.

crumb), certain animal feeds containing milk or milk derivatives (milk-replacer bases), and certain cheese containing 0.5 percent or less by weight of butterfat (skim milk cheese for manufacturing).

Two others among the uncontrolled dairy products that entered in increased quantities in 1969 and early 1970 are the subject of the present section 332 investigation; they are cheese and substitutes for cheese having a purchase price of 47 cents per pound or over (item (A) of the Ways and Means Committee resolution), and lactose (item (B) of the resolution). Imports of these products have grown as shown below on a product-weight basis (in millions of pounds):

Period	Cheese, 47 cents or more per pound	Lactose
1968----------	21.5	0.4
1969----------	37.4	4.2
Jan.-July-----		
1969--------	16.8	1.5
1970--------	28.8	2.9

Imports of the two remaining products subject to the present section 332 investigation, chocolate crumb (item (C) of the resolution) and "other cheese" from New Zealand (item (D) of the resolution) have, except low-fat chocolate crumb, been limited by quotas effective since January 1969. Imports of these two products are shown below on a product-weight basis (in millions of pounds):

Period	Chocolate crumb	"Other cheese" from New Zealand
1967----------	21.5	1/
1968----------	45.3	1/
1969----------	17.2	7.5
Jan.-July--------		
1969----------	14.5	3.7
1970----------	12.9	4.1

1/ Less than 50,000 pounds.

However, estimated imports of uncontrolled low-fat chocolate crumb (part of product (C)), which is subject to the present investigation, increased significantly from about half a million pounds in 1969 to 7.2 million pounds during January-July 1970.

For many years the price-pull in the U.S. market for foreign dairy products has been greater for products of high butterfat content than for products of high nonfat milk solids content. In recent years, as the quotas have lowered the butterfat content of permissible imports, shipments of dairy products to the United States have consisted of increasing quantities of products of relatively high nonfat milk solids content and/or little or no butterfat. 1/ An increase in U.S. prices of nonfat milk solids has been a contributing factor in the rise in imports of articles primarily containing or made from nonfat solids, such as lactose, shown in an earlier tabulation.

Pressure by foreign countries to enter the U.S. dairy market despite the widening coverage of dairy products by import quotas can be explained largely by a significant differential that has existed in recent years between the U.S. price of dairy products and the substantially lower world price. For example, in March 1970 the wholesale price of butter (finest grade from New Zealand) in London--a principal market--was 32.1 cents per pound; in Chicago, it was 68 cents per pound. The price of nonfat dry milk in London was 9.4 cents per pound; the average U.S. market price was 27.0 cents per pound.

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

ARTICLES SPECIFIED IN THE RESOLUTION

The following portion of this report gives the requested information relating to the four groups of products specified in the resolution to which this report is responsive. Data shown are expressed in terms of product weight.

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

The cheeses and substitutes for cheese designated in item (A) of the resolution are of the same varieties as, but have a higher purchase price than, the cheeses made subject to import quotas under section 22 of the Agricultural Adjustment Act, as amended, on January 6, 1969. 1/ The quotas currently limit the imports of these cheeses if they have a purchase price under 47 cents per pound 2/ or are shipped otherwise than in pursuance to a purchase, whereas the imports of the higher priced cheeses are free of quotas.

The varieties of cheeses and substitutes for cheese considered here are, for convenience of discussion, divided into the following

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1/ Presidential Proclamation No. 3884.

2/ The purchase price shall be determined by the District Director of Customs on the basis of the aggregate price received by the exporter, including all expenses incident to placing the merchandise in condition, packed ready for shipment to the United States, but excluding transportation, insurance, duty, and other charges incident to bringing the merchandise from the place of shipment in the country of exportation to the place of delivery in the United States (headnote 3(a)(iii) to part 3 of the appendix to the TSUS).

three categories, each identified by the TSUS item number under which the annual quotas are provided in part 3 of the appendix to the TSUS:

TSUS item No.	Description
950.10B	Swiss or Emmenthaler cheese with eye formation.
950.10C	Gruyere-process cheese
950.10D	"Other cheese" (includes natural Gruyere cheese and a wide variety of natural and process cheeses not specifically provided for by name in the TSUS; also cheese mixtures and substitutes for cheese 1/).

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

With respect to the aforementioned cheeses having a purchase price of 47 cents per pound or more, the resolution asks for information on domestic production, foreign production, imports, consumption, channels and methods of distribution, prices (including pricing practices), United States exports, and other factors of competition. In this regard, the Commission has not been able to obtain data on foreign production and certain of the data for each of the individual classes of cheese. However, the Commission has been able to obtain or estimate most of the other data requested in sufficient detail to form a reasonable basis for certain conclusions as to the nature of this trade.

U.S. customs treatment

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

TSUS item	Commodity	Rate of duty
117.60(pt.)	Swiss or Emmenthaler cheese with eye formation.	11% ad val.
117.60(pt.)	Gruyere-process cheese	11% ad val.
	"Other cheese" valued per pound--	
117.75(pt.)	Not over 25 cents	5¢ per lb.
117.85(pt.)	Over 25 cents	14% ad val.

The 11-percent rate of duty on the cheese dutiable under TSUS item 117.60 became effective January 1, 1970, and reflects the third stage of a five-stage concession granted by the United States in the sixth (Kennedy) round of trade negotiations under the GATT. The fifth-stage reduction--to 8 percent ad valorem--will become effective January 1, 1972.

The rate of duty on the "other cheese" dutiable under item 117.75--5 cents per pound--reflects a GATT concession that became effective early in 1950. On the total imports entered under item 117.75 during 1969, the ad valorem equivalent of the rate of duty averaged 27.7 percent. The 14-percent rate of duty on "other cheese" dutiable under item 117.85 became effective January 1, 1970, and reflects the third stage of a five-stage GATT concession. The

fifth-stage reduction--to 10 percent ad valorem will become effective on January 1, 1972. 1/

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

On September 24, 1968, most of the cheeses considered here were made subject to emergency quotas under section 22(b) of the Agricultural Adjustment Act, as amended, if having a purchase price under 47 cents per pound or if shipped otherwise than in pursuance to a purchase. 2/ On January 6, 1969, following a report by the Tariff Commission, 3/ those quotas were generally continued in effect. For "other cheese" the product coverage and the quota quantity were changed. For the purpose of the new (current) quota, the term "other cheese" does not include so-called low-fat cheese (i.e., cheese, except cottage cheese, containing no butterfat or not over 0.5 percent by weight of butterfat) but does include whey cheese if it contains 0.5 percent or more by weight of butterfat or has a purchase price under 47 cents per pound. Moreover, the annual quota quantity specified in the emergency quota was increased by 7,500,000 pounds (from 17,501,000 pounds to 25,001,000 pounds) in Presidential Proclamation No. 3884.

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

2/ Presidential Proclamation No. 3870.

3/ Certain Dairy Products: Report to the President on Investigation No. 22-27 . ., TC Publication 274, 1968.

The following tabulation shows the country allocation of the annual quotas currently applicable to certain cheeses if shipped otherwise than in pursuance to a purchase, or if having a purchase price under 47 cents per pound:

Country of origin	Quota quantity (pounds)
	Swiss or Emmenthaler cheese with eye formation (item 950.10B)
Austria	972,000
Denmark	609,000
Finland	1,843,000
Norway	367,000
Switzerland	200,000
West Germany	124,000
Other	156,000
Total	4,271,000
	Gruyere-process cheese (item 950.10C)
Austria	483,000
Denmark	119,000
Finland	1,516,000
Switzerland	10,000
West Germany	1,078,000
Other	83,000
Total	3,289,000
	"Other cheese" (item 950.10D)
Belgium	207,000
Denmark	8,966,000
Finland	1,124,000
France	931,000
Iceland	560,000
Ireland	151,000
Netherlands	56,000
Norway	222,000
Poland	2,064,000
Sweden	1,535,000
Switzerland	34,000
United Kingdom	274,000
West Germany	989,000
New Zealand	7,500,000
Other	388,000
Total	25,001,000

U.S. consumption

Swiss or Emmenthaler cheese with eye formation.--Annual U.S. consumption of Swiss or Emmenthaler cheese with eye formation (hereinafter referred to as Swiss cheese) increased without interruption from 122 million pounds in 1962 to 168 million in 1968 (table 12); in 1969, consumption amounted to 150 million pounds. The increase in consumption of Swiss cheese, a natural cheese made from cow's milk that is distinguished from other cheeses by its large holes, or eyes, is attributable largely to the popularity of cheese sandwiches and to promotional efforts of domestic producers and distributors of both domestic and imported cheeses.

Imports supplied from 8 to 10 percent of annual U.S. consumption of Swiss cheese during 1962-67. In 1968 when imports were exceptionally large, they supplied 23 percent; in 1969, they accounted for 13 percent.

A large share of the U.S. supply of Swiss cheese is used to manufacture process Swiss cheese. The natural Swiss cheese used for processing (often called grinders) is generally that which develops imperfect eyes or holes while being produced. Swiss cheese from Switzerland has traditionally been consumed as natural cheese in sandwiches, hors d'oeuvres, or as dessert cheese. In 1966, Swiss cheese from Switzerland began to be used in the United States for processing. By 1968, about one-third of the total imports of Swiss cheese (from all countries) were so used; in 1969, however, only a small quantity of the Swiss cheese from Switzerland was processed.

Gruyere-process cheese.—Gruyere-process cheese is generally made from natural Gruyere (a semihard cheese with a sharp flavor) 1/ or from a blend of natural Gruyere and natural Swiss cheeses. The Federal Standards of Identity require that the blend must contain not less than 25 percent by weight of natural Gruyere (21 CFR 19.750).

Annual U.S. consumption of Gruyere-process cheese, which averaged about 5 million pounds in 1964 and 1965, increased about 300 percent from 1965 to 1968. It amounted to about 20 million pounds in the latter year but declined to about 13 million pounds in 1969. Imports have supplied the bulk of the domestic consumption of Gruyere-process cheese for many years. The sharp rise in consumption is attributable largely to the promotion by U.S. importers and foreign exporters of Gruyere-process cheese in loaf form--mostly for slicing for use in sandwiches.

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

1/ Domestic production of natural Gruyere has been negligible, and imports, which are classified as "other cheese" in item 117.75 and 117.85, have been small.

the cheese is used in cheese sandwiches, principally by the institutional trade (restaurants, hotels, and hospitals); some loaves, particularly the small quantity imported from Switzerland, are marketed at the retail level for use in sandwiches.

"Other cheese."--The cheeses herein referred to as "other cheese" are not specifically provided for by name in the TSUS and are not made from sheep's milk. Included are natural cheese (principally cottage cheese and soft Italian-type cheese), process cheese, and cheese mixtures. As indicated earlier, there have been virtually no imports of substitutes for cheese.

In the period 1964-69, annual apparent U.S. consumption of the cheese herein considered increased from 1,228 million to 1,413 million pounds (table 13). The increase in consumption results primarily from the increased demand for cottage cheese and soft Italian-type cheeses, which in turn reflects a variety of factors, including rising consumer income, increased interest in cottage cheese by weight-watching consumers, the popularity of pizza, particularly among teenagers, improvements in the quality of the products, promotional efforts of both domestic producers and importers, and increasing acceptance of specialty cheese varieties.

Cottage cheese, which accounts for the great bulk of the U.S. consumption of "other cheese," is obtained almost entirely from domestic

producers. It is made from skimmed cow's milk or reconstituted nonfat dry milk. 1/ A source of protein at a lower cost than most other high-protein foods, it is used in the United States principally in salads. The other kinds of domestic cheeses which, if imported, would be classifiable as "other cheese" are cream cheese (which like cottage cheese requires refrigeration for long-distance shipment), brick, Munster, Neufchatel, Limburger, Monterey, and soft Italian-type cheeses such as Mozzarella and Ricotta made from cow's milk.

Imports, which until recently consisted almost entirely of specialties not produced in the United States, have supplied a small but increasing share of consumption--about 3 percent in 1969, compared with less than 1 percent in 1964. Such specialties are sold at retail for table use. A large part of the recent increase in imports of "other cheese," however, has consisted of cheese used almost exclusively for processing, such as Iceland milk cheese, so-called cream cheese, Mozzarella, Danish low-fat block cheese, and Danish full skim cheese, full skim block cheese, and so-called Monterey cheese. Mozzarella cheese is used mainly in pizza, lasagna, veal and egg plant parmigiana, and the like. The imported Danish low-fat block cheese and Danish full skim cheese and full skim block cheese are processed in the United States to make a low-fat cheese spread

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1/ Cottage cheese is the only known cheese currently subject to import quotas that may contain 0.5 percent or less by weight of butterfat.

marketed under the brand name of "Chef's Delight." The so-called Monterey cheese, as well as other varieties of cheese, the product of New Zealand and subject to the quota of 7,500,000 pounds under item 950.100, comprise item (D) of the resolution of the Ways and Means Committee and therefore are discussed below in a separate section of this report.

U.S. production

Swiss or Emmenthaler cheese with eye formation.--In volume of output, Swiss cheese ranks fourth among all cheeses (excluding cottage cheese) produced in the United States. The domestic production of Swiss cheese is surpassed only by the output of Cheddar, the soft Italian-type cheeses, and Colby. In 1969, Swiss cheese accounted for 7 percent of aggregate U.S. output of cheeses.

Annual U.S. production of Swiss cheese, which had been increasing gradually for several decades, rose more rapidly from 1962 to 1966--from 109 million pounds to 137 million pounds. It declined thereafter, amounting to 130 million pounds in 1969. Data are not available on the output of Swiss cheese valued at 47 cents or more per pound. During 1965-67, however, the quoted average prices paid for blocks of grade C Swiss cheese, 1/ f.o.b. Wisconsin assembly points, ranged from 41.7 cents per pound (in 1965) to 46.0 cents per pound (in 1967); in 1968 they amounted to 51.9 cents per pound, and in 1969 they increased to 58.3 cents per pound. It appears, therefore, that in recent years the bulk of the Swiss cheese produced in the United States has been priced over 47 cents per pound at the wholesale level.

For many years a large part of the domestic Swiss cheese was produced in Wisconsin in the form of large 180-to-200 pound wheels. In recent years, however, much of the domestic output of Swiss cheese

1/ The lowest price quotations for Swiss cheese are for grade C.

has been accounted for by blocks of rindless Swiss produced in other States. Many plants which formerly produced wheels of Swiss cheese do not have the patent rights to produce rindless Swiss; some of these plants have begun producing Cheddar cheese.

The number of U.S. plants producing Swiss cheese declined from 147 in 1962 to 107 in 1968. In 1958 Illinois became the first State to produce more Swiss cheese than Wisconsin; from 1958 to 1968 Illinois was the leading producing State. In 1968 Illinois produced 38 percent of the domestic output, while Wisconsin produced 26 percent; Ohio and Pennsylvania also produced large quantities.

U.S. firms do not have affiliates that produce Swiss cheese in other countries. Some of the leading U.S. producers of Swiss cheese, however, are also large importers of such cheese.

Gruyere-process cheese.--U.S. output of Gruyere-process cheese is small; it is produced by only one U.S. firm. That firm's annual output of the cheese once exceeded 1 million pounds but gradually declined to 420,000 pounds in 1967; the firm's output probably has not changed since that year. Virtually all of its output of Gruyere-process cheese is sold at retail in packages containing wedges weighing 1 ounce each. In 1968 such cheese was priced at 75 cents per pound delivered to the firm's warehouse at New York City. That firm is also a large importer of Gruyere-process cheese and a large producer and distributor of various other cheeses. Gruyere-process cheese accounts for only a small part of its sales.

"Other cheese."--U.S. production of "other cheese" increased from 1,223 million pounds in 1964 to 1,371 million pounds in 1969. U.S. output, by type, is shown in the following tabulation (in thousands of pounds):

Year	Cottage cheese 1/	Soft Italian-type cheese	Cream cheese	Brick and Munster	Other types	Total
1964----	861,869	149,092	114,127	52,396	45,332	1,222,786
1965----	863,943	163,793	116,266	53,030	45,166	1,242,198
1966----	856,743	186,883	111,194	57,721	51,061	1,263,602
1967----	867,992	199,456	117,065	51,007	43,786	1,279,306
1968----	902,073	227,669	114,622	49,834	43,014	1,337,212
1969----	917,675	234,133	124,120	52,460	42,565	1,370,593

1/ Includes creamed and partially creamed cottage cheese.

In recent years, cottage cheese has accounted for nearly 70 percent of the total output of all cheeses shown above. Data are not available on the U.S. output of cottage cheese, or the other cheeses shown above, valued at 47 cents or more per pound. The quoted retail prices at Chicago for cottage cheese ranged from 39 to 40 cents per pound during the period January 1969 through August 1970. Thus, it appears that the bulk of the cottage cheese produced in the United States in recent years has been priced under 47 cents per pound wholesale. It would appear that the bulk of the remaining cheeses produced in the United States and shown in the tabulation above have been priced at 47 cents or more per pound inasmuch as the price levels for most of them do not vary greatly from the price level for Cheddar cheese, which is currently 54 cents per pound, f.o.b. Wisconsin assembly points.

The plants that produce cottage cheese are located throughout the United States, particularly in heavily populated areas; those that produce the other cheese herein considered are mostly located in the North Central States. Many plants that produce various manufactured dairy products make cottage cheese in order to utilize nonfat dry milk and skimmed milk, which are byproducts of the production of butter. Plants that produce the other types of cheese often specialize in the production of one or two varieties.

U.S. exports

In the period 1964-69, aggregate annual U.S. exports of the cheese considered here 1/ ranged from 2.7 million to 3.5 million pounds (table 13)--equivalent to less than 1 percent of the total annual production thereof during that period. The exports in 1969 were slightly lower than in most earlier years. The bulk of the exports consisted of process cheese. Canada, one of the principal markets for U.S. exports of this cheese for many years, took about half of the exports in 1969. Venezuela, the Bahamas, and Panama also took considerable quantities.

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

U.S. imports

Some 6 months after quantitative limitations were imposed on imports of Colby cheese in mid-1967, imports of varieties of cheese designated in item (A) of the resolution increased precipitously. The cheeses that accounted for the bulk of the increased imports were, like the imports of Colby, used for processing. Imports of Colby had amounted to 46 million pounds in 1966 and 46 million pounds in January-June 1967. The quotas imposed in mid-1967, however, limited imports of Colby to about 6 million pounds annually.

Following the imposition of emergency import quotas in September 1968 on most of the cheeses considered here having a purchase price under 47 cents per pound, imports having a higher purchase price increased abruptly and continued to increase after those quotas were generally continued in effect by Presidential Proclamation No. 3884 in January 1969 (see discussion in section on U.S. customs treatment). This development had been foreseen in various statements made by persons in the Government as well as by trade representatives prior to the issuance of Proclamation No. 3884. For example, in the 1968 report of the Tariff Commission to the President on certain dairy products (TC Publication 274), the majority of the Commissioners indicated that regulating imports of certain cheeses via a price-break quota system would be futile because of the relative ease with which the price breaks could be avoided. The Bureau of Customs also indicated that it had strong misgivings concerning the enforceability of a price-break quota system, particularly detection and proof of evasion. Among the principal arguments against the price-break quota system were

that it was easily subject to abuse and evasion and that it would be costly and cumbersome to administer. Nonetheless, the U.S. Department of Agriculture (USDA) on September 17, 1968, reported that upon reexamining its price-break proposals (presented during the Tariff Commission hearing 1/) and the possible alternatives, the advantages of the price-break technique far outweighed those of other possible alternatives. Moreover, the USDA reported "if a price break is adopted, it should be understood that prompt remedial action will be taken if significant abuse and quota evasion results." 2/

From time to time since the price-break quotas were established the Division of Appraisement and Collections, Bureau of Customs, has instructed customs field officers to verify information on

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1/ At the hearing held in July 1968 the USDA spokesman stated that imports of the cheeses which go into processing and of those already processed interfered with the price-support program for milk and butterfat, but the USDA was "not seeking the exclusion or any avoidance restriction on the high quality table cheeses" (transcript of the hearing, p. 28). He expressed the view that quotas established on a price-break system would remove any price incentive for the U.S. processors to turn from domestic supplies to foreign cheese. The price-break of 47 cents per pound--the then existing USDA purchase price for Cheddar cheese--was suggested as the valuation level which would attain the desired controls.

2/ USDA supplemental submission to the Tariff Commission, Sept. 17, 1968, p. 4.

invoices both for quota and duty purposes, especially if the invoice value of imported cheese is in the vicinity of 47 cents per pound. The Bureau reports that thus far it has found no false invoice information regarding the 47 cents price-break. However, the Commission has received information that at least one foreign exporter of cheese has been willing to deal with U.S. importers on the basis of double accounts or refunds in order to evade the quota restrictions.

The foregoing discussion indicates that factors other than false invoice information have contributed to the increase in imports of cheese priced at 47 cents or more per pound. When the emergency quotas were imposed, the U.S. support price for Cheddar cheese was 47 cents per pound. Since then, the support price for Cheddar was increased to 48 cents per pound on April 1, 1969, and to 52 cents per pound on April 1, 1970. Thus, the price-support level for Cheddar has increased about 11 percent since the price-break quota was first imposed. Inasmuch as Cheddar has accounted for about 55 percent of the cheese produced in the United States, the rise in its support price, accompanied by a rise in its market

prices, has pushed upward the U.S. market prices of other cheeses, expecially those used for processing. Accordingly, many countries have raised their minimum export prices of cheeses destined for the U.S. market above the 47-cent level. Also contributing to the increase in imports of the higher priced, quota-free imports has been the appearance in the U.S. import trade of new and more costly articles, such as spray-dried (dehydrated) cheese. 1/ It appears that both the transactions involving the raising of minimum export prices and those involving the spray-drying of cheese before exportation avoid the quota but are generally arms-length sales. 2/

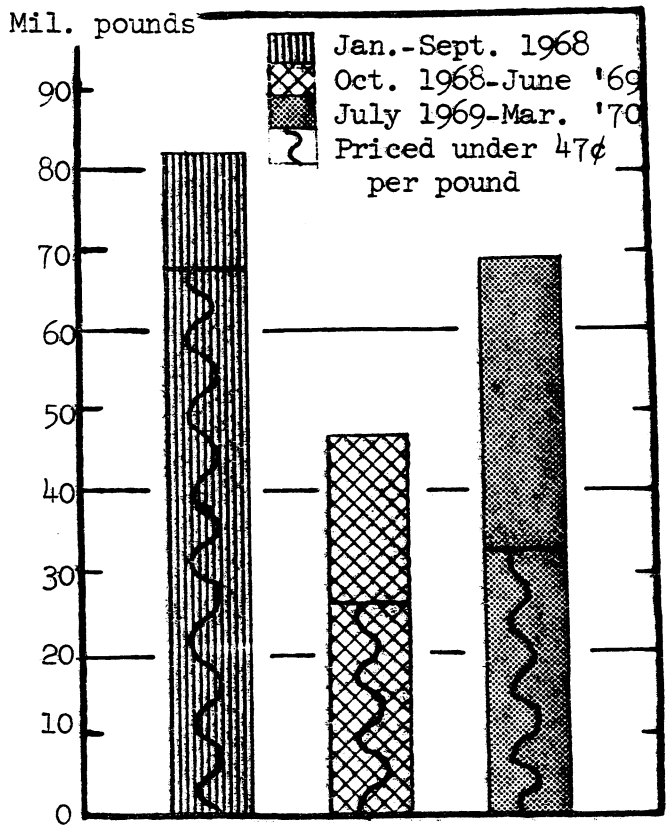
The Commission has received information that England, Denmark, Ireland, West Germany, and Sweden have raised their export prices. In addition, although official statistics are not available, imports of spray-dried Swiss cheese, principally from Denmark and West Germany, have entered in significant quantities in recent months. The dehydrated cheese is used in the United States as an ingredient in process cheese or other foods containing cheese.

1/ On Feb. 16, 1970, the Bureau of Customs ruled that spray-dried cream cheese from Australia is classifiable under TSUS item 117.85, and not subject to quota under item 950.10D in the Appendix, if imported at a purchase price of 47 cents or more per pound (ORR ruling 94-70).

2/ The cost incurred in dehydration raises the purchase price to more than 47 cents per pound.

In the 9-month period October 1968-June 1969, there was a substantial increase in total U.S. imports of the varieties of cheese considered herein that were valued at 47 cents or more per pound, compared with the preceding 9-month period, when lower priced cheeses of the same varieties were also quota-free (figure 2). Moreover, during

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



the 9-month period July 1969-March 1970, imports of the quota-free cheeses nearly doubled from the preceding 9-month period and nearly tripled from the January-September 1968 quota-free period, indicating that, if imports of the higher price cheese were allowed to continue to

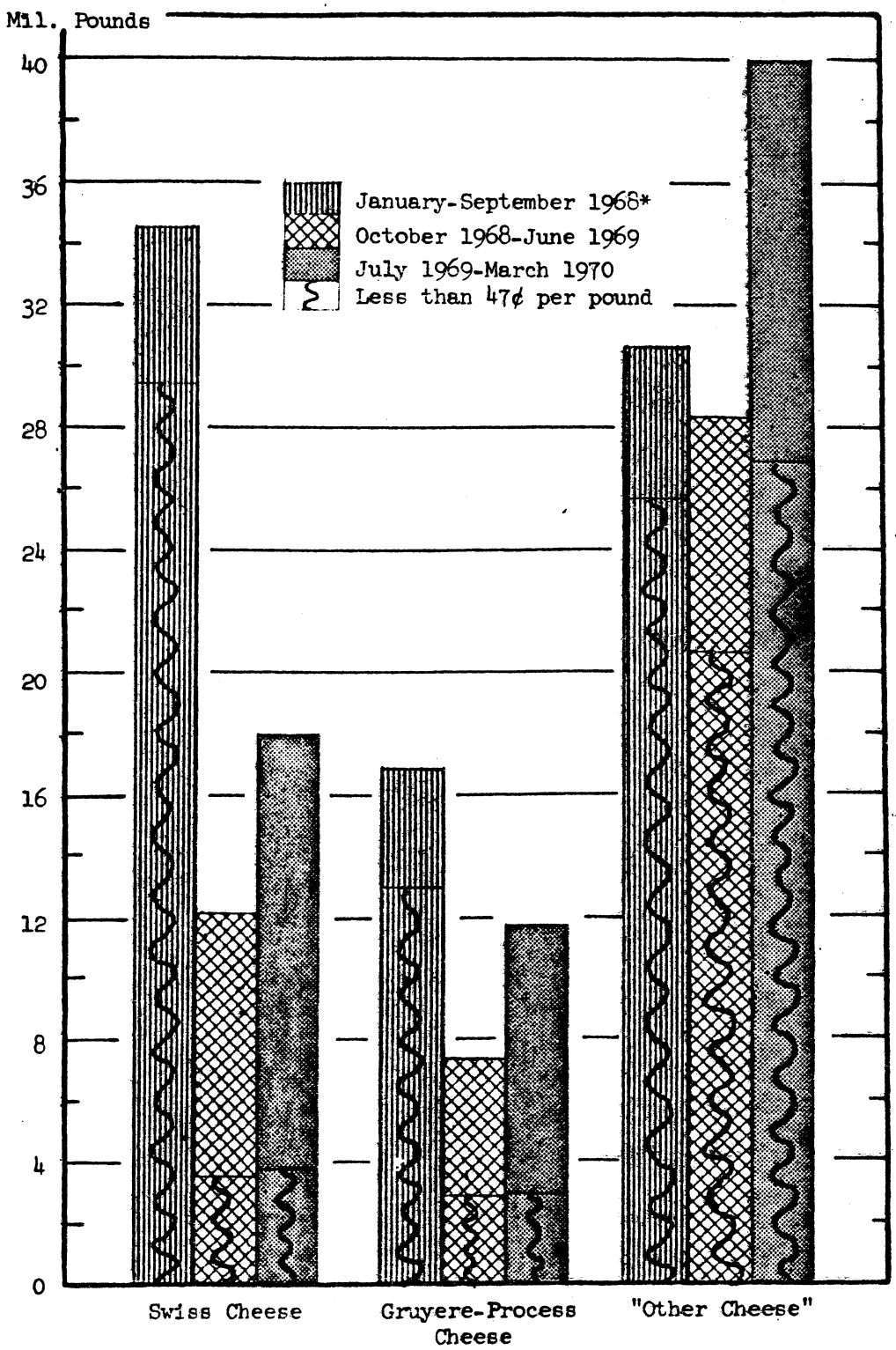
enter quota-free, they would probably continue to increase. The shift in imports of the individual varieties of cheese considered herein to the quota-free area (i.e., priced at 47 cents or more per pound) is shown in figure 3. The increase in imports of "other cheese" priced under 47 cents per pound in the 9-month period July 1969-March 1970 is primarily accounted for by increased entries of cheese containing not more than 0.5 percent of butterfat and not subject to quota. Imports of such cheese were considered in the recently completed section 22 investigation.

Swiss or Emmenthaler cheese with eye formation.--Total U.S. imports of Swiss cheese declined from 12.5 million pounds in 1962 to 10.4 million pounds in 1965. They were 14.8 million and 14.3 million pounds in 1966 and 1967, respectively, rose sharply to 38.9 million pounds in 1968, and dropped to 20.1 million pounds in 1969. The imports in 1969 were substantially larger, however, than those in the years prior to 1968.

In 1963-67 about half of the imported Swiss cheese came from Switzerland and most of the remainder came from Finland, Austria, and Denmark (table 14). In 1968, West Germany became an important supplier, accounting for nearly 30 percent of the total imports, compared with only 2 percent in the preceding year. In 1969, when imports from most of the principal supplying countries declined, West Germany again accounted for only 2 percent of the total.

As indicated earlier, imports of Swiss cheese having a purchase price of 47 cents or more per pound increased after lower priced cheese of the same variety was made subject, under section 22, to an annual

Figure 3.--U.S. imports of Swiss, Gruyere-process, and "other" cheese valued less than 47 cents per pound and valued at 47 cents or more per pound, 9-month periods, January 1968-March 1970

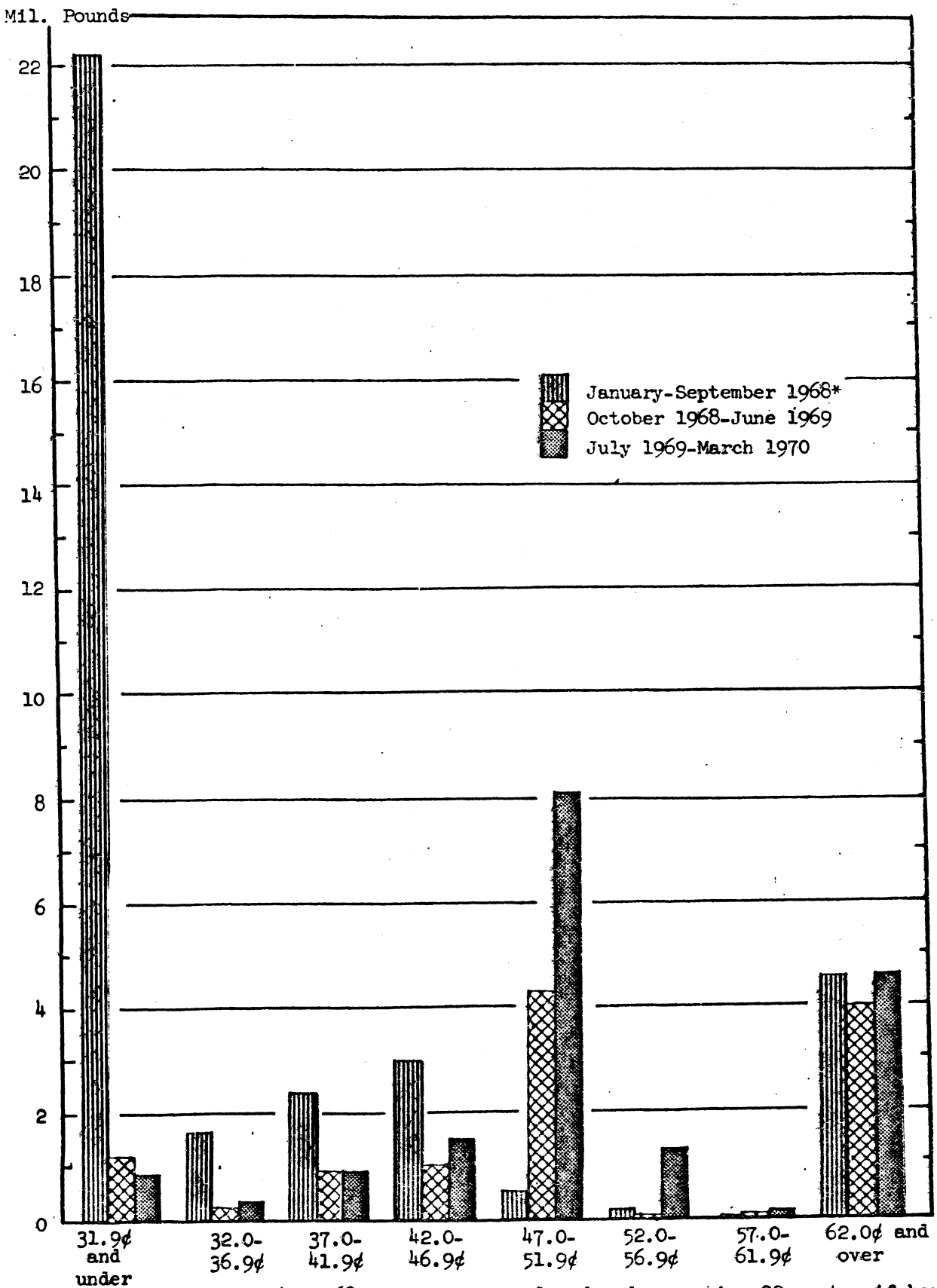


*Effective September 24, 1968, imports were placed under section 22 quotas if having a purchase price under 47 cents per pound and, in the case of "other cheese," if containing cows' milk and containing not less than 0.5 percent butterfat.

quota of 4,271,000 pounds. The great bulk of the increase in such imports occurred in the cheese priced slightly over 47 cents (figure 4). Indeed, there was little change in the level of imports of Swiss cheese priced substantially over 47 cents per pound (i.e., that priced at 62 cents per pound and over). In 1969, imports of Swiss cheese having a purchase price of 47 cents or more per pound were about 3-1/2 times as large as imports of the lower priced cheese entered under the quota. Before that quota was established, the lower priced cheese had accounted for more than half of the total imports of Swiss cheese (figure 4).

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

Figure 4.--U.S. imports of Swiss cheese, by unit value (cents per pound)



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

"first quality" Swiss cheese. 1/

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

The average unit values of imported Swiss cheese from Finland, Denmark, and Austria were lower in 1968 than in 1967. In recent years the bulk of the cheese imported from Finland, and probably most of that from Denmark, has been used for processing. The unit values of imports of Swiss cheese from those two countries increased in 1969, reflecting largely increased prices in order to avoid the quota on cheese under 47 cents per pound.

Until 1968 Austria had exported only a "high grade" of Swiss cheese to the United States. The average unit value of imports of Swiss cheese from Austria declined from 43.8 cents per pound in 1967 to 27.2 cents per pound in 1968. A significant portion of the imports of Swiss cheese from Austria in 1968 probably consisted of grinders cheese. The higher average unit value in 1969 (44.8 cents per pound) probably resulted from a rise in export prices in order to avoid the

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

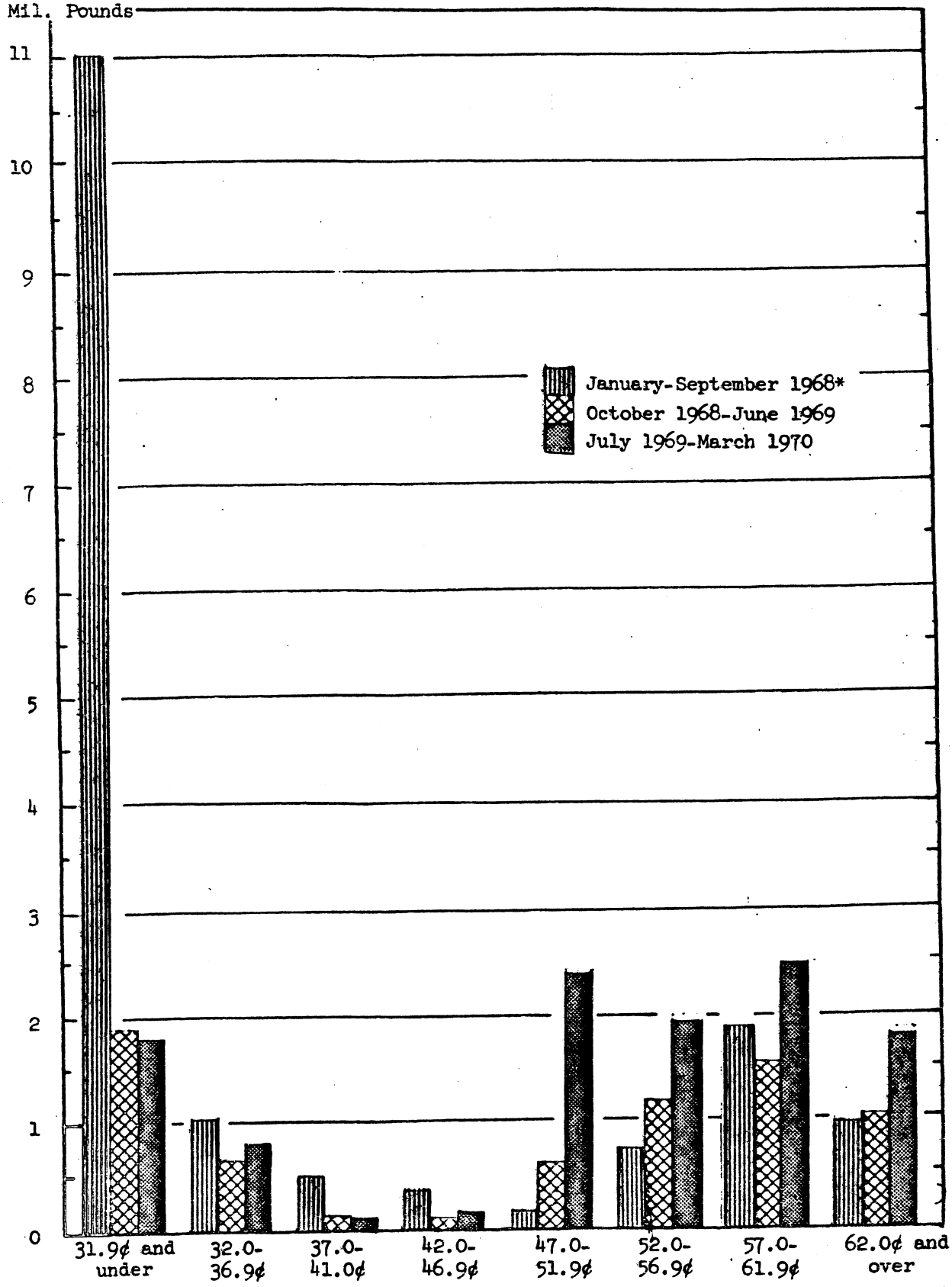
quota. At the hearing held in connection with the 1968 Tariff Commission investigation on dairy products, the witness for Austria reported that "Austria does pay a subsidy on its cheese exported to the United States."

Gruyere-process cheese.--Prior to 1966, annual U.S. imports of Gruyere-process cheese had increased gradually for many years. They rose from 5.3 million pounds in 1965 to 9.1 million pounds in 1966 and to 9.8 million pounds in 1967 (table 15). In 1968 they rose even more sharply to a record level of 20.0 million pounds, but declined to 12.6 million pounds in 1969. A large part of the increase in recent annual imports of Gruyere-process cheese has been accounted for by entries in 5-pound loaves rather than the traditional wedge-shaped pieces.

Since September 1968, imports of Gruyere-process cheese having a purchase price of less than 47 cents per pound have been subject to an annual quota of 3,289,000 pounds. In 1969 the imports of higher priced Gruyere-process cheese were nearly three times the quota established for the lower priced cheese. Moreover, there was an abrupt increase in imports of the cheese priced slightly over 47 cents per pound after the imposition of the quota in September 1968 (figure 5).

Switzerland generally has been the leading supplier of Gruyere-process cheese to the United States for many years. Although the share of the total imports supplied by Switzerland declined from about 63 percent in 1965 to 35 percent in 1969, total imports from Switzerland have been increasing. Gruyere-process cheese produced in Switzerland contains larger amounts of natural Gruyere than similar cheese produced

Figure 5.--U.S. imports of Gruyere-process cheese, by unit value (cents per pound)



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

in any other country, and has a higher average unit price than from the other major suppliers. The bulk of the Gruyere-process cheese from countries other than Switzerland consists of cheese in 5-pound loaves. Imports of Gruyere-process cheese from West Germany, the largest U.S. supplier in 1968, increased from a negligible share of the total imports in 1965 to 41 percent in 1968. Denmark, Austria, and Finland accounted for the bulk of the remaining imports in that year. In 1969 Denmark became the second largest supplier of U.S. imports.

"Other cheese."--Prior to 1966, annual U.S. imports of "other cheese" had increased gradually for many years. Since 1965 they have increased fourfold, from 9 million pounds in 1965 to 45 million pounds in 1969, notwithstanding imposition of section 22 quotas on imports of such cheese having a purchase price under 47 cents per pound. 1/

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

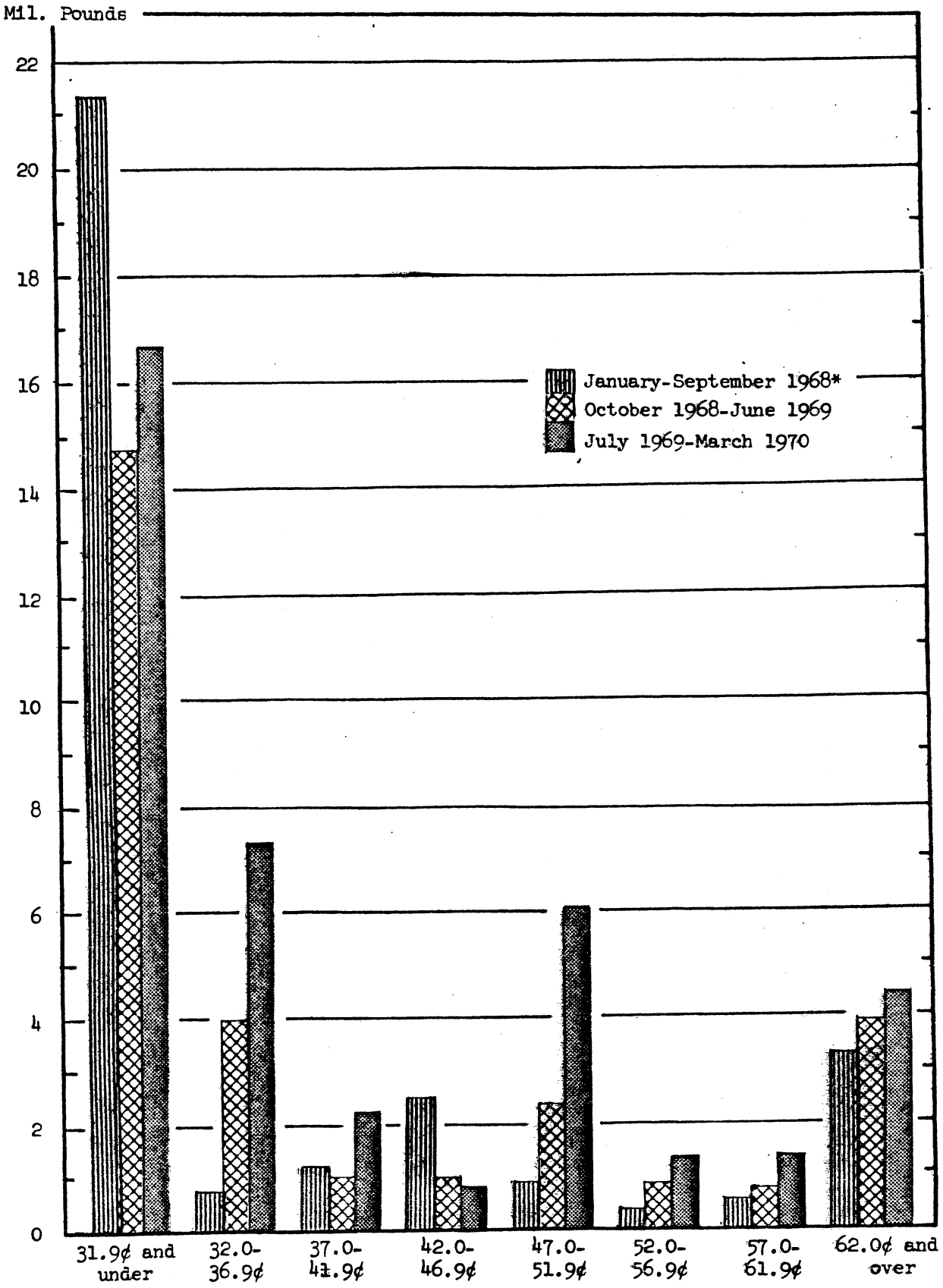
1/ About 3 million pounds of the imports of "other cheese" in 1969 consisted of low-priced cheese containing not more than 0.5 percent by weight of butterfat, which was excepted from the quota imposed on cheese having a purchase price under 47 cents per pound and designated as "other cheese" in this report. The currently quota-free low-fat cheese was among the products covered in the Tariff Commission's recent investigation of dairy products under sec. 22 (investigation No. 22-28).

U.S. imports of "other cheese" generally come from about 20 countries. For many years Denmark and France have been the leading suppliers of such imports (table 16). Imports of the natural cheeses for table use from Denmark have consisted primarily of Esrom, Harvarti, Camembert, Costello, and Tybo cheeses. Those from France have consisted primarily of Bombel, Port Salut, and Camembert. The sharply increased imports from New Zealand have consisted of so-called Monterey cheese entered under the section 22 quota; they are discussed in a later section of this report.

As shown in table 16, the average unit values of imports of "other cheese" from many countries, particularly the principal suppliers, were significantly lower in 1968 than in earlier years. In 1969, however, the unit values of the cheese from a number of countries increased substantially, probably reflecting a general rise in minimum export prices designed to avoid the quota imposed on cheese having a purchase price under 47 cents per pound, as well as some new products (e.g., spray-dried cheese) also designed to avoid the quota.

With respect to "other cheese" having a purchase price under 47 cents per pound, the total annual quota on imports from all countries except New Zealand is 17,501,000 pounds. In 1969, imports of quota-free "other cheese" were at least 19,000,000 pounds, an amount nearly 10 percent larger than the quota on the low-priced cheese in this category. After the quota was imposed on imports of the "other cheese" priced under 47 cents per pound in September 1968, there was an abrupt increase in imports of such cheese priced slightly over 47 cents per pound (figure 6).

Figure 6.--U.S. imports of "other cheese," by unit value (cents per pound)



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

The foregoing discussion on the cheeses designated in item (A) of the resolution--Swiss or Emmenthaler cheese, Gruyere-process cheese, and "other cheese"--clearly shows that after the quota was imposed on such cheeses having a purchase price under 47 cents per pound in September 1968, the trade has abruptly shifted to, and has continued to increase in, imports of the cheeses priced over 47 cents per pound, which are not subject to the quotas.

Channels and methods of distribution

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

Many of the wheels of Swiss cheese imported from Switzerland are displayed in cheese shops, delicatessens, and grocery stores in the United States and then cut into pieces as they are marketed. Some of the cheese from Switzerland is also prepackaged for conventional chainstore marketing.

Gruyere-process cheese.--Altogether 80 or 90 U.S. firms have imported Gruyere-process cheese in recent years, the bulk of the increase in imports since 1965 was accounted for by firms which generally had not previously been large importers of Gruyere-process cheese. Boxes

containing the traditional wedge-shaped pieces of Gruyere-process cheese are sold largely through chainstores, although some of the cheese is marketed by specialty cheese shops, restaurants, and hotels. The Gruyere-process cheese in 5-pound loaves is sold primarily to the institutional trade for use in making cheese sandwiches; some of the loaves from Switzerland, however, have been cut into 6-to-8-ounce pieces and marketed through chainstores.

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

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

Prices

The wholesale prices of domestic and imported Swiss cheeses in the United States generally have been increasing in recent years. The following tabulation shows the range of wholesale prices in New York City for natural Swiss cheese (grade A) produced in the United States, Switzerland, Finland, Austria, and Denmark in 1963-69 (in cents per pound): 1/

Year	United States	Switzerland	Finland	Austria	Denmark
1963	52-56	89-96	59-65	61-70	58-64
1964	51-56	91-96	58-64	60-70	63-67
1965	54-58	95-98	59-65	64-73	65-69
1966	61-66	96-101	63-68	66-72	65-69
1967	61-67	97-103	63-69	63-70	64-70
1968	62-68	98-106	62-69	60-65	63-71
1969	65-70	84-106	66-73	65-69	65-72

The cheese from Switzerland has been higher priced than that imported from other countries or that produced in the United States. Consumption of Swiss cheese (domestic and imported) in the United States has generally been increasing, however, notwithstanding higher prices. In recent years, the landed duty-paid unit value of imported grinders Swiss has been substantially lower than the price of domestic grinders Swiss cheese at Wisconsin assembly points. For example, the landed duty-paid unit value of grinders Swiss cheese from West Germany in May 1968 was about 24 cents a pound, and that of such cheese from

1/ Compiled from the Wednesday price quotations reported by the U.S. Department of Agriculture in Dairy and Poultry Market News.

Switzerland, about 25 cents a pound, 1/ compared with an average price of 43 cents a pound for the domestic product at Wisconsin assembly points.

The unit values of imported Gruyere-process cheese from most countries declined from 1964 through 1968, as indicated by the official statistics shown in table 15. In 1969, however, the average unit values of the cheese imported from most countries increased substantially, probably indicating a general rise in minimum export prices to avoid the quota applicable to cheeses having a purchase price under 47 cents per pound.

The available data relating to prices of domestic "other cheese" are in the earlier section on U.S. production. Data on prices of imported "other cheese" are not regularly reported. The imported cheeses not used for processing are usually priced at retail above the most comparable domestic varieties. Those used for processing are usually priced somewhat below the domestic-produced cheeses used for processing.

Foreign production and trade

Inasmuch as information on foreign production of and trade in the cheeses here considered is not reported separately, total cheese production and trade of the countries which export the cheeses under investigation to the United States are described below. 2/

1/ The landed duty-paid values shown here were computed from the values reported in the official statistics plus the import duties and an estimated cost for freight and transportation insurance.

2/ The production of cheese in New Zealand and its trade will be discussed later in this report.

Switzerland is an important source of Swiss cheese and Gruyere-process cheese imported to the United States with a purchase price of 47 cents or over. Overall cheese production in Switzerland was about 190 million pounds in recent years, of which about 155 million consisted of Swiss cheese and Gruyere-process cheese. Switzerland exports roughly half of its cheese production. The United States takes about 15 percent of the Swiss cheese exports; a larger share goes to both Italy and France than to the United States. However, the United States is the largest export market for the Gruyere-process cheese produced in Switzerland.

The remaining U.S. imports of Swiss cheese originate mainly in Austria, Denmark, and Finland. In 1968 West Germany was also an important supplier of Swiss cheese to the United States. Moreover, Denmark, together with France, has been an important U.S. supplier of certain "other cheese" subject to the present investigation. Austria has produced about 80-90 million pounds of cheese in recent years, of which 10 percent was exported. The output in Denmark has averaged some 240 million pounds annually; about two-thirds of the Danish production has been exported. In recent years the United States took roughly 17 percent of the Danish cheese exports; West Germany, the largest market, took about two-fifths. In Finland, the annual output of cheese has amounted to about 75 million pounds in recent years; production in West Germany has amounted to some 400 million pounds. Output in France--the largest producer of cheese in the world other than the United States--has been about 1,600 million pounds, of which only about 13 percent has been exported. West Germany and Italy are

the main markets for cheese from France; the U.S. share was less than 5 percent in 1968.

The European Community (EC) and many non-EC countries generally encourage exports of cheese to the United States with subsidies. In recent years the EC has been an important U.S. supplier of the cheeses subject to this investigation. As of January 1970, the export subsidy authorized by the EC for Swiss cheese and Gruyere-process cheese shipped to the United States was 17.24 cents per pound. The unit value of U.S. imports of Swiss cheese from West Germany in 1969 averaged 49.3 cents per pound. Thus, the authorized export subsidy was equivalent to 35 percent of the unit value of the 1969 West German exports of Swiss cheese to the United States. In 1968, however, prior to imposition of the section 22 quotas on U.S. imports of Swiss cheese having a purchase price under 47 cents per pound, the unit value of U.S. imports of Swiss cheese from West Germany averaged 24.6 cents per pound, and the EC authorized export subsidy (17.24 cents per pound) was equivalent to 70 percent of the unit value of the 1968 exports of such cheese to the United States. It appears that in 1968 the subsidy paid on Swiss cheese of West German origin in order to move the cheese into the U.S. market was at or near the maximum authorized by the EC. In 1969, however, the subsidy paid to move such cheese into the U.S. market was probably significantly less than that paid in 1968. Moreover, the unit value of a large part of such cheese exported to the United States in 1969 was sufficiently high for the cheese to enter at a purchase price over 47 cents per pound and therefore quota-free.

U.S. imports of Swiss and Gruyere-process cheese, as well as those of certain "other cheese" subject to this investigation, have come also from countries other than EC members, such as Austria, Denmark, Finland, and Switzerland. All of these countries appear to support the exports of cheese directly or indirectly, but the amount of the support cannot be determined.

Lactose

Lactose, or milk sugar, as it is sometimes called, is a naturally occurring sugar found in the milk of almost all mammals and is produced commercially from whey, a byproduct of the manufacture of cheese. Whey is obtained from the cheese-making process as a liquid composed, by weight, of 94 percent water and 6 percent milk solids. The milk solids are, by weight, nearly 75 percent lactose. Lactose is generally obtained from whey by recrystallization or by a fractionation method which yields other products in addition to lactose.

Lactose is a white powder or crystalline material with a sweetish taste, but it is only 15 percent as sweet as ordinary sugar. It is marketed in four grades: (1) Fermentation; 1/ (2) edible; (3) U.S.P. (United States Pharmacopoeia), regular or crystallized; and (4) U.S.P., spray-dried. Formerly, the fermentation grade was chiefly used as a nutrient to make penicillin, but it is now used mainly for other fermentation processes. The edible grade is used in baby foods and simulated mother's milk, since it is more readily hydrolyzed than

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1/ Generally comparable to crude lactose.

ordinary sugar. Edible lactose is frequently incorporated in milk-derived products, such as buttermilk and cottage cheese, where it serves as a flavor enhancer, preservative, or bodying agent. It is also used in quality baked goods, where flavor, not cost, is the paramount consideration. An expanding market for the edible grade has resulted from its use as a low-cost substitute for nonfat milk solids. The U.S.P. grades are mainly used for medicinal purposes. The regular U.S.P. grade is used as a general base and diluent for pharmaceuticals as well as for narcotic drugs, whereas the spray-dried grade is chiefly used as a vehicle in pilling or tableting operations. U.S.P. lactose is also used in preparations for diabetics since it is slowly assimilated in the body and causes no sharp increase in the sugar level of blood.

U.S. customs treatment

Lactose is dutiable at the rate of 14 percent ad valorem under TSUS item 493.65. That rate, which became effective January 1, 1970, reflects the third reduction of a five-stage concession granted by the United States in the sixth (Kennedy) round of trade negotiations under the GATT. The final annual reduction--to 10 percent ad valorem--will become effective January 1, 1972. U.S. imports of lactose are not subject to any quota.

U.S. consumption

Apparent U.S. consumption of lactose can be calculated only for the years 1968 and 1969; in 1968 it amounted to 78 million pounds, and in 1969, to about 94 million pounds. The increase in consumption from

1968 to 1969 was met by sharp increases in domestic output and imports and by a substantial decrease in exports.

The trend in domestic consumption has been generally upward in recent years and has been supplied largely by U.S. producers. The increase in consumption is attributable in large degree to new uses for lactose resulting from research efforts by industry and the Government. The new uses for lactose are extensions of previously existing areas of use rather than radically different applications. The current consumption pattern, based on an industry estimate, indicates that about 60 percent of the lactose consumed domestically is of the edible grade, much of which is used in baby foods; the crude or fermentation grade is believed to account for about 25 percent of consumption, and the U.S.P. grades, for about 15 percent.

U.S. production

U.S. production of crude lactose, as reported by the U.S. Department of Agriculture, rarely exceeded 50 million pounds annually prior to 1965; however, beginning in 1965 the production of lactose started an upward trend that has continued, as shown in the following tabulation:

Year	Quantity (1,000 pounds)	Value 1/ (1,000 dollars)
1965------	65,046	9,757
1966------	65,149	9,772
1967------	79,269	11,890
1968------	82,985	13,278
1969------ 2/	92,941	16,265

1/ Value of lactose production estimated on basis of mid-year published price of edible lactose in large bulk quantities.
2/ Preliminary.

Lactose is produced domestically by about 10 producers in plants of widely varying capacities, located predominantly in the cheese-producing areas adjacent to the Great Lakes. Other companies have plants under construction or are considering the production of lactose. The producing companies range from large food and dairy corporations to small, independent firms producing relatively few, usually dairy-related, items.

Less than half of the 1.4 billion pounds of whey solids available each year in the United States is processed for food and animal feed or converted into lactose; the rest (in the form of liquid whey) is surplus which has been traditionally disposed of by dumping into local streams. Recent anti-pollution policies, however, have made this practice unacceptable and have prompted a greater search for improved waste-disposal methods, or preferably for increased utilization of whey and lactose as a means of reducing the surplus. From a waste disposal standpoint, it is not important whether the product utilization is greater for whey or lactose since greater utilization of either reduces the waste problem. The production of lactose from whey, on the other hand, involves substantially greater capital investment in facilities, albeit a greater expected return for the product.

A considerable research effort has been made in recent years by the Federal and State Governments and private research facilities to find ways of reducing pollution caused by surplus whey disposal. Much of this effort has been directed toward greater utilization of whey, rather than toward waste-processing techniques. The principal Federal agencies involved in research projects related to whey are the

Federal Water Quality Administration (FWQA) of the U.S. Department of Interior and the U.S. Department of Agriculture. The combined expenditure for these two agencies was reported to be between $1.5 million and $2.0 million for fiscal year 1970, FWQA accounting for the bulk of it. In addition to the $2 million spent so far by FWQA on this research, $8 million is being made available from private research funds. FWQA points out, however, that additional Federal funds amounting to about five times those expended on whey research are being spent on broader pollution-control projects that have general, or peripheral, application to the whey program.

U.S. exports

U.S. exports of crude and refined lactose amounted to 5.5 million pounds, valued at $901,000, in 1968 and to 2.8 million pounds, valued at $410,000, in 1969. Although statistics on exports of lactose are not available for earlier years, it is believed that exports in the period immediately preceding 1968 were as great as those in 1968, or greater.

Exports accounted for less than 7 percent of U.S. production of lactose in 1968 and for about 3 percent in 1969. Japan was the principal market for U.S. exports of lactose in both years, accounting for 41 percent of the quantity of exports in 1968 and for 60 percent in 1969; Mexico was the second most important market in these years, accounting for 40 percent in 1968 and for 23 percent in 1969. Compiled from official statistics of the U.S. Department of Commerce, the quantity and value of exports, by principal markets, in 1968 and 1969

were as follows:

Market	1968		1969	
	Quantity	Value	Quantity	Value
	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars
Japan	2,264	303	1,728	171
Mexico	2,171	367	634	115
Argentina	390	109	260	84
All other	658	122	155	40
Total	5,483	901	2,777	410

U.S. imports

During 1966-69, annual U.S. imports of lactose ranged from 374,000 pounds in 1968 to 4.2 million pounds in 1969 (table 17) and averaged 1.6 million pounds, valued at $225,000; during 1961-65 imports averaged 500,000 pounds, valued at $65,000. U.S. imports of lactose for the first 7 months of 1970 amounted to 2.9 million pounds, valued at $486,000. Estimated annual imports of lactose for 1970, based on a 7-month projection, are 5.0 million pounds. The ratio of imports to consumption increased from 0.5 percent in 1968 to 4.5 percent in 1969; it is estimated at 5.0 to 5.5 percent for the first 7 months of 1970.

In recent years the Netherlands and West Germany have been the principal suppliers of imports. In 1969 the Netherlands supplied 2.4 million pounds of lactose, or 58 percent of total imports, and West Germany supplied 1.7 million pounds, or 41 percent of the total. A Tariff Commission analysis of imports of lactose in December 1969 shows that virtually all of the imports in that month (609,000 pounds) were

of U.S.P. grade imported from the Netherlands. A similar analysis of imports in May 1970 shows that at least 82 percent of the imports in that month were of edible grade, most of which came from West Germany. The latter country supplied nearly 75 percent of the imports in May.

Channels and methods of distribution

Lactose is marketed by the producers almost entirely as a bulk product for consumption in industrial formulations and for repackaging. The relatively small number of producers manufacture the various grades of lactose primarily for use as ingredients in food (mainly dairy) and pharmaceutical products; some producers consume part of their output in their own manufacturing processes. The lactose which is marketed as such is generally put up in bags or fiber drums and sold in quantities ranging from several thousand pounds to carload lots. A small part of these lots are repackaged for the institutional market by other firms, including moderately large pharmaceutical houses. Lactose is sold by the marketers, many of whom have branches, subsidiaries, or agents in principal cities, as one item in a line of food, pharmaceutical, and chemical items.

Prices

The prices for all grades of U.S.-produced lactose increased substantially between late 1967 and early 1970. The price of edible lactose in large bulk quantities rose from the 15 cents per pound in effect prior to September 1967 to 20 cents per pound in February 1970; the price of crystalline U.S.P. lactose in 30,000-pound lots rose from

22-1/2 cents to 27-1/2 cents per pound during the same period. Posted prices in effect during 1965-70, by grade of lactose, published in the Oil, Paint, and Drug Reporter, are shown in the following tabulation:

Grade	Lot size	Price (in cents per pound) 1/ in effect--					
		During 1965-1966	Beginning-- Sept. 1967	Oct. 1968	Dec. 1968	Dec. 1969	Feb. 1970 2/
Fermentation	Carload	10-¼	12-¼	12-½	13-½	14-½	16
Edible	23,000 lbs.	15	16	16-½	17-½	18-½	3/ 20
U.S.P., crystallized	30,000 lbs.	22-½	23-½	24	25	26	27-½
U.S.P., spray-dried	Truckload	20-½	21-½	22	23	24	25-½

1/ Trade discounts are applied to these prices.
2/ Still in effect in late August 1970.
3/ In carload lots.

Price increases instituted in recent years are reported to be, in part, the result of increases in manufacturing costs.

Foreign production and trade

While most cheese-producing countries are potential producers of large quantities of lactose, many produce only enough to supply domestic requirements. In the years immediately preceding 1969, according to industry sources, the Dutch and West German lactose industries expanded to meet an increased Japanese demand for lactose for use as a milk-reconstructing ingredient. Japan has also been the principal market for U.S. exports of lactose in recent years. However, the Japanese demand for lactose is reported to have declined sharply in about 1968, and the European producers then sought other export

markets, principally the United States. The decline in U.S. exports of lactose to Japan in 1969 tends to substantiate a declining Japanese market, while the sharp decrease in U.S. exports of lactose to Mexico tends to confirm the existence of increased competition in third-country markets.

Exports of lactose are not subsidized by the EC since lactose is not subject to the Common Agricultural Policy of the Community. However, testimony at the hearings indicated that lactose exported by EC countries still benefits from subsidies. This implies that the EC countries involved in exporting lactose to the United States (the Netherlands and West Germany) may grant restitution to exporters on a national basis.

Chocolate and Certain Articles Containing Chocolate

Chocolate provided for in TSUS item 156.30 and articles containing chocolate provided for in TSUS item 182.95 (except articles for consumption at retail as candy or confection) are comprised in item (C) of the Ways and Means Committee resolution. The only known product of commercial significance of the foregoing description is chocolate crumb, which is usually classifiable as sweetened chocolate in TSUS item 156.30. However, owing to a Bureau of Customs ruling 1/ that sweetened chocolate as it is known in the trade and commerce of the United States does not normally contain more than 55 to 60 percent sugar, imported chocolate crumb containing more than 60 percent sugar is classifiable as an edible preparation in item 182.95. To date, imports of articles containing chocolate (other than candy or confection) entered under item 182.95 are believed to have been negligible, if any.

Chocolate crumb is an intermediate product that is mixed with cocoa butter to make milk chocolate. The added cocoa butter provides the necessary fat to solidify the powdery chocolate crumb. Chocolate crumb is produced by concentrating liquid milk with sugar and chocolate liquor under vacuum. Chocolate crumb ordinarily contains about 15 percent chocolate liquor, 30 percent whole milk solids (9-10 percent butterfat), and 55 percent sugar. In the following discussion, chocolate crumb of such composition is referred to as regular chocolate crumb.

On January 6, 1969, imported chocolate crumb containing more than 5.5 percent of butterfat was placed under quantitative restrictions

1/ ORR Ruling 49-70, Jan. 26, 1970.

pursuant to section 22 of the Agricultural Adjustment Act, as amended. 1/ Shortly thereafter, chocolate crumb containing slightly less than 5.5 percent butterfat began to be imported. The low-fat chocolate crumb is made either with partially skimmed milk or with more sugar and less whole milk than is used in making regular chocolate crumb.

Milk is incorporated into milk chocolate by using chocolate crumb, milk crumb, or dry whole milk. As previously indicated, to produce milk chocolate from regular chocolate crumb, manufacturers have only to add cocoa butter. Using low-fat chocolate crumb, the manufacturer adds butter oil and cocoa butter if the crumb was made from partially skimmed milk, or he adds dry whole milk and cocoa butter if the crumb formula contained a larger proportion of sugar and a smaller proportion of milk than those usually used in making chocolate crumb. Milk crumb (not a subject of this investigation), which is made by concentrating fluid milk and sugar under vacuum, is made into milk chocolate by blending the milk crumb with chocolate liquor and cocoa butter. In the dry milk process of making milk chocolate, dry whole milk is blended with sugar, chocolate liquor, and cocoa butter. Milk chocolate made from chocolate crumb or milk crumb differs somewhat in taste from that made from dry whole milk.

Certain beverage powder mixes containing cocoa powder, which are classified in TSUS item 182.95, are not subjects of this investigation

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1/ Presidential Proclamation No. 3884.

inasmuch as the investigation is concerned with articles containing chocolate. According to standards of identity of the Food and Drug Administration (FDA) 1/, chocolate is made from chocolate liquor (the usual trade designation of ground cocoa beans) and not from cocoa powder.

U.S. customs treatment

Chocolate provided for in TSUS item 156.30 is dutiable at the rate of 7 percent ad valorem. This rate reflects the third stage of a concession granted by the United States in the sixth (Kennedy) round of trade negotiations under the GATT. The rate is being reduced to 5 percent ad valorem in five annual stages, with the final stage becoming effective on January 1, 1972. Articles containing chocolate provided for in TSUS item 182.95 are dutiable at the rate of 14 percent ad valorem. This rate also reflects the third stage of a five-stage concession granted by the United States in the Kennedy Round. The rate of duty is being reduced to 10 percent ad valorem, with the final rate becoming effective on January 1, 1972.

Chocolate provided for in TSUS item 156.30 is limited to products consisting wholly of ground cocoa beans with added sweetening and with or without added fat, milk, flavoring, and emulsifying agents. 2/ Imports of such chocolate containing over 5.5 percent by weight of butterfat (except articles for consumption at retail as

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1/ 21 CFR 14.
2/ Headnote 1 to subpart B, part 10, schedule 1, of the TSUS.

candy or confection) are subject to an absolute annual quota of 17 million pounds as provided in TSUS item 950.15, pursuant to section 22. The quota, which became effective on January 6, 1969, is allocated to Ireland (9,450,000 pounds), the United Kingdom (7,450,000 pounds), and the Netherlands (100,000 pounds). Imports of articles classifiable in item 182.95 which contain more than 5.5 percent by weight of butterfat (whether or not they contain chocolate) are subject to the section 22 quotas provided for in TSUS items 950.22 and 950.23. These quotas embargo imports of products which contain over 45 percent butterfat and limit imports of products classifiable under TSUS items 182.92 and 182.95 which contain more than 5.5 percent by weight of butterfat to 2,240,000 pounds from Australia and an aggregate of 340,000 pounds from Belgium and Denmark. As already indicated, the only known entries of chocolate crumb subject to quotas have been entered under the quota provided for in item 950.15.

U.S. consumption, producers, and production

Four of the approximately two dozen U.S. firms that produce milk chocolate (including the two largest chocolate manufacturers) produce about half of the total U.S. output of milk chocolate. These four firms currently produce chocolate crumb only for their own output of milk chocolate. In addition, a domestic producer of milk crumb has stated that his firm has the capacity of producing, and has produced, chocolate crumb. 1/

1/ Transcript of hearing on investigation No. 22-28, pp. 354-375.

U.S. exports and imports

There have been no known exports of chocolate crumb from the United States.

Imports of chocolate crumb into the United States averaged about 2 million pounds annually in 1963-65. They increased to 6.5 million pounds in 1966, 21.5 million in 1967, and 45.3 million in 1968 (table 18). On January 6, 1969, section 22 quotas were imposed 1/ on imports of chocolate crumb containing over 5.5 percent by weight of butterfat (see U.S. customs treatment section); the quotas limited imports to 17 million pounds annually. During 1969, the quotas on imports of chocolate crumb containing over 5.5 percent of butterfat were almost completely filled and chocolate crumb containing 5.5 percent or less of butterfat began to be imported. Estimated imports of the low-fat chocolate crumb in 1969 and actual January-July 1970 imports were as follows (in thousands of pounds): 2/

	1969	January-July 1970
Ireland	43	6,221
United Kingdom	434	935
Total	477	7,156

Trade sources report that the quantities of chocolate crumb containing more than 5.5 percent by weight of butterfat permitted to be imported under the section 22 quotas are not large enough to satisfy the needs of those chocolate manufacturers who do not produce their own chocolate crumb. The manufacturers are, therefore, mixing low-fat

1/ Presidential Proclamation No. 3884.
2/ Data supplied by the Bureau of Customs.

chocolate crumb with other ingredients (butter oil and cocoa butter) to produce a milk chocolate they claim has the flavor necessary to compete with the chocolate made by the large chocolate manufacturers who make their own chocolate crumb.

Impact of imports on U.S. production of products processed from domestic milk

At the hearings, much testimony was directed to the effects of imported chocolate crumb on the quantity of domestic milk solids used in making milk chocolate and on the domestic production of dry whole milk and milk crumb.

Data on the total quantity of milk solids used in making milk chocolate are not available inasmuch as the quantities of fluid milk used by the four chocolate manufacturers who produce their own chocolate crumb are not reported. 1/ The chocolate manufacturers who do not have facilities for producing chocolate crumb from fluid milk use imported chocolate crumb, domestic milk crumb, or domestic dry whole milk as their source of milk solids in the production of milk chocolate. In recent years, the manufacture of milk chocolate has accounted for all the milk crumb and about 72 percent of the dry

1/ The quantities of milk crumb sold in recent years were reported to the Tariff Commission in a "business confidential" brief filed Aug. 21, 1970. It is estimated that the four chocolate manufacturers who make their own chocolate crumb have used about 50 million pounds of milk solids (in the form of fluid milk) annually in recent years.

whole milk used in the United States. U.S. production of dry whole milk declined by 13.7 million pounds from 1968 to 1969. In this period the wholesale price of dry whole milk at New York increased by only 2 percent, while the price-support level for manufacturing grade milk increased 7 percent. The estimated quantities of dry whole milk used by the manufacturers of milk chocolate and candy 1/ and the estimated quantities of whole milk solids contained in imported chocolate crumb in recent years are as follows (in millions of pounds):

	1964	1965	1966	1967	1968	1969
Domestic dry whole milk---------	44.6	42.4	49.7	36.2	30.7	33.0
Whole-milk-solids content of imported chocolate crumb------	0.6	0.6	2.0	6.5	13.6	5.1

The total whole milk solids shown above are believed to account for nearly half of whole milk solids used annually in the domestic production of milk chocolate.

Imports of low-fat chocolate crumb--currently a nonquota product--began in 1969 and accounted for only about 0.1 million pounds of the 5.1 million pounds of milk solids contained in imported chocolate crumb in that year. Imports of regular chocolate crumb--a product subject to section 22 quotas since January 1969--accounted for the remainder of the milk-solids content of imported chocolate crumb shown above. The foregoing tabulation shows that the rise in imports of chocolate crumb was accompanied by a

1/ The American Dry Milk Institute, Inc., Census of Dry Milk Distribution and Production Trends.

reduction in the amount of dry whole milk supplied by domestic producers; however, the annual variations in the total quantity of milk solids used in the manufacture of milk chocolate from dry whole milk and chocolate crumb indicate that there may be factors other than the amount of chocolate crumb imported into the United States which affect the amount of dry whole milk used in the manufacture of milk chocolate. Part of the year-to-year changes probably reflect a statistical aberration. For example, a large part of the chocolate crumb imported in 1968 entered in the last half of the year and was not used until 1969.

The small chocolate manufacturers claim that the use of imported chocolate crumb rather than domestic milk crumb or dry whole milk in making milk chocolate is necessary for them to produce a distinctive type of milk chocolate coating which is competitive with the milk chocolate made by the large chocolate manufacturers who produce their own chocolate crumb; the fact that the imported chocolate crumb is less expensive is incidental. 1/ Data submitted by the Chocolate Manufacturers Association indicate that the cost in the United States of the raw materials for producing a pound of milk chocolate using dry whole milk is 31.93 cents, that using regular chocolate crumb is 31.08 cents, and that using low-fat chocolate crumb is 31.36 cents. However, they state that the processing costs are about 1 cent per pound higher when using chocolate crumb

1/ Transcript of hearing on investigation No. 22-28, p. 393.

(regular or low-fat) than when using dry whole milk. Thus, the use of imported chocolate crumb is more costly to the small milk-chocolate producer than the use of dry whole milk.

The current average price of the imported chocolate crumb delivered duty paid to New York City--about 23 cents per pound 1/--appears to be a factor contributing to the use of imports. The comparable prices for low-fat and regular chocolate crumb (using formulas for the imported articles) based on U.S. costs rather than costs in Ireland (the largest foreign supplier of chocolate crumb) would probably be at least 28 cents and 30 cents per pound, respectively. These estimates reflect the cost of transportation, profit, a processing cost in the United States of 4 cents per pound, 2/ and the cost of ingredients per pound of product as shown below:

Low-fat chocolate crumb	Cents
15% chocolate liquor	5.865
18.3% skim milk solids	4.978
11.7% whole milk solids	4.271
55% sugar	6.160
Total	21.274

Regular crumb	
15% chocolate liquor	5.865
30% whole milk solids	10.950
55% sugar	6.160
Total	22.975

1/ Transcript of hearing on investigation No. 22-28, p. 392.
2/ Exhibit No. 16, investigation No. 22-28.

Exhibit No. 21, submitted in confidence at the hearing on investigation No. 22-28, shows information on the cost of ingredients for producing low-fat and regular chocolate crumb based on prices in Ireland for milk solids, sugar, and chocolate liquor.

Foreign production and trade

Chocolate crumb production in foreign countries is centered in Ireland and the United Kingdom, where eight to 10 firms have the ability to produce the product. 1/ Elsewhere in the world there are only a very few firms with the facilities for producing chocolate crumb, and most of those are subsidiaries of large United Kingdom or United States firms. Most of the factories in the United Kingdom and Ireland that produce chocolate crumb do not produce other products.

Data on foreign production of chocolate crumb are incomplete. Reported production in the United Kingdom and Ireland in 1965-69 was as follows (in millions of pounds): 2/

Year	United Kingdom	Ireland
1965	175.8	1/
1966	222.0	1/
1967	202.9	139.9
1968	201.6	136.6
1969	194.4	1/

1/ Not available.

1/ Page 490 of transcript of July 25, 1968, hearing on investigation No. 22-27.

2/ Compiled from various issues of Meat and Dairy Produce Bulletin, published by the Commonwealth Secretariat.

Exports of chocolate crumb from Ireland in 1967-69 were as follows (in millions of pounds): 1/

Destination	1967	1968	1969
United Kingdom	88.8	78.2	74.3
United States	12.8	23.1	11.3
Canada	8.6	4.9	1.9
All other	3.1	.3	2.2
Total	113.3	106.5	89.7

Data on exports of chocolate crumb from other countries are not available; with the exception of those from the United Kingdom, such exports are believed to be negligible.

Prices

Data on prices of chocolate crumb are not readily available. The unit value of imports in recent years, based on the dutiable values reported in the entry papers, was as follows (in cents per pound):

Source	1966	1967	1968	1969
Ireland	18.7	17.7	17.8	18.1
United Kingdom	18.0	16.7	16.5	18.2
Other	-	19.9	16.0	-
Average	18.5	17.2	17.0	18.1

The average unit value of the low-fat chocolate crumb imported from Ireland in 1969 was 17.7 cents per pound and that from the United Kingdom was 15.9 cents per pound. The duty-paid delivered price in New York City in 1969 was 23.0 cents per pound for regular chocolate crumb and 21.5 cents per pound for low-fat chocolate crumb. 2/

1/ Meat and Dairy Produce Bulletin, Commonwealth Secretariat, May 1970, p. 286.

2/ Exhibit No. 12, investigation No. 22-28.

Cheese and Substitutes for Cheese, the Product of New Zealand

The cheeses which are comprised in item (D) of the Ways and Means Committee resolution are shipped otherwise than in pursuance to a purchase or have a purchase price under 47 cents per pounds as provided for in Presidential Proclamation No. 3884, and are subject to the section 22 annual quota of 7,500,000 pounds provided under TSUS item 950.10D for the product of New Zealand. Such cheeses are in effect "other cheeses" as that term is used in the section of this report relating to the cheeses that are comprised in item (A) of the resolution. However, item (A) does not include cheese from New Zealand because there have been no quota-free imports of "other cheese" from that country.

When an emergency quota under section 22 was established on September 24, 1968, on "other cheese," no portion of the total annual quantity (17,501,000 pounds) was allotted to New Zealand, which had not been a historical supplier of such cheese. Nevertheless, on January 6, 1969, when the President reestablished the emergency quotas of 1968, the new quota for "other cheese" was 7,500,000 pounds larger than the emergency quota, the difference being allotted to New Zealand. Previously, when section 22 quotas for dairy products were allocated by country, all the designated countries had shared in the U.S. import trade of the articles concerned during a representative period. Except for New Zealand, the countries that were allocated shares of the new annual quota for "other cheese" had been historical suppliers of U.S. imports (table 16).

Customs treatment

The cheese subject to the quota provided in item 950.10D is classified for duty purposes under TSUS items 117.75 and 117.85. 1/ Such cheese includes a variety designated "Monterey" in the Standards of Identity of the FDA (21 CFR 19.580). The New Zealand Department of Agriculture certified that each shipment presented for entry under this quota was Monterey cheese manufactured in New Zealand according to the FDA standards.

The issue arose as to whether the so-called Monterey cheese from New Zealand was, in fact, Monterey, or whether it was Cheddar and therefore should be subject to the section 22 quota either for Cheddar or American-type cheese. On March 24, 1970, a congressional delegation from the State of Wisconsin conducted a "taste panel" at the U.S. Department of Agriculture in which "expert" cheese tasters from the Department of Agriculture, the FDA, and the University of Wisconsin tasted various samples of the types of imported and domestic cheeses in question. Although the reports of the tasters were reportedly not uniform, they agreed that the imported Monterey cheese was, in fact, Cheddar.

On April 29, 1970, the Bureau of Customs classified Monterey cheese as "other cheese" in items 117.75 or 117.85 for duty purposes (5 cents per pound and 14 percent ad valorem, respectively), and in item 950.10D for quota purposes. The Bureau stated that Monterey cheese is not American-type cheese for the purposes of item 950.08B. 2/

1/ For a discussion of the rates of duty, see pp. 35-36.
2/ ORR Ruling 189-70.

In response to a request dated April 16, 1970, to investigate whether Monterey cheese imported from New Zealand under the quota was being used in lieu of Cheddar in manufacturing pasteurized process American cheese, 1/ the Comptroller General of the United States reported that officials of four cheese-processing companies had advised that--

> since July 1, 1969, their companies had used a total of about 3.2 million pounds of imported Monterey cheese as a substitute for Cheddar cheese in American-type processed cheeses;
>
> the proportion of imported cheese contained in their processed cheese was less than 25 percent of the total weight of the processed cheese; and
>
> their end product which contained the imported cheese was labeled "Pasteurized Process American Cheese."

The Comptroller General concluded--

> ...it appears that the four cheese companies are in violation of 21 CFR 19 of the Food and Drug Administration's regulations. These apparent violations by the four cheese companies were (1) the imported cheese did not account for at least 25 percent of the weight of the process cheese and (2) the label on the end product did not include the name Monterey cheese.

In July 1970, the FDA examined a shipment of the cheese from New Zealand and determined that it complied with the Standards of Identity for Cheddar rather than Monterey. The FDA ruled that the cheese was mislabeled and therefore in violation of section 403(b) of the Federal

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1/ The Standards of Identity of the FDA specify Cheddar cheese, Colby cheese, washed curd cheese and granular cheese as suitable for manufacturing into pasteurized process American cheese (21 CFR 19.750), and only they are eligible to be so used. Moreover, the standards require that "the weight of each variety of cheese in a pasteurized process cheese, made from two varieties of cheese, is not less than 25 percent of the total weight of both."

Food, Drug, and Cosmetic Act, as amended. In August 1970, the FDA issued 10 detention orders involving some 200,000 pounds of cheese to importers. In September 1970, the Bureau of Customs tentatively concluded, based on the recent detention orders issued by the FDA, that the tariff classification of a cheese imported from New Zealand labeled "Monterey" must be changed from the provision for "other cheese" to that for Cheddar cheese. 1/ Imports of such cheese would be subject to the quota on Cheddar cheese.

U.S. production of Monterey cheese and production and consumption of process cheese

Data on the U.S. output of Monterey cheese are not separately reported, but rather are included with statistics for American-type cheese (other than Cheddar), production of which has averaged about 200 million pounds in recent years. Although the great bulk of this output has probably been Colby cheese, it included small quantities of Monterey.

In recent years about 1 billion pounds of process cheese, cheese foods, or cheese spreads have been produced annually in the United States. The great bulk of the cheese used for processing have been domestic American-type cheese, principally Cheddar. Thus, the imports of Monterey cheese from New Zealand--about 7.5 million pounds--have accounted for only a small portion of the natural cheeses used to produce process cheese, cheese foods, and cheese spreads.

U.S. imports from New Zealand under the quota

It is believed that virtually all the imports of "other cheese" from New Zealand have been used for processing in the United States. The quota (7,500,000 pounds) was virtually filled in 1969, and based

1/ 35 F.R. 14329.

on imports in January-July 1970, it will most likely be filled during 1970. U.S. imports of "other cheese" from New Zealand in 1969 amounted to 7,465,260 pounds, valued at $2,655,502. During the period January-July 1970, such imports amounted to 4,069,990 pounds, valued at $1,550,769.

Prices and pricing practices

The foreign value of the cheese from New Zealand averaged 35.5 cents per pound in 1969; in 1970, it increased from an average of 36.1 cents per pound in January to 41.7 cents per pound in July. In 1969, the support price of the U.S. Department of Agriculture for Cheddar was 48 cents per pound; on April 1, 1970, it was raised to 52 cents per pound. Allowing approximately 10 cents per pound for import duties and the cost of insurance and freight, it appears that the imported cheese was delivered to processors in Wisconsin at an average of 45.5 cents per pound in 1969 and in 1970 at prices increasing from 46.1 cents per pound in January to 51.7 cents per pound in July. In July 1970, the quoted wholesale price for Cheddar cheese at Wisconsin assembly points was 53.8 cents per pound. Thus, it appears that processors realized a cost saving, on the average, of about 2 cents per pound by using the imported cheese from New Zealand in lieu of domestic Cheddar for manufacturing process cheese in July 1970.

Production and trade in New Zealand

In recent years the annual production of cheese in New Zealand has averaged some 200 million to 250 million pounds. For many years

the great bulk of the output has consisted of Cheddar. New Zealand is the world's largest exporter of Cheddar. For many years the bulk of New Zealand's exports of cheese, which amount to over 90 percent of the domestic production, have gone to the United Kingdom. 1/ The dairy industry in New Zealand is controlled by the New Zealand Production and Marketing Board. Exports of cheese from New Zealand are valued on the basis of overseas realization, rather than on the prices payable to producers under the internal purchasing procedures. It does not appear, however, that New Zealand directly subsidizes exports of cheese to the United States.

1/ In terms of value, dairy products account for 25 to 30 percent of New Zealand's export receipts.

SUMMARY

The Agricultural Adjustment Act, as amended, requires the Secretary of Agriculture to support the prices of whole milk, butterfat, and products made therefrom, at such level between 75 percent and 90 percent of parity as will assure an adequate supply. The Department of Agriculture accomplishes this requirement by purchasing unlimited quantities of butter, Cheddar cheese, and nonfat dry milk--the three products that utilize about 70 percent of the nation's output of milk for manufacturing.

As the U.S. output of milk declined from an all-time high of 127 billion pounds in 1964 to 116 billion pounds in 1969 and as market prices rose above support levels, the Secretary of Agriculture has periodically increased the support levels not only to satisfy the minimum requirement of parity (75 percent), but also to encourage production in an attempt to supply the demand of the commercial market and to fulfill commitments (donations) to the Federal Programs such as the school lunch and welfare programs. The current record level of price support, however, $4.66 per hundred weight, has failed to make any significant increase in U.S. production of whole milk.

U.S. foreign trade in dairy products has been small compared with aggregate domestic output. At the same time as the U.S. market price for dairy products has been rising, the difference between the U.S. price and the so-called world price (i.e. the London price) has been widening. In recent years the Department's purchase price for butter has been about double and, for nonfat dry milk about triple, the world

price. This has created a substantial incentive for importing dairy products into the U.S. market. Under the circumstances, imported dairy products increased their share of the U.S. market from 0.4 percent in 1953 (calculated on a fat-solid basis), to 2.4 percent in 1967, and amounted to 1.4 percent in 1969.

Section 22 of the Agricultural Adjustment Act authorizes the President to impose restrictions on imports which interfere with programs, including the price-support programs, of the Department of Agriculture. When section 22 import controls were imposed in 1953, no effort was made to place all dairy products thereunder; rather, the controls were imposed primarily upon dairy products which were then imported in significant quantities. Subsequently, new products at first generally high in fat content have been designed to avoid existing quotas. A number of section 22 proceedings have been necessary to control the imports of these new products. As the section 22 quotas have become sufficiently restrictive on products of high butterfat content, however, importers have now also turned their attention toward products relatively high in nonfat milk solids.

On May 13, 1970, the President requested the Tariff Commission to make an investigation under section 22 to determine if four products containing milk or milk derivatives not then subject to quotas--namely, ice cream, certain chocolate articles, certain animal feeds and certain cheeses--were being imported so as to interfere with the price support programs of the Department of Agriculture for milk and butterfat. Imports of those products--virtually all destined for

further processing prior to sale at retail--began for the first time or increased sharply in 1969 and early 1970. On September 21, 1970, the Commission submitted to the President its report on that investigation (No. 22-28) in which it unanimously recommended for the cheese investigated therein an absolute quota of 30,000 pounds for the remainder of 1970 and an absolute quota of 100,000 pounds for each calendar year after 1970; for the remaining products it recommended import quotas of zero. 1/

The resolution of the Committee on Ways and Means of the House of Representatives, dated June 23, 1970, to which this report is responsive, requested, among other things, an investigation of the conditions of competition in the United States between dairy products being produced in the United States and the following four categories of dairy products produced in other countries:

(A) Cheese and substitutes for cheese of the kinds described in items 950.10B, 950.10C and 950.10D, part 3, appendix to the Tariff Schedules of the United States, if having a purchase price of 47 cents per pound or over;

(B) lactose;

(C) certain chocolate and articles containing chocolate, commonly called chocolate crumb; and

---

1/ The Department of Agriculture had in effect, however, requested a zero quota for all the products being investigated, except the animal feed, for which it requested a quota by country of origin, based on imports during 1968-69. Such average annual imports would have reflected a minimum quota of 3 million pounds.

(D) certain "other cheese", the product of New Zealand. 1/ The information in the Commission's report relating to each of these categories is briefly summarized below.

(A) Certain cheese, having a purchase price of 47 cents per pound or over:

The object of the action taken in 1968 under section 22 with respect to the cheeses described in items 950.10B, 950.10C, and 950.10D was to impose import quotas on such cheeses used for processing and to permit unlimited imports of such cheeses used in their natural state for table purposes. At that time, the purchase prices of virtually all the cheeses for processing were less than 47 cents per pound and the purchase prices of virtually all of the so-called table cheeses were over 47 cents per pound. In addition, the 47-cent price break corresponded with the support price for Cheddar. In the 9-month period immediately following the imposition of the section 22 quotas (October 1968-June 1969), imports of the cheeses not subject to quotas--those having a purchase price of 47 cents per pound or more--nearly doubled as compared with the preceding 9-month period, when all of the cheeses were quota-free regardless of price, and in the 9-month period June 1969-March 1970 imports of the cheeses not

1/ Of those four classes of products the cheeses having a purchase price of 47 cents per pound or over, lactose, and chocolate crumb containing 5.5 percent or less of butterfat are currently not subject to section 22 quotas, although that chocolate crumb was included in investigation No. 22-28. Chocolate crumb containing more than 5.5 percent of butterfat and the cheese from New Zealand have been subject to quotas since January 1969. Imports of the aforementioned three classes of quota-free products amounted to about 249 million pounds of milk equivalent (calculated on a fat-solids basis) in January-July 1970, whereas imports during that period of the articles on which the President requested a section 22 investigation in May 1970 amounted to 180 million pounds.

subject to quota nearly tripled as compared with the quota-free period. At the present time, combined imports of under-quota and over-quota cheeses are almost equal to total imports of such cheeses prior to the imposition of quotas. The increase in the over-quota cheeses consists almost entirely of cheeses for processing. The shift in prices and consequent ease of avoidance of the quota controls based on the then proposed 47-cent price break was foreseen and commented upon by the Commission in its report on investigation No. 22-27. It appears that the avoidance of the quotas for cheese has been accomplished by, among other things, adjustment of the foreign export subsidies for cheeses and dehydration of the cheeses to increase their unit values, and that such avoidance has been facilitated by the general rise in the wholesale prices of cheeses in the U.S. market.

(B) Lactose:

The investigation revealed that U.S. imports of lactose--a commercial product made from whey--rose from an annual average of 700,000 pounds in 1965-68 to 4.2 million pounds in 1969 or by about 500 percent; the corresponding rise in the share of consumption supplied by imports was from 0.5 percent to 4.5 percent. The increase in imports reflects in large part the price-pull of the United States market for the nonfat solids of milk. If it were not for the import of lactose, more domestic whey would most likely be used commercially rather than being disposed of through streams or sewage systems, a practice aggravating pollution problems and burdening U.S.

Governmental expenditures, including those by the Department of Agriculture, for pollution control.

(C) Chocolate crumb:

U.S. imports of chocolate crumb increased from an annual average of 2 million pounds in 1963-65 to 45 million pounds in 1968. In January 1969, section 22 quotas were imposed on imports of chocolate crumb containing over 5.5 percent by weight of butterfat; the quotas limited imports to 17 million pounds annually. Shortly after the quotas were imposed, imports containing 5.5 percent or less by weight of butterfat began to enter and then increased substantially. The products containing 5.5 percent or less of butterfat, like those containing more than 5.5 percent, are used as ingredients in the commercial production of milk chocolate. If permitted to enter unabated, imports of the articles containing 5.5 percent or less of butterfat, plus those already under quota, could approximate or even exceed the levels attained in 1968.

(D) Certain cheese, the product of New Zealand:

Class (D) of the resolution involves "other cheese" (described in item 950.10D), the product of New Zealand, having a purchase price under 47 cents per pound. Imports of such cheese from all countries were made subject to an emergency quota of 17,501,000 pounds on September 24, 1968; no portion of that quantity was allocated to New Zealand, which had not been an historical supplier. When the emergency quota was continued in effect in January 1969, however, the

quota quantity was increased to 25,001,000 pounds, the difference--7,500,000 pounds--being allotted to New Zealand. Except for New Zealand, the countries that were allocated shares of the permanent quota had been historical suppliers to the United States. Much concern has been expressed that the cheese imported from New Zealand under that quota was Cheddar or "American-type" cheese, rather than "Monterey," the variety it was purported to be. In September 1970, the Bureau of Customs tentatively concluded, based on recent detention orders issued by the Food and Drug Administration, that the tariff classification and quota applicability of a cheese imported from New Zealand and labeled "Monterey" will be changed to that for Cheddar cheese (35 F.R. 14329). Because of the price-pull of the U.S. market for cheese, it would appear that in future years the quota will be filled with a cheese that is, in fact, "other cheese".

APPENDIX A

STATISTICAL TABLES

Table 1.--Dairy products: U.S. milk production, and whole-milk equivalent of U.S. exports of domestic merchandise and imports for consumption, 5-year averages 1935-39, 1945-49, and 1950-54, annual 1955-69

Period	Total milk production	Exports				Imports		Export or import (-) balance
		Commercial sales 1/	Donations 2/	Total		Quantity	Ratio to total milk production	
				Quantity	Ratio to total milk production			
	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Million pounds	Percent	Million pounds
Average:								
1935-39	105,924	3/	3/	138	0.1	679	0.6	-541
1945-49	117,623	1,898	1,968	3,866	3.3	218	.2	3,648
1950-54	118,074	887	778	1,664	1.4	532	.5	1,133
Annual:								
1955	123,045	919	5,743	6,662	5.4	458	.4	6,204
1956	124,860	1,432	4,797	6,229	5.0	514	.4	5,715
1957	124,628	1,028	1,675	2,703	2.2	661	.5	2,042
1958	123,220	757	2,047	2,804	2.3	507	.4	2,297
1959	121,989	651	503	1,154	.9	578	.5	576
1960	123,109	755	21	776	.6	604	.5	172
1961	125,707	645	10	655	.5	760	.6	-105
1962	126,251	434	853	1,287	1.0	795	.6	492
1963	125,202	552	4,484	5,036	4.0	915	.7	4,121
1964	126,967	368	6,504	6,872	5.4	830	.7	6,042
1965	124,173	416	1,420	1,836	1.5	923	.7	913
1966	119,892	778	-	778	.6	2,791	2.3	-2,013
1967	118,769	353	10	363	.3	2,908	2.4	-2,545
1968	117,234	3/	3/	1,166	1.0	1,780	1.5	-614
1969 4/	116,200	3/	3/	937	.8	1,621	1.4	-684

1/ Includes negligible commercial sales subsidized by the Commodity Credit Corporation.
2/ Although these donations were chiefly to relief agencies for shipment to overseas destinations, there was a very small financial recovery to the Commodity Credit Corporation.
3/ Not available.
4/ Preliminary.

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

Table 2.--U.S. apparent consumption of milk and other dairy products (milk equivalent), by selected categories, average 1947-49, 5-year averages 1950-69, annual 1955-69

(In millions of pounds)

Period	Consumed on farms	Federal programs			Commercial channels 2/	Apparent consumption	
		CCC donations to welfare programs 1/	School lunch and special milk programs	Total		All categories	Excluding Federal programs
Average:							
1947-49	15,458	134	482	616	93,085	109,159	108,543
1950-54	13,027	1,071	753	1,824	96,800	111,651	109,827
1955-59	9,411	3,636	1,890	5,526	103,881	118,818	113,292
1960-64	5,409	4,545	2,749	7,294	107,632	120,335	113,041
1965-69	3,213	3,607	3,408	7,015	107,590	117,818	110,803
Annual:							
1955	11,359	3,804	1,394	5,198	101,324	117,881	112,683
1956	10,508	3,828	1,743	5,571	103,189	119,268	113,697
1957	9,431	2,666	1,917	4,583	104,410	118,424	113,841
1958	8,380	4,536	2,113	6,649	104,466	119,495	112,846
1959	7,378	3,350	2,284	5,634	106,013	119,025	113,391
1960	6,610	2,344	2,455	4,799	107,487	118,896	114,097
1961	5,950	3,746	2,602	6,348	106,302	118,600	112,252
1962	5,334	5,473	2,755	8,228	107,183	120,745	112,517
1963	4,813	5,478	2,902	8,380	107,654	120,847	112,467
1964	4,337	5,688	3,031	8,719	109,533	122,589	113,870
1965	3,915	4,025	3,215	7,240	110,356	121,511	114,271
1966	3,508	1,129	3,373	4,502	111,089	119,099	114,597
1967	3,174	3,015	3,441	6,456	105,937	115,567	109,111
1968	2,890	5,223	3,519	8,742	105,330	116,962	108,220
1969 3/	2,580	4,641	3,494	8,135	105,238	115,953	107,818

1/ Includes donations to the Military; such donations averaged 477 million pounds annually during 1955-69.

2/ Includes milk purchased by the Military; such purchases averaged 2,828 million pounds annually during 1953-69.

3/ Preliminary.

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

Table 3.--Dairy products: U.S. per capita civilian consumption of specified articles, product weight and milk equivalent, 5-year averages 1945-54, annual 1955-69

(In pounds)

Year	Fluid milk and cream 1/	Specified manufactured dairy products									Nonfat dry milk	Milk equivalent of fluid and manufactured products
		Butter	Cheese			Evaporated milk	Condensed milk	Dry whole milk	Ice cream	Milk equivalent of specified products		
			American	Other	Total							
Average:												
1945-49	373	10.6	4.4	1.9	6.3	17.6	1.9	0.4	19.0	387.0	2.9	759.9
1950-54	350	9.3	5.3	2.3	7.6	16.1	2.0	.3	17.6	359.4	4.2	709.1
Annual:												
1955	348	9.0	5.4	2.5	7.9	14.2	2.0	.3	18.0	358.3	5.5	706.4
1956	348	8.7	5.4	2.6	8.0	13.6	2.2	.3	18.0	354.0	5.2	702.2
1957	344	8.3	5.1	2.6	7.7	13.1	2.3	.2	18.0	342.4	5.3	685.0
1958	337	8.3	5.5	2.6	8.1	12.3	2.5	.3	17.8	344.5	5.6	679.8
1959	330	7.9	5.2	2.8	8.0	11.9	2.5	.3	18.7	337.8	6.2	665.6
1960	321	7.5	5.4	2.9	8.3	11.2	2.5	.3	18.3	331.6	6.2	653.0
1961	311	7.4	5.7	2.9	8.6	10.7	2.6	.3	18.0	329.4	6.2	640.9
1962	308	7.3	6.1	3.1	9.2	10.1	2.4	.3	17.9	332.8	6.1	640.8
1963	307	6.9	6.1	3.1	9.2	9.4	2.2	.3	18.0	324.7	5.8	631.4
1964	304	6.8	6.2	3.2	9.4	9.0	2.3	.3	18.2	327.6	5.9	631.4
1965	301	6.4	6.1	3.4	9.5	8.4	2.2	.3	18.5	317.0	5.6	618.4
1966	296	5.7	6.2	3.6	9.8	7.7	2.0	.3	18.1	305.9	5.8	602.3
1967	285	5.5	6.4	3.7	10.1	7.1	1.9	.3	17.8	295.0	5.5	579.7
1968	279	5.6	6.6	4.0	10.6	6.8	2.1	.3	18.3	296.1	5.8	575.6
1969 2/	271	5.4	6.8	4.2	11.0	6.3	1.8	.3	18.1	296.5	5.7	567.6

1/ Milk equivalent (fat solids basis) of milk and cream.
2/ Preliminary.

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

Table 4.--U.S. milk production, number of milk cows on farms and output of milk per cow, averages 1947-49 and 1950-54, annual 1955-69

Period	Milk production 1/	Milk cows on farms 2/	Output of milk per cow 1/
	Million pounds	Thousands	Pounds
Average:			
1947-49	115,196	22,563	5,108
1950-54	117,654	21,612	5,444
Annual:			
1955	122,945	21,044	5,842
1956	124,860	20,501	6,090
1957	124,628	19,774	6,303
1958	123,220	18,711	6,585
1959	121,989	17,901	6,815
1960	123,109	17,515	7,029
1961	125,707	17,243	7,290
1962	126,251	16,842	7,496
1963	125,202	16,260	7,700
1964	126,967	15,677	8,099
1965	124,173	14,954	8,304
1966	119,892	14,093	8,507
1967	118,769	13,501	8,797
1968	117,234	13,038	8,992
1969	116,200	12,689	9,158

1/ Excludes milk sucked by calves.
2/ Excludes heifers not yet fresh. Averaged from monthly data.

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

Table 5.--U.S. dairy farms: Number, by categories, in selected (census) years, 1945 to 1969

(In thousands)

Item	1945	1950	1954	1959	1964	1969 1/
Farms reporting milk cows	2/	3,648	2,936	1,792	1,134	710
Farms selling milk or cream 3/	2,473	2,007	1,475	1,017	648	400
Commercial dairy farms: Total 4/	2/	602	549	428	367	300
With sales more than $10,000 5/	2/	71	88	155	186	220

1/ Estimated by the U.S. Department of Agriculture.

2/ Not available.

3/ 1945, farms selling any dairy product; 1950 and 1959, farms selling any milk or cream; 1954 and 1964, farms selling milk plus farms selling cream.

4/ Dairy products accounted for more than 50 percent of total sales. Farms with an annual value of sales amounting to $2,500 or more, and farms with sales of $50 to $2,499 if the farm operator was under 65 years of age and (1) he did not work off the farm 100 or more days during the year and (2) the income received by the operator and members of his family from nonfarm sources was less than the value of all farm products.

5/ Dairy products accounted for more than 50 percent of total sales.

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

Table 6.--Milk: U.S. utilization of domestic output, 1953-69

(In billions of pounds of milk or milk equivalent)

Year	Fluid use 1/	Manufactured dairy products									Grand total
		Butter 2/	Cheese			Evaporated milk	Condensed milk	Frozen products	Other factory products 3/	Total	
			American	Other	Total						
1953	55.0	32.4	10.2	3.1	13.3	5.4	0.8	7.8	2.5	62.2	117.2
1954	56.2	32.9	10.5	3.3	13.8	5.4	.7	7.7	2.3	62.8	119.0
1955	57.5	31.2	10.1	3.5	13.6	5.5	.8	8.2	3.0	62.3	119.8
1956	58.7	31.5	9.9	3.8	13.7	5.4	1.0	8.5	2.9	63.0	121.7
1957	59.2	31.4	10.0	3.5	13.5	5.2	1.0	8.4	3.0	62.5	121.7
1958	58.7	31.7	9.5	3.2	12.7	4.6	1.0	8.8	3.0	61.8	120.5
1959	58.5	30.3	9.2	3.4	12.6	4.6	1.1	9.4	2.8	60.8	119.3
1960	58.3	30.7	9.7	3.7	13.4	4.3	1.1	9.5	3.3	62.3	120.6
1961	57.4	32.9	11.2	3.7	14.9	4.2	1.2	9.6	3.1	65.9	123.3
1962	57.7	34.0	10.7	3.7	14.4	3.9	1.1	9.7	3.1	66.2	123.9
1963	58.4	31.5	10.9	3.9	14.8	3.9	1.1	9.9	3.5	64.6	123.0
1964	58.6	31.9	11.5	4.2	15.7	3.8	1.2	10.3	3.2	66.1	124.8
1965	58.8	29.0	11.5	4.3	15.8	3.5	1.1	10.6	3.3	63.3	122.1
1966	58.5	24.0	12.2	4.5	16.7	3.5	1.1	10.5	3.6	59.4	117.9
1967	56.9	26.4	12.7	4.5	17.2	3.1	.9	10.5	1.8	60.0	116.9
1968	56.4	25.2	12.7	4.7	17.4	2.9	1.0	11.0	1.5	59.0	115.4
1969 4/	55.2	24.1	12.8	5.1	17.9	2.9	1.1	11.0	2.2	59.2	114.4

1/ Does not include milk fed to calves, but does include other milk consumed on farms.

2/ Includes farm and nonfarm butter.

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

4/ Preliminary.

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

Table 7.--Dairy products: Commercial and U.S. Government yearend stocks, 1953-69

(In millions of pounds)

Year	Articles containing butterfat							Nonfat dry milk
	Butter	American cheese	Other cheese	Evaporated and condensed milk	Dry whole milk	Cream	Whole milk equivalent of specified products	
	Commercial							
1953	30	159	31	268	10	11	3,246	74
1954	35	162	30	211	8	7	3,187	56
1955	28	213	27	218	9	9	3,586	88
1956	23	210	40	234	11	8	3,607	78
1957	32	206	34	230	9	15	3,684	86
1958	28	238	44	199	6	8	3,795	88
1959	20	245	38	236	6	9	3,734	97
1960	21	291	41	228	7	9	4,197	103
1961	20	366	53	231	7	8	4,990	133
1962	31	307	38	147	5	7	4,342	99
1963	32	283	39	138	5	5	4,134	82
1964	37	272	42	193	7	8	4,321	109
1965	27	270	38	141	5	8	3,917	58
1966	30	322	50	206	7	13	4,813	119
1967	18	302	46	190	6	9	4,259	99
1968	14	291	62	99	8	7	1/ 3,910	79
1969	25	264	52	105	6	9	1/ 3,799	85
	U.S. Government							
1953	252	242	-	-	-	-	7,515	466
1954	344	357	-	-	-	-	10,517	268
1955	135	279	-	-	-	-	5,509	162
1956	3	191	-	-	-	-	1,960	123
1957	55	171	-	-	-	-	2,785	137
1958	41	11	-	-	-	-	981	155
1959	11	21	-	-	-	-	433	60
1960	56	1	-	-	-	-	1,196	280
1961	205	54	-	-	-	-	4,912	355
1962	328	79	-	-	-	-	7,824	576
1963	239	39	-	-	-	-	5,556	405
1964	34	24	-	-	-	-	973	65
1965	25	2/	-	-	-	-	541	96
1966	2	2/	-	-	-	-	46	-
1967	150	81	-	-	-	-	3,994	158
1968	103	52	-	6	-	-	1/ 2,723	199
1969	64	1	-	43	-	-	1/ 1,447	138
	Total							
1953	282	401	31	268	10	11	10,761	540
1954	379	519	30	211	8	7	13,704	324
1955	163	492	27	218	9	9	9,095	250
1956	26	401	40	234	11	8	5,567	201
1957	87	377	34	230	9	15	6,469	223
1958	69	249	44	199	6	8	4,776	243
1959	31	266	38	236	6	9	4,167	157
1960	77	292	41	228	7	9	5,393	383
1961	225	420	53	231	7	8	9,902	488
1962	359	386	38	147	5	7	12,166	675
1963	271	322	39	138	5	5	9,691	487
1964	71	296	42	193	7	8	5,294	174
1965	52	270	38	141	5	8	4,458	154
1966	32	322	50	206	7	13	4,859	119
1967	168	383	46	190	6	9	8,253	257
1968	117	343	62	105	8	7	1/ 6,633	278
1969	89	265	52	148	6	9	1/ 5,246	223

1/ Excludes stocks of cream and bulk condensed milk, which are relatively insignificant.

2/ Less than 0.5 million pounds.

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

Table 8.--Butter, Cheddar cheese, nonfat dry milk, and all milk for manufacturing: U.S. market prices, Commodity Credit Corporation purchase prices, and CCC support objectives, marketing years, average 1953-57, annual 1958-70

(Prices in cents per pound)

Marketing year beginning April 1--	Butter (Grade A) at Chicago		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing		
	Market price	CCC purchase price	Market price (Wisconsin assembly points)	CCC purchase price	Market price (U.S. average)	CCC purchase price	Market price (U.S. average)	CCC support objective	
								Actual	Percent of parity
Average:									
1953-57	60.1	60.0	34.5	34.7	15.5	16.0	3.28	3.31	82
Annual:									
1958	58.3	57.8	33.3	32.8	13.8	14.2	3.16	3.06	75
1959	59.7	58.0	1/ 35.6	32.8	13.7	14.2	3.21	3.06	77
1960:									
Apr. 1-Sept. 16		58.0		32.8		13.4		3.06	76
Sept. 17-Mar. 9	59.7		37.6		13.8		3.30		
(1961)		60.5		34.2		13.9		2/ 3.22	80
Mar. 10-31 (1961)		60.5		36.1		15.9		3.40	85
1961:									
Apr. 1-July 17		60.5		36.1		15.9		3/ 3.40	83
July 18-Mar. 31	60.5		37.4		16.1		3.38		
(1962)		60.5		36.5		16.4		3/ 3.40	83
1962	58.6	58.0	36.1	34.6	14.4	14.4	3.19	3.11	75
1963	58.2	58.0	37.1	35.6	14.5	14.4	3.24	3.14	75
1964	59.1	58.0	38.0	35.6	14.6	14.4	3.29	3.15	75
1965	61.1	59.0	40.0	36.1	14.9	14.6	3.45	3.24	75
1966:									
Apr. 1-June 29	64.1	61.0	43.7	39.3	17.2	16.6	3.71	3.50	78
June 30-Mar. 31 (1967)	69.1	66.5	47.2	43.8	20.1	19.6	4.24	4.00	89
1967	66.7	66.5	45.3	43.8	19.9	19.6	4.07	4.00	87
1968	66.9	66.4	48.3	47.0	23.3	23.1	4.30	4.28	89
1969	68.0	67.6	53.6	48.0	23.6	23.4	4.54	4.28	83
1970	4/ 69.8	69.8	4/ 53.8	52.0	4/ 26.6	27.2	4/ 4.58	4.66	85

1/ Prices are those quoted for "Cheddars," 1953-57 and 1958; thereafter, prices shown are for 40-pound blocks.
2/ Increase required by Public Law 86-799.
3/ The U.S. Department of Agriculture later found that the purchase prices of March 1961 reflected a per hundredweight support objective of only $3.36-$3.37; the new purchase prices of July 1961 were designed to assure achievement of the $3.40 price-support objective. 4/ April-May.

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

Table 9.--Net U.S. expenditures on dairy price-support and related programs, years ending June 30, 5-year averages 1953-62, annual 1963-69

(In millions of dollars)

Year ending June 30	CCC net expenditures (excluding foreign donations) 1/	Foreign donations		Military milk program 4/	Payment-in-kind programs 5/	Section 32 expenditures 6/	Section 709 purchases and donations 7/	Total (excluding special milk)	Special milk program
		Section 416 (Title III P.L. 480) 2/	Title II P.L. 480 3/						
Average:									
1953-57	135.4	127.9	12.9	5.6	-	47.6	-	329.4	26.3
1958-62	132.3	95.9	7.9	25.6	-	78.9	-	340.6	80.3
Annual:									
1963	303.1	136.6	14.3	24.8	6.7	-	-	485.5	93.7
1964	59.9	232.1	19.7	26.5	36.5	4.4	-	379.1	97.1
1965	72.7	79.8	4.7	26.2	44.7	105.6	-	333.7	86.5
1966	-46.1	57.7	14.5	-	3.8	38.7	-	68.6	97.0
1967	217.9	5.9	60.2	-	-	.9	14.2	299.0	96.1
1968	271.5	-	85.6	-	-	-	-	357.1	103.1
1969	163.5	-	105.4	-	-	8/ 45.4	-	314.3	101.9
1970	9/	9/	9/	9/	9/	9/	7.6	285.0	103.0

1/ CCC price-support purchase and other costs (processing, repackaging, transportation, storage, and handling), less proceeds from sales (including sales to section 32). Excludes costs of foreign donations.

2/ After Jan. 1, 1967 these donations are included in Title II, P.L. 480 pursuant to new legislation (the Food for Peace Act of 1966).

3/ These donations are shown separately and are included in the total column for comparability purposes due to the changes in legislation.

4/ CCC reimbursements to military agencies, Veterans Administration, and other participants.

5/ Amount of payment-in-kind certificates issued by CCC on exports of nonfat dry milk, butter, and high-milkfat products.

6/ Section 32 expenditures for purchases from CCC and direct purchases in the market.

7/ Purchases of butter and cheese for domestic school lunch use under section 709 of the Food and Agriculture Act of 1965.

8/ Includes $12.5 million for evaporated milk and $0.8 million for instant chocolate flavored milk beverage mix.

9/ Not available.

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

Note.--Excludes Government costs of activities under Titles I and IV of P.L. 480.

Table 10.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation (CCC) and sect. 32 purchases, utilization (disposals), and CCC uncommitted stocks, 5-year averages 1953-62, annual 1963-69, January-July 1969, and January-July 1970

(In millions of pounds)

Period	Purchases 1/	Utilization	Uncommitted supplies at end of period 2/
	Butter		
Average:			
1953-57	236	233	123
1958-62	237	184	93
Annual:			
1963	308	482	120
1964	266	368	18
1965	216	225	9
1966	3/ 29	32	6
1967	259	128	137
1968	193	255	77
1969	188	223	33
January-July--			
1969	176	142	108
1970	215	125	122
	Cheddar cheese		
Average:			
1953-57	233	204	228
1958-62	93	108	25
Annual:			
1963	120	164	19
1964	120	121	17
1965	39	56	4/
1966	5/ 20	12	8
1967	182	133	57
1968	78	111	24
1969	6/ 36	58	4
January-July--			
1969	22	39	9
1970	35	26	13

See footnotes at end of table.

Table 10.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation (CCC) and sect. 32 purchases, utilization (disposals), and CCC uncommitted stocks, 5-year averages 1953-62, annual 1963-69, January-July 1969, and January-July 1970--Continued

(In millions of pounds)

Period	Purchases 1/	Utilization	Uncommitted supplies at end of period 2/
	Nonfat dry milk 7/		
Average:			
1953-57	678	681	120
1958-62	1,022	880	184
Annual:			
1963	998	1,146	303
1964	677	977	66
1965	888	823	143
1966	367	433	64
1967	615	478	201
1968	625	582	246
1969	354	461	137
January-July--			
1969	205	214	243
1970	253	348	39

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

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

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

4/ Less than 0.5 million pounds.

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

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

7/ Includes instant nonfat dry milk.

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

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

Table 11.--Certain dairy products: U.S. imports for consumption, by kinds, annual 1966-69, January-June 1969, and January-June 1970

Item	1966	1967	1968	1969 1/	Jan.-June 1969 1/	Jan.-June 1970 1/
	Quantity (pounds)					
Fluid milk and cream:						
Containing over 5.5 percent but not over 45 percent of butterfat: 2/						
Within tariff quota 3/	15,029,045	11,971,688	12,667,192	13,418,936	6,466,908	4,671,786
Over tariff quota 3/	-	242,886	1,702,134	-	-	-
Milk and cream, condensed or evaporated:						
In airtight containers:						
Not sweetened	610,864	1,310,881	4,908,466	1,313,371	1,108,711	1,212,350
Sweetened	2,102,221	4,074,177	4,845,138	3,591,731	1,226,207	647,383
Other	576,113	5,000	8,932	466,284	461,420	9,112
Dried milk and cream:						
Buttermilk containing not over 6 percent butterfat	400,556	158,055	375,916	174,176	93,872	140,504
Other:						
Containing not over 3 percent of butterfat	2,835,330	924,324	1,746,784	1,914,280	1,057,904	1,343,424
Containing over 3 percent but not over 35 percent butterfat	6,950	3,450	127,000	7,000	-	1,000
Containing over 35 percent butterfat	-	-	-	-	-	-
Butter and cream containing over 45 percent butterfat	666,594	676,506	739,155	677,514	440,093	453,326
Oleomargarine and other butter substitutes 4/	12,496	-	84,800	16,304	11,936	5,600
Cheese, and substitutes for cheese:						
Containing 0.5 percent or less by weight of butterfat	5/ 60,000	5/ 60,000	5/ 60,000	5/ 3,000,000	6/	5/ 5,800,000
Other	135,473,233	151,779,982	170,425,496	144,101,688	59,595,295	69,476,668
Other milk products: 7/						
Yoghurt and other fermented milk	-	-	-	-	-	750
Chocolate milk drink 8/	-	-	-	-	-	14,335
Ice cream 9/	-	-	-	18,115,468	40,964	20,229,486
Malted milk articles, not specially provided for, of milk or cream	720	1,183	9,436	11,815	11,815	-
Certain chocolate and articles containing chocolate:						
Containing 5.5 percent or less by weight of butterfat	-	-	-	477,000	6/	4,164,000
Other	6,500,000	21,544,000	45,337,322	16,708,000	13,247,700	4,134,000
Edible animal oils (butter oil)	1,177,014	1,278,146	905,146	1,506,776	1,133,514	898,834
Edible preparations, not specially provided for, containing over 5.5 percent butterfat and not packaged for retail sale (Junex, etc.) 4/	107,761,874	100,547,509	1,882,266	2,741,488	792,118	1,667,459
Animal feeds containing milk or milk derivatives	-	24,000	2,398,000	9,693,000	2,466,000	8,886,000

See footnotes at end of table.

Table 11.--Certain dairy products: U.S. imports for consumption, by kinds, annual 1966-69, January-June 1969, and January-June 1970--Continued

Item	1966	1967	1968	1969 1/	Jan.-June 1969 1/	Jan.-June 1970 1/
	Value					
Fluid milk and cream:						
Containing over 5.5 percent but not over 45 percent of butterfat: 2/						
Within tariff quota	$3,195,200	$2,755,055	$2,918,261	$3,199,551	$1,501,000	$1,085,285
Over tariff quota	-	55,836	385,791	-	-	-
Milk and cream, condensed or evaporated:						
In airtight containers:						
Not sweetened	65,560	164,470	555,318	144,339	123,567	130,888
Sweetened	362,542	867,479	1,028,832	821,974	281,474	118,814
Other	41,066	4,159	981	37,350	35,494	669
Dried milk and cream:						
Buttermilk containing not over 6 percent butterfat	56,592	21,188	56,852	24,400	13,525	19,134
Other:						
Containing not over 3 percent of butterfat	370,162	141,071	202,850	209,014	109,737	121,440
Containing over 3 percent but not over 35 percent butterfat	1,677	877	19,417	1,803	-	258
Containing over 35 percent butterfat	-	-	-	-	-	-
Butter and cream containing over 45 percent butterfat	365,150	377,305	402,700	367,015	226,487	220,709
Oleomargarine and other butter substitutes 4/	2,877	-	10,071	4,403	2,610	1,144
Cheese, and substitutes for cheese:						
Containing 0.5 percent or less by weight of butterfat	6/	6/	6/	6/	6/	6/
Other	10/ 60,109,871	10/ 64,587,476	10/ 69,313,328	10/ 68,224,203	10/ 27,159,045	10/ 35,047,442
Other milk products: 7/						
Yoghurt and other fermented milk	-	-	-	-	-	442
Chocolate milk drink	-	-	-	-	-	1,395
Ice cream	-	-	-	1,895,900	5,179	2,176,154
Malted milk articles, not specially provided for, of milk or cream	489	637	3,868	3,553	3,553	-
Certain chocolate and articles containing chocolate:						
Containing 5.5 percent or less by weight of butterfat	-	-	-	6/	6/	6/
Other	1,200,000	3,715,000	7,703,000	6/	6/	6/
Edible animal oils (butter oil)	459,177	459,824	225,902	374,079	290,547	230,096
Edible preparations, not specially provided for, containing over 5.5 percent butterfat and not packaged for retail sale (Junex, etc) 4/	24,641,210	21,417,070	569,576	740,085	175,635	456,667
Animal feeds containing milk or or milk derivatives	-	1,000	272,000	1,074,000	256,000	847,000

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

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

Table 12.--Swiss cheese with eye formation: U.S. production, imports for consumption, and apparent consumption, 1962-69

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

Year	Production 1/	Imports	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity			
1962	109,412	12,518	121,930	10
1963	119,906	11,692	131,598	9
1964	121,884	11,506	133,390	9
1965	122,732	10,419	133,151	8
1966	136,664	14,751	151,415	10
1967	132,204	14,355	146,559	10
1968	129,613	38,851	168,464	23
1969	2/ 129,700	20,108	149,808	13
	Value			
1962	45,898	6,668	3/	3/
1963	52,483	6,063	3/	3/
1964	52,105	6,427	3/	3/
1965	55,880	6,001	3/	3/
1966	74,112	7,988	3/	3/
1967	69,738	7,929	3/	3/
1968	73,039	14,185	3/	3/
1969	2/ 67,418	10,600	3/	3/

1/ Values are based on average annual prices paid f.o.b. Wisconsin assembly points for Grade A blocks.

2/ Preliminary. 3/ Not meaningful.

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

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

Table 13.--Certain "other cheese," and substitutes for cheese (including cottage cheese): U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1964-69

Year	Production 1/	Imports	Exports	Apparent consumption
	Quantity (1,000 pounds)			
1964	1,222,786	8,288	3,526	1,227,547
1965	1,242,198	9,204	2,955	1,248,447
1966	1,263,602	18,068	2,679	1,278,991
1967	1,279,306	22,991	2,918	1,299,379
1968	1,337,212	39,378	3,090	1,373,500
1969	1,370,593	45,174	2,831	1,412,936
	Value (1,000 dollars)			
1964	432,000	3,925	1,857	2/
1965	475,000	4,359	1,685	2/
1966	478,000	6,946	1,821	2/
1967	512,000	8,534	1,927	2/
1968	548,000	12,997	2,184	2/
1969	3/	15,993	2,014	2/

1/ Values estimated by the staff of the U.S. Tariff Commission based on the wholesale prices of similar cheeses in New York City.

2/ Not meaningful. 3/ Not available.

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

Table 14.--Swiss or Emmenthaler cheese with eye formation: U.S. imports for consumption, by principal sources, 1963-69

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

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

Table 15.--Gruyere-process cheese: U.S. imports for consumption, by principal sources, 1965-69

Source	1965	1966	1967	1968	1969
	Quantity (1,000 pounds)				
Switzerland	3,371	4,043	3,275	3,932	4,446
Denmark	151	338	237	2,080	2,693
West Germany	76	392	2,159	8,245	1,931
Austria	372	1,124	966	1,892	1,469
Finland	1,142	2,967	3,031	3,526	1,582
Ireland	72	78	52	96	242
All other	129	181	116	206	286
Total	5,313	9,123	9,836	19,977	12,649
	Value (1,000 dollars)				
Switzerland	2,146	2,475	2,112	2,524	2,817
Denmark	69	124	103	1,029	1,459
West Germany	35	124	516	1,936	665
Austria	158	384	350	569	602
Finland	373	905	975	1,096	513
Ireland	28	30	21	39	115
All other	77	66	69	76	158
Total	2,886	4,108	4,146	7,269	6,329
	Unit value (cents per pound)				
Switzerland	63.7	61.2	64.5	64.2	63.3
Denmark	45.8	36.7	43.3	49.5	54.2
West Germany	45.8	31.6	23.9	23.5	34.4
Austria	42.4	34.1	36.3	30.1	41.0
Finland	32.6	30.5	32.2	31.1	32.4
Ireland	39.2	39.0	40.2	40.9	47.4
All other	60.1	36.1	59.4	36.6	55.2
Average	54.3	45.0	42.1	36.4	50.0

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

Table 16.--Cheese not elsewhere enumerated: U.S. imports for consumption, by principal sources, annual 1964-69

Source	1964	1965	1966	1967	1968	1969
	Quantity (1,000 pounds)					
Denmark	3,730	3,664	7,244	9,696	13,739	14,009
France	1,292	1,820	2,246	3,334	7,604	10,589
New Zealand	-	-	-	28	17	7,465
Switzerland	442	609	668	767	1,549	1,369
West Germany	394	433	816	1,298	4,006	1,817
Canada	40	25	55	203	502	1,180
Sweden	448	439	1,202	1,535	2,497	1,660
Poland	106	85	1,122	2,064	2,961	2,139
Italy	668	611	555	558	696	623
Finland	344	480	505	1,441	1,680	1,017
United Kingdom	104	112	241	312	271	658
Netherlands	147	148	153	185	715	277
Iceland	5	247	1,956	568	1,653	560
Austria	28	54	95	77	210	303
Norway	297	176	269	303	337	307
All other	243	301	941	622	941	1,201
Total	8,288	9,204	18,668	22,491	39,378	45,174
	Value (1,000 dollars)					
Denmark	1,670	1,625	2,452	3,005	3,931	4,695
France	794	1,078	1,494	2,066	3,260	3,537
New Zealand	-	-	-	10	6	2,656
Switzerland	278	368	433	514	933	928
West Germany	201	218	350	517	1,187	826
Canada	22	16	28	80	184	548
Sweden	114	120	338	416	688	508
Poland	21	18	254	479	681	476
Italy	409	399	378	360	459	417
Finland	69	105	120	397	443	283
United Kingdom	46	51	101	105	96	175
Netherlands	68	71	71	93	240	143
Iceland	1	59	476	129	390	133
Austria	11	20	31	34	72	125
Norway	118	67	101	110	133	124
All other	103	144	117	219	294	419
Total	3,925	4,359	6,946	8,534	12,997	15,993
	Unit value (cents per pound)					
Denmark	44.8	44.3	33.8	31.0	28.6	33.5
France	61.5	59.2	66.5	62.0	42.9	33.4
New Zealand	-	-	-	-	35.6	35.6
Switzerland	62.9	60.4	64.8	67.0	60.2	67.8
West Germany	51.0	50.3	42.9	39.8	29.6	45.5
Canada	55.0	64.0	50.9	39.4	36.7	46.4
Sweden	25.4	27.3	28.1	27.1	27.6	30.6
Poland	19.8	21.2	22.6	23.2	23.0	22.3
Italy	61.2	65.3	68.1	64.5	65.9	66.9
Finland	20.1	21.9	23.8	27.5	26.4	27.8
United Kingdom	44.2	45.5	41.9	33.7	35.4	26.6
Netherlands	46.3	48.0	46.4	50.3	33.6	51.6
Iceland	20.0	23.9	24.3	22.7	23.6	23.8
Austria	39.3	37.0	32.6	44.2	34.3	41.3
Norway	39.7	38.1	37.5	36.3	39.5	40.4
All other	42.4	47.8	12.4	35.2	31.2	34.9
Average	47.4	47.4	38.4	37.1	33.0	35.4

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

Table 17.--Lactose: U.S. imports for consumption, by principal sources, 1965-69

Source	1965	1966	1967	1968	1969
	Quantity (1,000 pounds)				
Netherlands	398	455	566	361	2,450
West Germany	40	897	-	13	1,712
Canada	6	-	-	-	25
All other	3	-	30	-	1/
Total	447	1,352	596	374	4,187
	Value (1,000 dollars)				
Netherlands	64	72	82	54	363
West Germany	5	60	-	2	250
Canada	1	-	-	-	14
All other	2/	-	4	-	2/
Total	70	132	86	56	627

1/ Less than 500 pounds.
2/ Less than $500.

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

Table 18.--Chocolate crumb containing more than 5.5 percent by weight of butterfat: U.S. imports for consumption, by country of origin, annual 1965-69 and January-June 1970

Country	1965	1966	1967	1968	1969	January-June 1970 2/
	Quantity (1,000 pounds)					
Ireland	1,962	4,000	10,709	20,621	9,258	842
United Kingdom	-	2,500	10,673	14,372	7,450	3,292
Netherlands	-	-	162	3,948	-	-
Belgium	-	-	-	6,253	-	-
All other	-	-	-	143	-	-
Total	1,962	6,500	21,544	45,337	16,708	4,134
	Value (1,000 dollars)					
Ireland	356	750	1,899	3,671	1/	1/
United Kingdom	-	450	1,784	2,373	1/	1/
Netherlands	-	-	32	633	-	-
Belgium	-	-	-	1,003	-	-
All other	-	-	-	23	-	-
Total	356	1,200	3,715	7,703	1/	1/

1/ Not available.

2/ Data for 1970 indicate quantities reported by the Bureau of Customs to the Department of Agriculture as having entered under U.S. Department of Agriculture import licenses; additional quantities may have entered but not yet been included in the reported data.

Source: Data for 1965-68 estimated based on invoice analyses by the Tariff Commission and the U.S. Department of Agriculture; data for 1969 and January-June 1970 from Bureau of Customs and U.S. Department of Agriculture reports on imports of products subject to quota limitations.