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## UNITED STATES AGRICULTURAL ADJUSTMENT ACT

Seventh Annual Report by the United States Government  
under the Decision of 5 March 1955

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### Summary

This report is submitted in accordance with the decision of the Contracting Parties of March 5, 1955. Its highlights include a brief review of the current situation which reveals continued progress towards relaxation and removal of Section 22 import regulations. Also included, in addition to a background statement, are descriptions of steps taken to solve the problem of agricultural surpluses. These steps are along the same general line as in recent years, but with shifting emphasis. Finally, the report outlines, by commodities, the supply position and related data on farm products for which the provisions of Section 22 are currently in effect.

Wheat and wheat products, cotton and cotton waste, peanuts, tung nuts and tung oil, and certain manufactured dairy products are covered by Section 22 import regulations now in effect. Removed from the list since the last report are peanut oil, flaxseed, linseed oil, and rye, rye flour, and rye meal. Now being investigated by the U. S. Tariff Commission, for the purpose of determining whether Section 22 import quotas should be enlarged or eliminated, are blue-mold and cheddar cheese.

In all cases, Section 22 import regulations are maintained where--and to the extent--necessary to prevent imports from materially interfering with domestic production and marketing control programs, price support programs, or other operations of the Department of Agriculture.

### Background

A decision of the Contracting Parties of March 5, 1955, granted a waiver to the United States in connection with import restrictions imposed under Section 22 of the Agricultural Adjustment Act, as amended. That decision provides that certain obligations of the United States under the provisions of Articles II and XI of the General Agreement are waived to the extent necessary to prevent a conflict with such provisions where action is required to be taken by the Government of the United States under Section 22. (See BISD, Third Supplement, page 32.) The decision also provides that an annual report be made which includes:

1. any modification or removal of restrictions effected during the reporting period,
2. restrictions currently in effect,
3. reasons why such restrictions (regardless of whether covered by this waiver) continue to be applied, and,
4. steps taken during the reporting period with a view to solution of the problem of surpluses of agricultural commodities.

As in previous years, and in keeping with the language of the waiver, all imported commodities currently subject to regulation of imports under Section 22 are reviewed in this report, regardless of the applicability of Article XI or other provisions of the General Agreement.

Section 22 of the Agricultural Adjustment Act, as amended, has been in effect since August 24, 1935. It directs the President of the United States on the basis of an investigation and report by the United States Tariff Commission to regulate the importation of commodities whenever he finds that such importation renders or tends to render ineffective or materially interferes with any domestic production and marketing control programs, price support, or other program or operation relating to agricultural commodities undertaken by the Department of Agriculture. The legislation also provides for the modification of import regulations established under its terms in order to meet changing circumstances. The complete text of Section 22 is published as an Annex to the Decision in BISD, Third Supplement, page 36.

#### Current Situation

There are now in effect import regulations under Section 22 on wheat and wheat products, cotton of certain specified staple lengths and cotton waste, peanuts, tung nuts and tung oil, and certain manufactured dairy products. All of these commodities are subject to continuing regulation except tung nuts and tung oil, import quotas for which are now scheduled to terminate October 31, 1963.

During the period from the last report to August 1, 1961, several actions were taken by the President, as a result of investigations by the U. S. Tariff Commission, under the provisions of Section 22:

- (1) On October 27, 1960, the annual import quota of 26.0 million pounds for tung nuts and tung oil was continued for a period of three years ending October 31, 1963.
- (2) On April 5, 1961, the special import fees on peanut oil, flaxseed, and linseed oil were eliminated.
- (3) On June 30, 1961, the import quota on rye, rye flour, and rye meal expired. A public hearing was scheduled by the U. S. Tariff Commission for July 11, 1961, concerning this quota. On July 7, the hearing was postponed until further notice.

Also as of August 1, 1961, two other investigations were still underway in the Commission:

- (1) An investigation for the purpose of determining whether import quotas on blue-mold and cheddar cheese should be enlarged or eliminated. A public hearing in connection with this investigation was held beginning July 18, 1961.
- (2) An investigation concerning the need to impose import quotas on cotton products produced in any stage preceding the spinning into yarn. A public hearing in this investigation was scheduled to begin August 8, 1961.

This is not a move to impose new or additional import regulations under Section 22; it is, rather, an action to prevent circumvention of a quota already established for cotton. The products involved do not normally move in international trade--they represent only the first stages of cotton processing in the textile mill.

Latest information on the status of these--or any other--investigations will be made available at the time this report is considered at the Nineteenth Session of the Contracting Parties to the GATT.

### Steps Taken to Solve the Problem of Agricultural Surpluses

The United States continued to take actions designed to bring about a better balance between supply and demand of the commodities under Section 22 control. Such actions included the following:

1. Acres allotments and marketing quotas were continued, where required by law, at or near minimum permitted levels.
2. General crop land continued to be kept out of production under the conservation reserve program.
3. New legislation was enacted on wheat which provides for a mandatory cut in acreage equivalent to ten percent below the previous legal minimum. The legislation also provides incentives for further reducing the acreage by an amount up to an additional 30 percent of the allotment.

Acres allotments and marketing quotas were in effect during 1960-61 and 1961-62 for three of the Section 22 commodities--wheat, cotton, and peanuts. These are the only commodities under review for which acres allotments coupled with marketing quotas are authorized by law.

As pointed out in previous reports, marketing quotas have brought about drastic reductions in the acres planted to these crops. For example, acres planted to wheat for harvest in 1961 was 55.5 million acres compared with 58 million acres in 1959, 79 million acres in 1953 and 84 million acres in 1949.

Operations under the Soil Bank Act continued on a relatively large scale in 1961 with emphasis on the conservation reserve program, under which farmers agreed to withdraw general crop land from production for varying periods of three to ten years. Approximately 28 million acres of crop land are now withdrawn from production under this program. More than half of all crop land in the program is in the 10 Great Plains States, the heart of the wheat surplus problem. Each acre of crop land put in the conservation reserve reduces the acres available for harvested crops.

Price support levels for commodities currently regulated under the provisions of Section 22 for 1954, 1960, and 1961 are shown in the following table:

Price support levels: Section 22 Commodities

Commodity	Unit	Support Price <sup>1/</sup>			Support level as a percent of parity		
		1954	1960	1961	1954	1960	1961
		dollars	dollars	dollars	percent	percent	percent
Wheat	bu.	2.24	1.78	1.79	90	75	75.5
Cotton, upland	lb. <sup>2/</sup>	.3403	.3242	.3304	90		82
Cotton, extra long staple	lb.	.6553	.5304	.5317	90	65	65
Peanuts	lb.	.122	.1006	.1105	90	78	85
Dairy Products							
Butterfat	lb. <sup>3/</sup>	.562	.596	.604	75	78	81
Milk (mfg.)	cwt. <sup>3/</sup>	3.15	3.22	3.40	75	77	83
Tung nuts	ton	54.96	53.50	63.34	60	66	83

<sup>1/</sup> National average rate.

<sup>2/</sup> For comparison only; reflects new basis for determining support price in 1961. See Commodity section (Upland Cotton, (a) Programs).

<sup>3/</sup> Effective Sept. 17, 1960.

The foregoing paragraphs summarize very briefly administrative decisions and proposals which have been made during the past year. Previous reports have noted the importance of natural forces which also play a vital part in determining the harvest in any given season, as well as the increasingly significant role played by technological advances in recent years. Growing conditions have been generally favorable thus far in 1961. The August Crop Report issued by the United States Department of Agriculture indicates the preliminary all-crop production index to be 113 percent of the 1947-49 average, 8 points below the index for 1960, due chiefly to lower acreages of corn and sorghums. Planted acreage of all crops for 1961 harvest totals about 306 million acres, 17 million less than in 1960.

Actions Taken to Increase Consumption

As one means of utilizing surplus commodities, the United States continued its efforts to encourage increased consumption, both at home and abroad. A summary of the action taken to encourage consumption under such programs is as follows:

1. The Special Milk Program - Legislation has been passed to extend through the fiscal year 1967 this program which was undertaken to increase consumption of fluid milk by children in (a) nonprofit schools of high school level and under, and (b) nonprofit nursery schools, child care centers, settlement houses, summer camps, and similar nonprofit institutions devoted

to child care and training. Children in about 85,000 camps, schools, and other eligible institutions are provided the opportunity to obtain milk at nominal cost through this program, which is conducted in schools and institutions with feeding facilities as well as in those where factors prevent the establishment of food preparation and service facilities. The program not only contributes to improved nutrition, but expands outlets for an consumption of fluid milk. Legislation authorizes the use of \$105 million for this program during fiscal year 1962, an increase of \$10 million from fiscal year 1961 and \$45 million more than was authorized for fiscal year 1956.

2. Military and Veterans Administration Milk Program - This program is designed to encourage increased consumption of fluid milk by military and veteran personnel. Under this program, the CCC has been paying about half the cost of milk representing above-normal purchases. This program has resulted in tripling the volume of milk served by military installations or facilities.

3. Donations to the National School Lunch Program - This program, conducted under the National School Lunch Act, is designed to provide participating school children with well-balanced lunches, furnishing them with one-third of their daily nutritional requirements. During the 9 months ending March 31, 1961, 246 million pounds of food with a cost value of \$62 million was donated by the Federal Government to schools participating in the program. The amount donated was slightly higher than the 236 million pounds donated during the same period a year earlier. In addition to these food donations, the Federal Government made cash grants in aid to the States totaling nearly \$94 million during fiscal year 1960-61. Federal donations represent only part of the food made available, since local contributions greatly exceed the Federal payments.

4. Donations to Needy Persons and Institutions in the United States - This program is conducted under authority provided by Section 416 of the Agricultural Act of 1949, as amended, and Section 32 of the Act of August 24, 1935. Under this program, the distribution of food to needy families has been expanded both in terms of the number of persons benefitting and the volume and variety of foods distributed to them. During the 9 months ending March 31, 1961, a total of nearly 500 million pounds of surplus foods was donated to needy persons and charitable institutions. This compares with a revised estimate of 398 million pounds in the first nine months of the preceding fiscal year. Although final figures were not yet available when this report was prepared, the number of recipients, and the volume and variety of foods distributed to them, were further expanded in the final quarter of fiscal year 1961. The products donated included dry edible beans, butter, cornmeal, flour, nonfat dry milk, lard, dried eggs, rice, peanut butter, pork and gravy, and rolled oats.

The increase of 20 percent in the volume of donations to needy persons and institutions resulted largely from an expansion of the direct food distribution program. Schools, under the priority rules established, continued to receive most of the available stocks of butter and cheese.

5. Donations to Needy Persons in Foreign Countries - The authority for this program is Title III of P.L. 480. Donations were made to U. S. nonprofit voluntary agencies such as the American Red Cross, or inter-governmental agencies such as UNICEF which, in turn, were responsible for arranging for the distribution in foreign countries to needy people to supplement the usual diets.

Under this program the U. S. Government donated more than 2.4 billion pounds of surplus foods to needy persons in foreign countries during fiscal year 1960-61. This food had a cost value of approximately \$208 million. These donations exceeded those of a year earlier by 26% in terms of volume. Because of substantially increased donations of nonfat dry milk and rice the value of total donations for foreign distribution was up 40 percent. The foods donated included corn, cornmeal, nonfat dry milk, rice, wheat and wheat flour. Refined vegetable oils were also included for the first time in several years.

6. Foreign Disaster Relief - This program embodies the donation of surplus agricultural commodities for disaster purposes. Authority is contained in Title II of P.L. 480. These donations are made to alleviate suffering following hurricanes, floods, earthquakes, droughts, crop shortages, and other natural disasters in foreign countries. These donations, as well as those referred to above, are made in a way which will not displace or interfere with sales that otherwise would be made.

During the seven years ending June 30, 1961, in which the program has been in effect, commitments undertaken amounted to \$748 million on the basis of the cost of commodities. The following commodities were included: barley, dry edible beans, butter, cheddar cheese, corn and cornmeal, cotton, cottonseed oil, grain sorghums, nonfat dry milk, rice, rye flour, wheat and wheat flour.

7. Sales of Surplus Agricultural Commodities for Foreign Currencies - Under the authority of Title I of Public Law 480 the United States Government sells to other Governments, for foreign currencies, surplus agricultural commodities under procedures designed to insure that the amounts are additional to those which the foreign countries concerned could purchase with foreign exchange, with due safeguards against disruption of world prices of agricultural commodities or normal patterns of commercial trade. Sales agreements have been entered into with 39 countries under this program, involving a total export market value of about \$6.5 billion through June 30, 1961, including over \$1.5 billion during the last 12 months. Actual shipments under the agreements have reached the aggregate value of \$4.6 billion.

Among other things, currency accruing from Title I sales is used for economic and market development activities abroad, providing an additional stimulus to foreign consumption of agricultural products.

8. Food for Peace - The President has appointed a Special Assistant to serve as Director of the Food-for-Peace Program. In addition to supervising and coordinating operations under P. L. 480 and Section 402 of the Mutual Security Act, the Food-for-Peace Director is seeking additional and improved ways to use U. S. food surpluses to combat hunger. In this connection, the U. S. is supporting the effort to develop a multilateral program for distributing food surpluses to food-deficient areas, pursuant to the General Assembly Resolution of October 27, 1960. It has proposed an initial program of about \$100,000,000, contributed in cash and commodities, and has offered \$40,000,000 in commodities to such a program.

9. Other Programs - As a means of increasing utilization, the Department of Agriculture is giving additional emphasis to research and promotional activities to develop new and expanded uses for farm products, both at home and abroad, especially those which are in surplus supply. In performing these responsibilities, it is cooperating with private organizations and groups undertaking programs to expand the utilization of agricultural commodities. As indicated in previous reports, private industry groups in cotton, dairy products, wheat, peanuts, and soybeans have established special organizations to increase utilization of these products.

Within the United States, the Department of Agriculture is continuing to use its "plentiful food" program to expand markets for foods which are in plentiful supply. The purpose of this program is to increase movement of these foods through established channels of trade. This program is operated in cooperation with food distribution, industry and public information media. Experience under the program has indicated that increased merchandising and informational emphasis on canned food items which may be in temporary surplus, or even a glut on the market, stimulate sales, demand and consumption to the benefit of the farmer, distributor, and consumer.

A Food Stamp Program is in operation on a pilot basis in eight areas under authority of Section 32 of the Act of August 24, 1935, which provides funds for expanding markets for agricultural commodities produced in the United States. Careful study is being made of these pilot food stamp projects as a basis for further planning and policy determination with respect to the effectiveness of this approach in improving the diet of low-income families and in increasing the consumption of agricultural products. At the time of this writing, about 200,000 persons have been certified to participate in the program. Participating families purchase food stamp coupons in amounts about equal to their recent expenditures for the eligible foods, and additional stamps are provided at no cost in amounts determined necessary for the family to purchase a more nutritious diet. The coupons are good for the purchase of most foods regularly available at cooperating retail stores.

## Wheat and Wheat Products

### 1. Section 22 Quotas in Effect

The import quotas established under Section 22 for wheat classified as fit for human consumption and certain wheat products (flour, semolina, crushed and cracked wheat, and similar products) remain the same in 1961-62 as in 1960-61. As explained in previous reports, the annual import quotas for wheat and for wheat products are on a continuing basis. They have not been changed significantly since they were established in 1941, except for a temporary suspension for a short period during World War II due to emergency conditions existing at that time.

The quotas in effect for the quota year beginning May 29, 1961, as in previous years, are 800,000 bushels of wheat and 4 million pounds of wheat products. Separate quotas continue in effect for individual countries at the same levels indicated in previous reports. There are no quantitative import restrictions on wheat classified as unfit for human consumption (feed wheat); and registered or certified seed wheat for planting purposes, as well as wheat for experimental purposes, may be imported ex-quota under stipulated conditions.

### 2. Need for Continuing Import Quotas on Wheat

The United States Government has continued to carry out extensive measures for the solution of the wheat surplus problem. During the 1961-62 season, the Government will have in operation a number of programs pertaining to wheat: a price support program, an acreage allotment and marketing quota program in connection with the price support program, and related storage and disposal operations. A Soil Bank program has also been in effect since 1956, to retire land from production of crops, including wheat.

Despite the many steps that have been taken to stabilize production and bring supplies into better balance with requirements, a serious imbalance continues. It will be necessary to maintain import quotas on wheat and wheat products in order to prevent imports from materially interfering with the domestic marketing quotas and related programs. The conditions which make it necessary to continue these import restrictions are explained in more detail below:

a. Programs - The maintenance of price support for wheat is mandatory every year under Title I of the Agricultural Act of 1949, as amended, within a range of 75 to 90 percent of parity, unless more than one-third of the producers voting in a referendum disapprove of marketing quotas. Pursuant to the requirement that price support levels be announced in advance of planting dates, the average support level for the 1962 crop of wheat (part of which is seeded in the fall of 1961) has been announced at \$2.00 per bushel, equal to 84.4 percent of parity.

The program of acreage allotments and marketing quotas, under which wheat acreage has been drastically curtailed, has been continuously in effect since 1954. The national acreage allotment established for each wheat crop from 1954 to 1961 has been the minimum of 55 million acres authorized by law. For the 1962 crop, new legislation provides for a mandatory cut equivalent to 10 percent of the previous legal minimum. The legislation also provides incentives for producers to reduce their wheat acreage more than the required 10 percent.

Another effort to curb surpluses is made through the Soil Bank Conservation Reserve Program. Under this program, contracts are in effect covering about 303,000 farms, on which there were approximately 95 million acres of farm land. About 28 million acres of cropland on these contract farms have been withdrawn from crop production and diverted to soil-conserving uses. The rental for 1961 alone on these contract farm amounts to more than \$338 million. In addition, the cumulative obligation of the Government for establishing conservation cover is estimated at about \$171 million.

b. Supply Situation - The United States continues to be confronted with supplies of wheat well in excess of requirements. The U. S. total supply in 1961-62 is now estimated at about 2,619 million bushels, based on the August, 1961 Crop Report. Such a supply is 53 million bushels less than in 1960-61 and is equivalent to well over 4 years' domestic requirements, estimated for this year at about 594 million bushels. This quantity of wheat has accumulated in the United States despite the many Government-sponsored programs which have been in effect to reduce acreage and to expand utilization. These adjustment programs to date have been more than offset by unprecedentedly high yields per acre during recent years.

The 1961-62 supply is made up as follows: The beginning carryover on July 1, 1961, was 1,407 million bushels, 93 million more than on July 1, 1960, and 375 million more than the average for 1955-59. In recent years the CCC has owned or controlled over 90 percent of the U. S. carryover; and this was true also on July 1, 1961, when the CCC had in inventory over 1.2 billion of the 1,407 million bushel carryover, and about 72 million bushels were covered by loans outstanding under the farm "reseal" program.

The U. S. carryover of wheat on July 1, 1962, is expected to be about 1,350 million bushels. This would be the first decrease in the wheat carryover since July 1, 1958. Production in 1961 is now estimated at 1,204 million bushels. This production is 65 million bushels less than anticipated domestic requirements and exports under the various foreign aid and other programs in 1961-62. The 1961 crop came from only 55.5 million planted acres, compared with 78.9 million planted acres in 1953 (the year before acreage allotments and marketing quotas were put into effect). Imports of millable wheat and of wheat flour under the quota referred to above, plus imports of wheat unfit for human consumption and seed wheat for planting purposes (both outside the quota) are estimated at 8 million bushels during 1961-62, the same as in 1960-61.

Utilization - Domestic disappearance in 1961-62 is estimated at about 594 million bushels, 10 million less than in 1960-61. Exports of wheat, including flour, in 1961-62 may approach 675 million bushels, compared with a total of about 662 million in 1960-61, and 510 million in 1959-60.

Price-support activity in 1961-62 is expected to be great. About 400 million bushels of 1961 wheat may be placed under support, with about 200 million bushels delivered to CCC during April-June, 1962. The CCC acquired about 170 million bushels from the smaller crop, and about 250 million bushels from the larger 1960 crop.

The CCC owned 1.2 billion bushels of wheat on July 1, 1961, all acquired by deliveries from farmers under price support operations. Dispositions of wheat by CCC during 1961-62 are presently estimated to total nearly 210 million bushels, compared with about 250 million bushels disposed of in 1960-61. It is anticipated that CCC stocks, which have increased annually since July 1, 1957, will decline to about 1,195 million bushels on July 1, 1962.

### 3. Steps taken with a view to the Solution of the Surplus Problem

Steps taken by the United States with a view to solution of the problem of the wheat surplus generally have been mentioned above. In somewhat more detail, they are as follows:

a. Tighter Acreage Limitations in Effect for the 1962 Wheat Crop - For the crops of 1954 through 1961, acreage allotments for wheat production have been at the minimum specified by law. For the 1962 crop, new legislation provides for a mandatory cut in the acreage allotment equivalent to 10 percent of the previous legal minimum. The legislation also provides incentives for further reducing the acreage by an amount up to an additional 30 percent of the allotment.

The national acreage allotment serves as a basis for determining the size of the acreage allotted to states, counties, and individual farms. The minimum 55 million acre national allotment for the years 1954 through 1961 is 30 percent below the acreage seeded to wheat in 1953, prior to the imposition of production control programs. A further reduction of at least 10 percent in planted acreage is anticipated for 1962.

When marketing quotas are in effect (as they have been every year since 1953), the production on the allotted acres becomes the producer's marketing quota. If he exceeds his farm wheat acreage allotment, the producer becomes ineligible for price support on the entire production of wheat from his farm. Prior to the 1962 crop, any producer who exceeded his marketing quota paid a penalty on the excess quantity. This penalty could be avoided only if the excess were stored under seal for possible sale in a subsequent year when less than the normal acreage allotment was planted, in accordance with a prescribed formula. Under provisions of the Agricultural Adjustment

Act of 1961, however a producer is now required to divert at least 10 percent of his wheat acreage allotment to be eligible for price support. In addition the penalty paid by producers who used their marketing quota is increased from 45 percent to 65 percent of the May 1 parity price.

Wheat continues to be ineligible for support if produced on Federally-owned land in violation of provisions which generally are included in leases for such land to prevent the production thereon of surplus crops.

b. A Soil Bank Conservation Reserve Program has been in effect each year since 1956. Although authority to enter into such contracts expired as of December 31, 1960, farmers retired from the production of field crops over 28 million acres under this program, over 3 million acres of which otherwise would have been planted to wheat.

c. Disposal operations aimed at increasing outlets for wheat are being continued by the United States Government during the 1961-62 marketing year. These include donations of wheat and flour for domestic relief under section 416 of the Agricultural Act of 1949, as amended, and donations of wheat and flour for overseas relief under Titles II and III of P. L. 480. Wheat for export under the subsidy program, including shipments under Title I of P. L. 480, will continue to be obtained generally from free market supplies instead of from sales of CCC owned stocks, and payments on wheat export subsidies generally will be made in kind, pursuant to the basic change made in the wheat export program effective September 4, 1956. This program is aimed at encouraging wheat marketings through private trade channels.

d. The Wheat Utilization Committee, which was established to pursue the issue of how surplus wheat might contribute to improving the economies of underdeveloped countries, has met four times, the last being May 24-26, 1961. In the course of its work, the Committee has completed a study on how wheat could be used more effectively in economic development in India, Indonesia, and Japan and considered preliminary reports on national food reserves and guidelines for credit sales. The existence of this Committee has brought about better understanding of the surplus wheat in the world, the problems of underdeveloped countries and the part that wheat can play in economic development.

COTTON AND COTTON WASTE

1. Section 22 Quotas in Effect

Import quotas are in effect under Section 22 for upland type cotton, long staple cotton and designated cotton waste during the 1960-61 cotton marketing year. There have been no changes in import quotas during the past year. The 1960-61 import quotas for cotton, which continue in effect each year unless changed, are as follows:

a. Upland type cotton - Cotton under 1-1/8 inches (other than rough or harsh under 3/4-inch) - 14,516,822 pounds annually during the quota year beginning September 20.

b. Long staple cotton - Cotton 1-1/8 inches and longer:

- (1) 39,590,778 pounds annually during the quota year beginning August 1, for cotton having a staple length of 1-3/8 inches or more.
- (2) 6,065,642 pounds annually for cotton having a staple length of 1-1/8 inches or more but less than 1-3/8 inches: Provided that of such 6,065,642 pounds not more than 1,500,000 pounds shall consist of rough or harsh cotton, white in color, and having a staple length of 1-5/32 inches or more but less than 1-3/8 inches, and not more than 4,565,642 shall consist of other cotton.

c. Cotton waste - Cotton card strips made from cotton having a staple length of less than 1-3/16 inches, comber waste, lap waste, sliver waste and roving waste - 5,482,509 pounds annually during the quota year beginning September 20.

The import quotas in effect on cotton 1-1/8 inches or more in staple length are on a global basis. Quotas in effect on cotton under 1-1/8 inches and on designated cotton waste are on a country basis.

2. Need for Continuing Import Quotas on Cotton and Cotton Waste

During the 1960 crop season, the United States Government has continued its extensive efforts to deal with the cotton surplus problem. It has had in operation several programs, including a price support program, an acreage allotment and marketing quota program, conservation reserve program, and related surplus operations. Despite the progress made as a result of these programs, it is necessary to continue import quotas on cotton and cotton waste in order to prevent imports from materially interfering with these domestic programs and related operations. These programs and the conditions which made necessary the continuation of these import restrictions are explained in detail below.

### Upland Cotton

a. Programs - The Agricultural Act of 1958 provided a new price support program for upland cotton. The new provisions permit a gradual transition to a more flexible price support by 1962, when the over-all range widens to 65 to 90 percent of parity.

The 1961 crop of upland cotton for farms whose operators elected to comply with the farm acreage allotment is being supported at a minimum level of 33.04 cents per pound, gross weight, basis Middling 1-inch, at average location. This reflects 82 percent of parity on the new basis of determining the level on the "average of the crop," and about 77.5 percent of parity under the former basis of calculating the support price on Middling 7/8-inch cotton. The support level represents a moderate increase of 0.62 cent per pound from the support price for the same quality of 1960-crop cotton under the "Choice A" program which accounted for most production last year.

Acreage allotments and marketing quotas were established for the 1961 crop and approved by a much larger percentage of the farmers voting in a referendum than the minimum of two-thirds of the voters required. Any producer who does not comply with his farm acreage allotment is denied price support and also must pay a penalty (50 percent of the June 15 parity price) on his excess cotton.

The national acreage allotment established for 1961 under the marketing quota operation was set at 18.4 million acres, compared with 17.5 million for 1960. The national marketing quota of 15.6 million bales for the 1961 crop was established at a level that will result in a carry-over on August 1, 1962, of about the same quantity as the estimated carryover of 7.4 million bales for August 1, 1961.

In 1961, the United States Government also has in operation a conservation reserve program under the Soil Bank Act. This program provides for payments to farmers who divert land to soil conserving crops and uses. It is estimated that under this program about 600,000 acres were taken out of production in 1961.

b. Supply Situation for Upland Cotton - Total supply for the 1961-62 marketing year is estimated at 21.2 million bales, compared with 21.7 million for 1960-61. The 1961 planted acreage is reported at 16.5 million acres. This compares with 16.0 million acres in 1960 and is the largest acreage planted to upland cotton since 1956, but is 3.5 million acres smaller than the average for 1950-59.

Carryover - Carryover August 1, 1961, is estimated at 7.4 million bales, compared with 7.3 million on August 1, 1960.

Production - The 1961 crop is estimated (August Crop Report) at 13.8 million bales, compared with 14.2 million in 1960.

Imports - Imports in 1961-62 are expected to be about the same as the 55,000 bales estimated for 1960-61. Most of the imports are Mexican upland and Asiatic short harsh cotton.

Disappearance - Total disappearance in 1961-62 is estimated at roughly 13.5 to 14.0 million bales, compared with about 14.6 million bales in 1960-61, due mostly to a possible decline in exports from about 6.6 million bales in 1960-61 to roughly 5.5 million in 1961-62.

Price support activity - Price support in the 1961-62 season will be available through CCC loans, rather than CCC purchases as in 1960-61. As of July 12, 1961, CCC stocks of upland were 1,847,188 bales.

Long Staple Cotton <sup>1/</sup>

a. Programs - Price support for the 1959 crop and future crops of long staple cotton is required by law at not more than 75 percent nor less than 60 percent of the parity price. The minimum loan rate for eligible qualities of 1961-crop extra long staple cotton is based on the average rate of 53.18 cents per pound, net weight, for American-Egyptian cotton, 48.18 cents per pound, net weight, for Sea Island cotton, and 43.18 for Sealand cotton. These levels reflect 65 percent of parity for extra long staple cotton.

Acreage allotments and marketing quotas were continued for the 1961 crop of these growths. When marketing quotas are in effect, any producer who does not comply with his farm acreage allotment is denied price support on such cotton, and must pay a penalty (the higher of 50 percent of the June 15 parity price or 50 percent of the support price) on his excess extra long staple cotton.

The national acreage allotment for extra long staple cotton in 1960 is 64,000 acres, which compares with a 1960 allotment of 65,000 acres and a 1959 allotment of 71,000 acres.

b. Supply situation - CCC stocks of extra long staple cotton totaled about 41,000 bales as of July 12, 1961.

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<sup>1/</sup> For purposes of statistical comparison, references in the following discussion to "extra" long staple cotton (staple length of 1-3/8" or more) should be related to the import quota of 39,590,778 pounds noted in section 1.b.(1). The quota of 6,065,642 pounds, described in section 1.b.(2), as cotton having staple length of 1-1/8" or more but less than 1-3/8", is more closely related to the preceding discussion of "upland" cotton even though it is included in the "long staple" category of the import quota.

Legislation providing for the withdrawal of 50 thousand bales of domestic extra long staple in the U. S. stockpile of strategic materials was approved in July 1957. Although this cotton was transferred to CCC on August 1, 1957, for sale, it still is technically in the stockpile and becomes a part of the U. S. supply only as it is sold. The law referred to above provides that the cotton will be sold at not less than 105 percent of the current support price plus reasonable carrying charges, or the current market price as determined by CCC. Sales to date of stockpile cotton total 19,700 bales, leaving 30,300 bales available for sale.

The supply is made up as follows:

Carryover - The carryover of extra long staple cotton in the United States on August 1, 1961, was estimated at about 151,000 bales, including unsold cotton released from the stockpile, but does not include cotton still in the stockpile. This compares with 188,000 bales on hand a year earlier.

Production - Production in 1961 on 62,400 acres planted will be 63,800 bales, according to the August estimate of the Crop Reporting Board. This compares with 66,400 bales produced in 1960 on 62,700 acres planted.

According to present legislation, if quotas are proclaimed, the marketing quota for 1961, announced at 66,590 bales, must be not less than 90 percent of the marketing quota for 1959 or 66,590 bales.

Imports - Imports of extra long staple cotton in 1961-62 are expected to equal the import quota of 82,500 bales (39,590,778 pounds). As in 1960-61, the import quota for 1961-62 was filled on opening. Roughly three-fourths of imports are from Egypt and the remainder from Peru, Sudan, and others.

Disappearance - Disappearance in 1960-61 is estimated at 155,000 bales, consisting of 150,000 bales consumed and 5,000 exported, mostly to Pakistan under P.L. 480 financing. In 1961-62, domestic consumption is expected to be about the same as in 1960-61, and exports under existing conditions are expected to be small.

Price Support Activity - It is too early in the season to indicate a specific quantity of extra long staple cotton which might be pledged and/or acquired by CCC under the price support program.

### 3. Steps Taken to Reduce the Surplus of Cotton

During 1961-62, the United States is continuing its efforts to reduce the surplus of cotton. These efforts, in general, have been along the following lines: (a) reduction of production through the use of acreage allotment, marketing quota, and acreage reserve programs; (b) holding the level of price supports as close as possible to the minimum required by

law; and (c) market promotion, market stabilization, and surplus disposal programs to increase consumption, avoid disruption of domestic and foreign markets, and to dispose of the surplus in an orderly manner.

a. Reduction of Production - The United States Government continued the above efforts in 1961 to reduce production. The national acreage allotment was established at 18.4 million acres. Present allotments are considerably lower than the national allotments established prior to World War II, which exceeded 27.2 million acres.

In addition, the United States continued the conservation reserve provisions of the Soil Bank under which, in 1961, it is estimated farmers voluntarily took over 600,000 acres of land out of cotton. This reduction was in addition to the curtailment made through the acreage allotment program. The 1961 planted acreage of all cotton was estimated at 16.6 million acres. This is only slightly above the 16.1 million acres planted in 1960, but is 28 percent smaller than the 1950-59 average of 21.3 million acres. The increase to 16.6 million in 1961 is not expected to increase the surplus. Steps taken by the United States to reduce production resulted in a drop in the U. S. cotton crop from 16.3 million running bales in 1953 to 10.9 million bales in 1957. On August 8, the 1961 crop was estimated at 13.8 million bales, compared with 14.3 million bales in 1960.

b. Price Support - The price support for the 1961 crop of upland cotton was fixed at a U. S. minimum national average of 31.84 cents per pound for Middling 1-inch cotton. This level reflects 82 percent of "modernized" parity.

In July 1958, the Congress amended Title I of the Agricultural Act of 1949 (the legislation which requires that the price of extra long staple cotton be supported) to provide that the level of support shall be not more than 75 percent nor less than 60 percent of the parity price. In 1961, the level of support was fixed at 65 percent of parity, the same as in 1959 and 1960.

c. Market Stabilization and Surplus Disposal Operations - During the past year the United States has continued its programs for market stabilization and surplus disposal.

The United States Government has continued to market its stocks of cotton in such a manner as to avoid disrupting domestic and foreign markets, while at the same time, cutting back domestic production, and encouraging increased utilization of cotton.

The United States has continued its export sales policy which was adopted in 1956 and which was explained in the 1956 report. Under this policy the CCC makes U. S. cotton available for export in such a manner as to keep U. S. cotton prices competitive in foreign markets.

The payment-in-kind program is being continued in 1961-62. Under this program, exporters who register with CCC their export sales of upland cotton from commercial stocks, can earn a payment-in-kind from CCC stocks. For exports on and after August 1, 1961, a payment rate of 8.5 cents per pound has been announced. As of August 18, 1961, about 1.6 million bales had been registered for export under this program.

## Peanuts

### 1. Controls in Effect for 1960-61

No changes were made in 1960-61 in the import quota established for peanuts under Section 22. The peanut quota of 1,709,000 pounds, shelled basis; during any 12 months beginning August 1, (a) is on a continuing basis, that is, it continues in effect from year to year unless modified; (b) includes peanuts whether shelled, unshelled, blanched, salted, prepared, or preserved (including roasted peanuts but not including peanut butter); and, (c) is global, that is, no specific country quotas are established. As noted in the "current situation" section of this report, the special import fee on peanut oil was eliminated in an action dated April 5, 1961.

### 2. Reasons Why Such Restrictions Continue to be Applied

During the 1961 crop season the United States Government has in operation several programs for peanuts. These include a price support program, an acreage allotment and marketing quota program in connection with the price support program, a purchase program for edible grades of less than top quality, and related storage and disposal operations. These are described in more detail below. Import controls on peanuts are being continued in 1961-62 to prevent imports from materially interfering with these programs and operations.

a. Programs - Price support for peanuts is mandatory each year under Title I of the Agricultural Act of 1949, as amended, at a level of 75 percent to 90 percent of parity when producers have approved marketing quotas. For 1961 the preplanting level of support has been announced at a minimum national average of \$221 per short ton, or 85 percent of effective parity for 1961. This support is higher than the average support price of \$201.24 for the 1960 crop. In terms of parity, the 85 percent for 1961-62 compares with 78 percent a year earlier and 75 percent for the 1957 crop. The support level in relation to parity is determined in accordance with the law which provides that minimum support be within the range of 75 percent to 90 percent of parity according to the relationship of the expected supply to the normal supply.

On December 15, 1959, peanut farmers voted in a referendum to determine whether or not they desired marketing quotas for the 1960, 1961, and 1962 marketing years. The quotas were approved by 94.9 percent of the farmers voting in the referendum. A favorable vote of two-thirds or more was required to place the quotas in effect.

The national acreage allotment of 1,612,427 acres established for 1961 under the marketing quota operation is the minimum authorized by law adjusted upward by 2,427 acres for Valencia peanuts in accordance with provisions of the Agricultural Adjustment Act, as amended. This allotment is about the same as for 1960 and is the same as the 10-year (1950-59) average of 1,610,00 acres, picked and threshed. In 1947, the acres picked and threshed totaled 3,377,000 or more than double the total allotted for 1961.

b. Supply situation - The United States is confronted with a surplus situation on peanuts. Despite the program to limit production and dispose of surplus, peanut supplies in 1961-62 in the United States are expected to substantially exceed domestic food and farm use. Data on United States peanut production, domestic consumption including exports as edible peanuts, and price support activity are shown in the table below for each of the marketing years 1950-61.

Year	Production	Imports	Domestic Consumption	Acquired under Price Support	Disposed of as Surplus	Stocks, end of year
beginning August 1	:	:	:	:	:	:
-----Million Pounds, Farmers Stock Basis-----						
1950	2,035	24	1,269	800	645	332
1951	1,659	-	1,200	588	375	416
1952	1,356	-	1,286	107	64	422
1953	1,574	-	1,279	297	431	286
1954	1,008	187	1,245	0	27	209
1955	1,548	3	1,185	207	188	387
1956	1,607	6	1,274	376	270	456
1957	1,436	2	1,395	127	138	361
1958	1,814	2	1,359	381	304	514
1959	1,588	1	1,419	228	260	424
1960 (Est.)	1,773	1	1,438	300	410	350
1961 (Est.)	1,730	2	1,382	350	350	350

The total supply of peanuts in the United States for 1961-62 is expected to be 2,082 million pounds compared with an average supply of 2,074 million pounds for the 5 years 1956-60. The composition of the supply for 1961 and recent years may be seen in the above.

c. Price support activity - The price support activity carried out by CCC in the 1960-61 marketing season and announced for the 1961-62 marketing season includes provisions whereby farmers may receive price support through farm-stored loans, purchase agreements, or warehouse loans through peanut grower associations. During the 1960-61 marketing year 277 million pounds were placed under loan, but 45 million pounds were redeemed. For the 1961-62 year it is anticipated that nearly 300 million pounds will be placed under loan of which about 22 million pounds will probably be redeemed.

d. Purchase program for edible grade of less than top quality - For the last five years (1956-61) the CCC has operated what is termed a "No. 2 program." This program provides a means whereby shellers may offer to CCC up to 200 pounds of shelled edible peanuts of less than No. 1 quality for each ton of farmers stock peanuts purchased which were eligible for

price support. By this program, lower-quality peanuts are moved through CCC for diversion into oil, thus allowing a larger quantity of farmers' stock peanuts to move into the commercial market. In the 1960-61 marketing year, about 70 million pounds of farmers' stock equivalent were acquired under this program. For the 1961-62 year it is expected that a similar quantity will be acquired.

### 3. Steps to Solve the Problem of Surplus

The positive measures taken by the United States with a view to the solution of the problem of surpluses have followed two principal approaches:

a. Acreage used for peanut production has been reduced sharply under the acreage allotments and marketing quotas to the adjusted minimum specified by law. The national acreage allotment serves as a basis for determining the size of the individual farm allotments. The national allotment of 1,612 thousand acres in 1961 was less than one-half of the 3,296 thousand acres from which peanuts were picked and threshed in 1948, the last year in which acreage allotments were not in effect. Despite this reduction in acreage, peanut farmers voted overwhelmingly in December 1959; for continuation of acreage allotments for the three years 1960, 1961, and 1962. When acreage allotments are in effect any producer who knowingly exceeds his farm acreage allotment is denied price support on any peanuts produced on that farm. In addition, the farmer under the marketing quota regulations must pay a penalty of 75 percent of the loan rate on such excess quantity as is produced.

b. A policy of selling surplus peanuts for crushing into oil or for export has been followed by the CCC when excessive quantities of peanuts have accumulated under the price support program. During the 1959-60 year CCC sold about 178 million pounds of peanuts, farmers' stock basis, for domestic crushing purposes, about 66 million pounds for export, and an additional 10 million pounds for Section 22 School Lunch Program use.

During the 1960-61 year CCC has sold about 364 million pounds, farmers' stock basis, for domestic crushing or export. Data on movement are incomplete, but it is estimated that about 84 million pounds of these were exported. In addition, CCC sold about 10 million pounds for the Section 22 School Lunch Program and about 36 million pounds for the donation program.

Dairy Products

1. Section 22 Quotas in Effect

Import controls are in effect under Section 22 during 1960-61 for butter, cheese of certain types and varieties, dried milk products, and butter oil and other articles, with certain exceptions, containing 45 percent or more butterfat. The quotas are the same as those reported as being in effect in the 1959-60 report.

The quotas in effect in the period July 1, 1961, through June 30, 1962, are as follows: dried cream, 500 pounds; butter, 707,000 pounds; dried whole milk, 7,000 pounds; dried buttermilk, 496,000 pounds; malted milk and compounds, 6,000 pounds; dried skim milk, 1,807,000 pounds; cheddar cheese, 2,780,000 pounds; blue-mold cheese, 4,167,000 pounds; Edam and Gouda cheese, 9,200,400 pounds; Italian (cow's milk) cheese, 11,500,100 pounds; butter oil and butter substitutes, 1,200,000 pounds.

2. Reasons Why Such Restrictions Continue to be Applied

(a) The Agricultural Act of 1949, as amended, requires price support for milk and butterfat to producers at such a level (from 75 to 90 percent of parity) as will assure an adequate supply. The Act specifies that such support be carried out by loans on, or purchases of, milk and its products.

(b) In carrying out this support program, the Department of Agriculture purchased, in the 1960-61 marketing year beginning April 1, the equivalent of 3.3 billion pounds of milk--about 2.7 percent of total production. Government purchases of butter were somewhat higher than a year earlier, because of increased production and a slight decline in consumption. Purchases of cheese, on the other hand, were down sharply from the previous year, reflecting increased consumption and a build-up in commercial stocks. Production of butter as well as cheese was somewhat higher than a year earlier. Production of nonfat dry milk in the 1960-61 marketing year was slightly higher, as were government contracts for purchases.

(c) The realized cost of programs for the stabilization of milk and butterfat prices and related programs in the fiscal year ended June 30, 1960, totaled 279 million dollars.

The utilization of government-owned dairy products in the 1960-61 marketing year (April 1-March 31) was as follows:

Utilization	Butter	Cheddar cheese	Nonfat dry milk
	Million pounds	Million pounds	Million pounds
Commercial domestic sales.....	---	---	---
Animal feed sales.....	---	---	21.7
Commercial export sales.....	1.1	---	110.1
Noncommercial export sales.....	---	---	147.1
Transfers to armed services, veterans hospitals, etc.....	22.9	---	0.1
ICA transfers.....	---	---	28.2
Domestic donations.....	129.9	0.2	183.6
Foreign donations.....	---	---	640.5
<b>Total.....</b>	<b>153.9</b>	<b>0.2</b>	<b>1,131.3</b>

The principal outlets continued to be donations for domestic and foreign school lunch and welfare uses. However, as compared with a year ago, noncommercial export sales of nonfat dry milk (government-to-government) increased sharply during the period under review.

The special programs to increase the consumption of milk by Military personnel and Veterans' hospital patients and by children in schools and summer camps are being continued. The milk, so consumed, is assumed to correspondingly reduce price support purchases.

Uncommitted stocks on June 30, 1961, were: Butter; 94.7 million pounds, cheese 21.2 million pounds; and nonfat dry milk, 204.6 million pounds.

(d) The three-year decline in milk production was reversed in 1960 when production reached 122.9 billion pounds in 1960--0.9 billion pounds increase above 1959. A somewhat greater increase is expected this year. Contributing to the prospective rise in milk production are some step-up in herd replacement programs and the steady uptrend in output per cow. Milk-feed price relationships are expected to continue favorable during 1961 as they have been for the last 5 years because of the recent increases in price supports.

Consumption of milk and dairy products, measured in terms of milkfat, declined from 29.5 pounds per civilian in 1947-49 to 24.6 pounds last year. This down trend reflects a number of developments, but primarily (1) the conscious effort on the part of civilians to reduce their intake of certain fats, and (2) greater competition from products made with lower-priced vegetable fats. However, in terms of nonfat solids, per capita use of milk products since the immediate post-World War II period has

remained relatively stable, ranging between 43 and 45 pounds. Market supplies of nonfat solids have been increasing rapidly due to the shift to the marketing of milk in whole form rather than as farm-separated cream, even though the per capita production of milk has been declining.

The changes in milk solids consumption reflects rather dramatic changes in the consumption of individual dairy products. The per capita use of butter, evaporated milk, and fluid cream is much lower than a decade ago. On the other hand, cheese and ice cream consumption are somewhat greater, and the use of cottage cheese and nonfat dry milk are substantially above the 1947-49 level.

(e) Milk used for manufactured products in the first part of the year appears to have increased at a greater rate than milk production, indicating some falloff in milk utilized for fluid products. The larger production of manufactured dairy products has been reflected in substantially greater purchases under the price support program. Purchases by the CCC in the first 3 months of the marketing year beginning April 1 were as follows: butter, 127 million pounds compared with 65 million pounds a year earlier; and cheese, 21 million pounds compared with less than 1 million pounds in 1960-61. Deliveries of nonfat dry milk to the CCC at 329 million pounds were 11 percent larger. Total milk equivalent purchases of all dairy products, on a fat solid basis, were equivalent to about 2.75 billion pounds of milk, more than twice as much as a year ago.

Table 1.—Production and utilization of milk, United States, 1955-60 1/  
/In millions of pounds/

Source and Use	1955	1956	1957	1958	1959	1960
Milk production <u>2/</u> .....	122,945	124,860	124,628	123,220	121,989	122,920
Utilization (milk equivalent)						
Manufactured in plants:						
Creamery butter, total.....	28,951	29,686	29,951	30,651	29,554	30,766
From whey cream.....	948	987	1,001	1,027	1,020	1,087
Net.....	28,003	28,699	28,950	29,624	28,534	29,679
Cheese:						
American.....	10,073	9,936	9,974	9,524	9,203	9,746
Other.....	3,480	3,797	3,488	3,250	3,390	3,682
Canned milk:						
Evaporated.....	5,490	5,397	5,200	4,591	4,559	4,368
Sweetened condensed.....	78	164	140	125	133	152
Bulk condensed milk:						
Unsweetened.....	644	710	756	786	849	857
Sweetened.....	90	104	108	113	115	115
Dry whole milk.....	822	841	788	687	712	794
Frozen dairy products:						
Ice cream and other						
frozen products <u>3/</u> .....	9,651	10,013	10,215	10,499	11,211	11,324
Duplication of fat from						
butter and condensed						
milk <u>4/</u> .....	1,480	1,510	1,637	1,727	1,854	1,861
Net from milk & cream:	8,171	8,503	8,578	8,772	9,357	9,463
Other factory products <u>5/</u> ..	1,176	1,255	1,230	1,274	1,365	1,427
Total factory products <u>6/</u>	58,027	59,406	59,212	58,746	58,217	60,283
Farm butter.....	3,245	2,814	2,428	1,987	1,602	1,325
Fluid consumption:						
Farm <u>7/</u> .....	10,000	9,600	9,100	8,500	8,000	7,500
Nonfarm.....	47,800	49,400	50,200	50,400	50,800	51,100
Fed to calves.....	3,266	3,119	2,950	2,767	2,658	2,528
Exports and storage <u>8/</u> .....	26	-4	65	-62	13	7
Other <u>9/</u> .....	581	525	673	882	699	177

1/ Revised for 1955-59. 2/ Does not include a small quantity of milk produced by cows not on farms. 3/ Includes ice cream, milk sherbet, ice milk, and miscellaneous minor frozen products. 4/ Milk equivalent of butter and condensed milk used in ice cream. 5/ Includes dry cream, malted milk powder, dry part-skim milk, dry ice cream mix, cottage cheese, and other products using milkfat. 6/ Includes net milk equivalents of butter and frozen dairy products to avoid double counting of milk from which fat was reused in making a second dairy product. 7/ Includes an allowance for fluid consumption on farms not producing milk in addition to the consumption on farms where milk is produced. 8/ Net movement of whole milk or cream into export or storage channels. A negative figure represents net imports or net out-of-storage movement during the year. 9/ Residual, including miscellaneous minor uses and any inaccuracies of independently determined production and use items.

Table 2.--Milk production and price support contracts to purchase, marketing years 1955-56 to 1960-61

Marketing year beginning April 1	Milk production	Contracts to purchase			Milk equivalent of total purchases <sup>1/</sup>	
		Butter	Cheddar cheese	Nonfat dry milk	total purchases	Percent
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1955-56 .....	122,447	177.6	157.4	623.7	5,166	4.2
1956-57 .....	124,734	154.4	197.2	798.5	5,093	4.1
1957-58 .....	124,309	215.1	248.3	829.3	6,856	5.5
1958-59 .....	123,245	150.2	34.7	941.5	3,541	2.9
1959-60 .....	122,491	135.2	50.3	748.4	3,381	2.8
1960-61 .....	122,940	154.4	0.2	1,103.5	3,306	2.7

<sup>1/</sup> Milk equivalent of butter and cheese purchases, fat solids basis. Milk equivalent of nonfat dry milk not included, to avoid duplication with butter.

## Tung Nuts and Tung Oil

### 1. Controls in Effect for 1960-61

a. Tung oil - Regulations covering the importation of tung oil under Section 22 are now scheduled to expire on October 31, 1963.

Importation of tung oil has been within a quota of 26 million pounds per year established by a proclamation dated October 27, 1960. The quota year has begun on November 1 and ended on October 31. Not more than one-fourth of the annual quota could be imported during the first quarter. Of the annual quota of 26 million pounds, 22,100,000 pounds could be imported from Argentina, 2,964,000 pounds from Paraguay, and 936,000 pounds from other countries. The earlier proclamation on tung oil was clarified on April 28, 1958, by a provision that the tung oil to be imported should be by a direct shipment destined to the United States on an original through bill of lading from the country of production.

b. Tung Nuts - Tung nuts were placed under the import quotas applying to tung oil on April 28, 1958. Under these regulations the oil content of tung nuts imported is included within the import quota for tung oil at the rate of 15.9 pounds for each 100 pounds of whole nuts and 35.8 pounds of oil for each 100 pounds of decorticated nuts. Tung nuts imported must be by direct shipment destined to the United States on an original through bill of lading from the country of production. Tung nuts were included also in the October 27, 1960, proclamation.

### 2. Reasons Why Such Restrictions are Applied

Annual quotas on imports of tung nuts and tung oil were instituted under the provisions of Section 22 to prevent imports from materially interfering with the mandatory price support program for tung nuts and reducing substantially the amount of domestically produced tung oil utilized by domestic industry.

Domestic production of tung oil is normally less than current levels of consumption, and this fact is recognized in the established import quotas. In the longer term, however, unrestricted imports could result in the accumulation, by the Commodity Credit Corporation, of large quantities of price-supported, domestically produced oil. Under normal world supply and demand situations, such surplus supplies could, in turn, be moved only at a serious loss to the United States Government.

a. Price Support Program - Price support for tung nuts is mandatory at a level of not less than 65 percent nor more than 90 percent of parity under the Agricultural Act of 1949, as amended, provided that the domestic

production is less than domestic consumption. If production is not estimated to be less than consumption, support at 60 percent of parity is permitted. The price support program is implemented through purchase agreements on tung nuts and purchase agreements and loans on tung oil. The 1961 crop of tung nuts will be supported at \$63.34 per ton with an equivalent of 24 cents per pound for tung oil. In 1960, tung nuts were supported at \$53.50 per ton with equivalent oil at 20.9 cents per pound. The 1960 support price reflected 65.7 percent of the parity for tung nuts.

b. Supplies during 1960-61 - The estimated domestic production of oil from 1960 crop tung nuts is 13 million pounds. This quantity together with 26 million pounds to be imported during the 1960-61 marketing year, and beginning stocks of 37.3 million pounds, makes an availability of 76.3 million pounds for the current marketing year.

c. Consumption of tung oil - Estimated consumption of tung oil for the 1960-61 marketing year is 43 million pounds. This is near the average of the five years 1955-59.

d. Sales of surplus oil - During the 1960-61 marketing year the CCC will have sold about 20 million pounds of oil on a competitive bid basis. In the first 2½ months of the marketing year, beginning last November 1, sales were strictly for export. But beginning in late January, and thereafter, CCC sales have been for non-restricted use.

e. Carryover - With production plus imports nearly equal to consumption, stocks of tung oil at the beginning of the 1961-62 marketing year are expected to be a minimum of 10 million pounds, all of which is expected to be in commercial positions.

f. Estimates for 1961-62 - The 1961 crop is estimated to produce 30 million pounds of oil. The supply available, including stocks but excluding imports, will be about equal to estimated consumption for next year.

g. Price relationships - The supported United States price for tung oil in the first 3 months of the current marketing year was some 5 to 7 cents per pound above the world market. However, since January 1, 1961, world prices have been from 4 to 7 cents above the U. S. support price.