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## UNITED STATES AGRICULTURAL ADJUSTMENT ACT

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

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Introduction

This report is submitted in accordance with a Decision of the CONTRACTING PARTIES of 5 March 1955. It includes a brief review of the current situation which reveals continued progress toward relaxation and removal of Section 22 import regulations, and descriptions of steps taken in the United States to solve the problem of agricultural surpluses. These steps are along the same general line as in recent years. Finally, the report outlines by commodities the supply position and related data on farm products for which Section 22 regulations are currently in effect.

Background

By Decision of 5 March 1955, the CONTRACTING PARTIES waived obligations of the United States under Articles II and XI of the General Agreement to the extent necessary to prevent their conflict with actions required to be taken by the Government of the United States under Section 22 (see BISD, Third Supplement, page 32). The waiver decision calls for the United States to make an annual report 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 under Section 22 are reviewed in this report, whether or not they would, in the absence of the waiver conflict with the provisions of the General Agreement.

Section 22 of the Agricultural Adjustment Act, as amended, has been in effect since 24 August 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 programmes, price support, or other programme 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, cotton waste, and cotton picker lap, peanuts, and certain manufactured dairy products. All of these commodities are subject to continuing regulation.

During the period from the last report to 1 August 1962, several actions were taken by the President as a result of investigations by the United States Tariff Commission, under the provisions of Section 22.

1. On 11 September 1961, the President imposed an annual import quota of 1,000 pounds on cotton products produced in any stage preceding the spinning into yarn (picker lap). This was not a new import regulation under Section 22, but was an action to prevent circumvention of a quota already established for cotton. The products involved represent only the first stages of processing in the textile mill and do not normally move in international trade.

(This action was reported orally to the CONTRACTING PARTIES during examination of last year's Section 22 report, and is reported again only to ensure complete coverage of Section 22 regulations in the series of written United States reports.)

2. On 30 March 1962, the President expanded the import quota on blue mold cheese by increasing the annual aggregate quantity permitted to be imported from 4,167,000 pounds to 5,017,000 pounds.

3. On 1 May 1962, the President terminated the import quotas on tung nuts and tung oil. The annual import quota of 26 million pounds for tung nuts and tung oil had been scheduled to apply until 31 October 1963.

As of 1 August 1962, there was still being conducted by the United States Tariff Commission an investigation into the need for imposition of an import fee on the cotton content of certain cotton textiles. This investigation was instituted in November 1961. A public hearing was held on 13-23 February 1962. Latest information on this investigation will be made available at the time this report is considered at the twentieth session of the CONTRACTING PARTIES.

Steps taken to solve the problem of agricultural surpluses

During the period under review, the United States continued to take actions designed to bring about a better balance between supply and demand of the commodities under Section 22 regulation.

Acreage allotments and marketing quotas were in effect for wheat, cotton and peanuts; three out of the four commodities regulated, and the only ones for which acreage allotments coupled with marketing quotas are authorized by law. As noted in other reports, marketing quotas have brought about striking reductions in the acreages planted to these crops. For example, acreage planted to wheat for harvest in 1962 was 49.1 million acres compared with 55.5 million acres in 1961, 58 million acres in 1959, 79 million acres in 1953, and 84 million acres in 1949.

Operations under the Soil Bank conservation reserve programme continued. Under this programme farmers agreed to withdraw general cropland from production for varying periods of three to ten years. Contracts in effect relate to about 271,000 farms and cover about 26 million acres of cropland. Over half of this land is in the ten Great Plains States, the heart of the wheat surplus problem. Each acre of cropland in conservation reserve reduces the acreage available for harvested crops.

Price support levels for commodities regulated under Section 22 for 1954, 1961 and 1962 are shown in the following table:

Price Support Levels: Section 22 Commodities

Commodity	Unit	Support price <sup>1/</sup>			Support level as % of parity		
		1954	1961	1962	1954	1961	1962
Wheat	bu.	2.24	1.79	2.00	90	75.5	82.6
Cotton, upland	lb.	2/ .3403	.3304	.3247	90	82	82
Cotton, extra long staple	lb.	.6553	.5317	.5317	90	65	65
Peanuts	lb.	.122	.1105	.1107	90	85	82
Dairy products:							
Butterfat	lb.	.562	.604	.572	75	81	75
Manufactured milk	cwt.	3.15	3.40	3.11	75	83	75

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

<sup>2/</sup> Reflects new basis for determining support price in 1961.

The above paragraphs summarize briefly steps taken which were directed toward influencing the supply side of the surplus problem. Previous reports have noted the influence natural forces have upon the harvest in any season, as well as the highly significant effects of technological improvements in production.

Growing conditions have so far in 1962 been good. The August Crop Report of the United States Department of Agriculture reports, however, that in spite of the excellent growing weather, overall prospective production of crops is slightly lower than last year and substantially below 1960, because of smaller acreage planted to some of the major crops. The all crops production index as of 1 August is computed at 105, a decline from the 106 of harvest 1961<sup>1</sup> and from the 108 in 1960. Planted acreage of all crops for 1962 totals about 300 million acres, 10 million less than 1961.

Actions taken to increase consumption

The previous section of this report summarized United States actions dealing with the supply side of the agricultural surplus problem. This section summarizes efforts to increase consumption of agricultural commodities, both at home and abroad.

1. Fluid Milk Programmes. As noted in last year's report, the United States Government operates two programmes specifically directed at increasing milk consumption through cost sharing. These are the Special and the Military and Veterans Administration Milk Programmes.

During the year under review, the Government expanded the Special Milk Programme. This programme now includes some 87,000 schools and institutions and pays part of the cost of 2.6 billion half-pints of milk purchased by children in these schools and institutions throughout the United States.

The nutritional benefit of this milk programme to American youth, as well as its rôle in management of United States farm capacity, has led to the enactment of legislation extending the programme through 1 July 1967.

As its name implies, the Military and Veterans Administration Milk Programme encourages increased consumption of fluid milk by military and veteran personnel. Under this programme, the CCC has been paying about half the cost of milk representing above-normal purchases, and has succeeded in tripling the volume of milk served by military installations or facilities.

2. The National School Lunch Programme. This programme is designed to provide school children with a well-balanced lunch constituting at least one third of their daily nutritional requirements. During fiscal year 1962 the Federal Government purchased 319 million pounds of food valued at about \$69 million for distribution to schools participating in this programme. In fiscal year 1961, such purchases amounted to 225 million pounds valued at \$61 million.

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<sup>1</sup> The production index shown has been revised. The base has been changed to the years 1957-59 and uses weights for various components based on 1959 production. The figures shown, therefore, are not comparable with those given in last year's report.

In addition to this food distribution, the Federal Government made cash grants in aid to the states totaling nearly \$98.8 million in fiscal year 1962. In fiscal year 1961, these cash grants amounted to \$93.7 million. Federal donations represent only part of the food made available since local contributions greatly exceed the Federal payments.

3. Donations to schools, needy persons and institutions in the United States. Under this programme, the distribution of food has been expanded both in terms of the number of persons benefitting and the volume and variety of foods distributed to them. During the twelve months ending 30 June 1962, an estimated 2 billion pounds of surplus foods costing about \$362 million was donated through domestic outlets. This compares with 1.3 billion pounds costing \$246 million in the preceding fiscal year. Beneficiaries of these surplus foods included about 16 million school children, 1.4 million needy persons in charitable institutions and a peak of about 7.4 million needy persons in family units in participating States, territories, and possessions. The products donated included dry edible beans, butter, cornmeal, flour, non-fat dry milk, cheese, rice, and rolled wheat.

4. The Food Stamp Programme. Last year's report commented upon a pilot food stamp programme under which eligible families pay an amount for food coupons that they would normally be expected to spend for foods included in the programme. In return they receive coupons of greater value to enable them to buy additional foods. The coupons are used to buy any food - except a few imported items - out of regular commercial supplies at authorized retail outlets. Coupons cannot be used to purchase non-food items, alcoholic beverages or tobacco. Retailers in turn redeem the coupons at face value at banks or through participating wholesalers.

The Food Stamp Programme this year has been expanded to obtain a broader geographic distribution of the pilot areas in both urban and rural settings and in various size communities. In June 1962, there were about 141,000 participants in the eight areas covered by the study. They paid \$1,873,099 for coupons and received free an additional \$1,082,073 worth, meaning that the recipients paid about 63 cents for every dollar of coupons they received. The United States Government's total contribution to the programme for fiscal year 1962 was \$13.2 million in bonus coupons. Participants paid an additional \$22 million.

5. Food for Peace. A special assistant to the President serves as Director of the Food-for-Peace Programme. In addition to supervising and co-ordinating operations under Public Law 480, the Food-for-Peace Director is seeking additional and improved ways to use United States food abundance to combat hunger. In this connexion, the United States is supporting the effort to develop a multilateral programme for distributing food surpluses to food-deficient areas, pursuant to the General Assembly Resolution of 27 October 1960. Through United States initiative a "World Food Programme" of \$100 million in commodities, services, and cash is being implemented under the auspices of the Food and Agriculture Organization within the United Nations system.

The major elements of Public Law 480 are as follows:

(a) Sales of surplus agricultural commodities for foreign currencies (Title I). Under this authority the United States 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 forty-four countries under this programme, involving a total export market value of about \$8.1 billion through 30 June 1962, including over \$1.5 billion during the last twelve months. Actual shipments under the agreements have reached the aggregate value of \$5.6 billion.

Currency accruing from Title I sales is used principally for loans and grants for economic development in the recipient country. The marketing development and research activities financed with these currencies provide an additional stimulus to foreign consumption of agricultural products.

(b) Foreign emergency assistance (Title II). Under this authority the United States donates surplus agricultural commodities for disaster relief, refugee and child feeding, economic development, and voluntary agency programmes.

These donations are made to alleviate suffering following hurricanes, floods, earthquakes, droughts, crop shortages, and other natural disasters in foreign countries. These donations are made in a way which will not displace or interfere with sales that otherwise would be made.

During the eight years ending 30 June 1962, in which the programme has been in effect, commitments undertaken amounted to \$1,141 million on the basis of the cost of commodities. The following commodities were included: barley, dry edible beans, corn and cornmeal, cotton, edible oils, grain sorghums, non-fat dry milk, rice, bulgur, wheat and wheat flour.

In May 1960, the Congress authorized grants of United States surplus commodities to assist in promoting economic development in less-developed countries in addition to that which can be accomplished under Title I of Public Law 480. These programmes may be undertaken in co-operation with friendly governments or through United States voluntary agencies and intergovernmental organizations. Reasonable precautions must be taken to assure that the grants will not displace nor interfere with sales which might otherwise be made. As of 30 June 1962, \$139 million worth of United States farm commodities have been authorized for payment-in-kind wages for work performed by needy people in fourteen countries on relatively simple public works projects. Including workers and dependents, these programmes are reaching an estimated 4.8 million persons.

(c) Donations to needy persons in foreign countries (Title III). Under this authority donations are made to United States non-profit voluntary agencies such as the American Red Cross, or intergovernmental agencies such as UNICEF which, in turn, were responsible for arranging for the distribution in foreign countries to needy people to supplement their usual diets.

Under this programme the United States Government donated more than 2.7 billion pounds of surplus foods to needy persons in foreign countries during fiscal year 1961-62. This food had a cost value of approximately \$225 million. These donations compare with 2.4 billion pounds at a cost of \$208 million of a year earlier. The foods donated included corn, cornmeal, cheese, butter, vegetable oils, non-fat dry milk, rice, wheat and wheat flour.

(d) Barter (Title III). Under this authority the United States barters surplus agricultural commodities for (a) materials which are less expensive to store or less subject to deterioration, and of which the United States does not domestically produce its requirements; (b) materials, goods, or equipment required in connexion with foreign economic and military assistance programmes; (c) materials or equipment required in substantial quantities for off-shore construction programmes; and (d) materials to meet requirements of other government agencies. 119 countries and territories have received agricultural commodities under the barter programmes through 30 June 1962. Agricultural commodities exported under barter contracts total \$1,535.5 million at export market prices.

(e) Long-term dollar credit sales (Title IV). This authority provides for long-term supply and dollar credit sales of United States surplus agricultural commodities. Major objectives of this title are the use of such agricultural commodities and the financial resources made available through their sale on a deferred payment basis to assist in the economic development of friendly countries, and the expansion or maintenance of United States dollar exports of such commodities to such countries. Under this title the United States Government may enter into agreements with governments for delivery of United States surplus agricultural commodities for periods up to ten years. Credit periods of up to twenty years are authorized. Through 30 June 1962, nine agreements have been signed with six countries for the sale of \$57 million worth of commodities at export market value. The principal products are wheat and flour, feedgrains, cotton, rice and vegetable oils.

6. Other programmes. 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 co-operating with private organizations and groups undertaking programmes 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" programme to expand markets for foods which are in plentiful supply. The purpose of this programme is to increase movement of these foods through established channels of trade. This programme is operated in co-operation with food distribution, industry and public information media. Experience under the programme has indicated that increased merchandizing and informational emphasis on 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.

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 1962-63 as in 1961-62. 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 29 May 1962, 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 1962-63 season, the Government will have in operation a number of programmes pertaining to wheat; a price support programme, an acreage allotment and marketing quota programme in connexion with the price support programme, and related storage and disposal operations.

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 programmes. The conditions which make it necessary to continue these import restrictions are explained in more detail below:

(a) Programmes - 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 per cent 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 minimum national average support level for the 1963 crop of wheat (part of which is seeded in the fall of 1962) has been announced at \$1.82 per bushel, equal to 75 per cent of parity.

The programme 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 1962 has been the minimum of 55 million acres authorized by law. However, under the provisions of the 1962 programme, acreage and production are substantially lower than in recent years.

Principal provisions of the 1962 wheat programme include: (1) a reduction of 10 per cent in all farm allotments from allotments determined on the basis of a national allotment of 55 million acres, (2) an increase from 45 to 65 per cent of parity in the rate of penalty on excess production and marketing, and (3) a reduction in the exemption from acreage allotment and marketing quota provisions from 15 acres to the smaller  $13\frac{1}{2}$  acres or the highest wheat acreage on the farm in any one of the years 1959, 1960, or 1961. Under this programme price support is available only to co-operators in the commercial wheat producing area who participate in a special diversion and conservation programme. Producers earn payments for diverting wheat acreage to soil conserving uses. The minimum diversion is 10 per cent of the farm allotment for which the payment is 45 per cent of the basic county support price per bushel multiplied by the production of the diverted acres and the yield determined for the farm. An additional 30 per cent can be diverted at a payment rate of 60 per cent.

Another effort to curb surpluses is made through the Soil Bank Conservation Reserve Programme. Under this programme, contracts are in effect covering about 271,000 farms. About 26 million acres of cropland on these contract farms have been withdrawn from crop production and diverted to soil-conserving uses. The rental for 1962 alone on these contract farms amounts to \$311 million.

(b) Supply situation - The United States continues to be confronted with supplies of wheat well in excess of requirements. The United States total supply in 1962-63 is now estimated at about 2,373 million bushels, based on the August 1962 Crop Report. Such a supply is 280 million bushels less than in 1961-62 but is equivalent to four 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 programmes which have been in effect to reduce acreage and to expand utilization. These adjustment programmes to date have been offset to a substantial extent by unprecedentedly high yields per acre during recent years.

The 1962-63 supply is made up as follows: The beginning carryover on 1 July 1962, was 1,304 million bushels, 107 million less than on 1 July 1961, but 318 million more than the average for 1956-60. In recent years the CCC has owned or controlled over 89 per cent of the United States carryover; and this was true also on 1 July 1962, when the CCC had in inventory 1.1 billion of the 1,304 million bushel carryover, and about 65 million bushels were covered by loans outstanding under the farm "reseal" programme.

The United States carryover of wheat on 1 July 1963, is expected to be about 1,159 million bushels. This would be the second consecutive year in which the wheat carryover declined. Production in 1962 is now estimated at 1,063 million bushels. This production is 151 million bushels less than anticipated domestic requirements and total exports including those under the various foreign aid and other programmes in 1962-63. The 1962 crop came from only 49.1 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 including seed wheat for planting purposes (both outside the quota) are estimated at 6 million bushels during 1962-63.

(c) Utilization - domestic disappearance in 1962-63 is estimated at about 594 million bushels, about the same as a year earlier. Exports of wheat, including flour, in 1962-63 may total 620 million bushels, compared with a total of about 715 million in 1961-62, and 662 million in 1960-61.

(d) Price-support activity in 1962-63 is expected to be great. About 225 million bushels of 1962 wheat may be placed under support, with about 150 million bushels delivered to CCC during April-June 1963. The CCC acquired about 128 million bushels during 1961-62, and about 259 million bushels during 1960-61.

The CCC owned 1.1 billion bushels of wheat on 1 July 1962, all acquired by deliveries from farmers under price support operations. Dispositions of wheat by CCC during 1962-63 may be about 200 million bushels, compared with about 250 million bushels disposed of in 1961-62. It is anticipated that CCC stocks, which increased annually from 1957 to 1961, will again decline to about 1,000 million bushels on 1 July 1963.

### 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) Tight acreage limitations in effect for the 1963 wheat crop - For the crops of 1954 through 1961, acreage allotments for wheat production were at the minimum specified by law. For the 1962 crop, new legislation provided in effect

for a mandatory cut of 10 per cent in the individual producer's acreage allotment. The legislation also provided incentives for further reducing the acreage by an amount up to an additional 30 per cent of the allotment. It is likely that the 1962 wheat acreage adjustment programme will be continued for 1963 on about the same basis.

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 per cent below the acreage seeded to wheat in 1953, prior to the imposition of production control programmes. The further reduction under the 1962 programme resulted in a seeded acreage 38 per cent below that of 1953.

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. Any producer who exceeded his marketing quota paid a penalty on the excess quantity. Prior to the 1962 crop this penalty could be avoided if the excess were stored under seal for possible sale in a subsequent year when less than the normal acreage allotment was planted. Under present legislation, however, a producer is required to divert at least 10 per cent of his wheat acreage allotment to be eligible for price support, and the penalty on excess production and marketing is increased from 45 per cent to 65 per cent of the 1 May 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 Programme has been in effect each year since 1956. Although authority to enter into such contracts expired as of 31 December 1960, farmers are withholding about 26 million acres from the production of field crops under this programme.

(c) Disposal operations aimed at increasing outlets for wheat are being continued by the United States Government during the 1962-63 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 Public Law 480. Wheat for export under the subsidy programme, including shipments under Title I of Public Law 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 programme effective 4 September 1956. This programme is aimed at encouraging wheat marketings through private trade channels.

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 1961-62 cotton marketing year. There have been no changes in import quotas for these products during the past year. On 11 September 1961, a quota of 1,000 pounds annually was imposed on cotton products produced in any stage preceding the spinning into yarn. This was not a new restriction, but rather an action to prevent circumvention of the quota already established for cotton. The products involved do not ordinarily move in international trade - they represent only the first stages of cotton processing in the textile mill. The 1961-62 import quotas for cotton, which continue in effect each year unless changed, are as follows:

- (a) Upland 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 20 September.
- (b) Long staple cotton - Cotton 1 1/8 inches and longer:
  - (1) 39,590,778 pounds annually during the quota year beginning 1 August, 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 colour, 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 20 September.

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 1961 crop season, the United States Government has continued its extensive efforts to deal with the cotton surplus problem. It has had in operation several programmes, including a price support programme, an acreage allotment and marketing quota programme, conservation reserve programme, and related surplus operations. Despite the progress made as a result of these programmes, it is necessary to continue import quotas on cotton and cotton

waste in order to prevent imports from materially interfering with these domestic programmes and related operations. These programmes and the conditions which made necessary the continuation of these import restrictions are explained in detail below.

Upland cotton

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

The 1962 crop of upland cotton for farms whose operators elect to comply with the farm acreage allotment is being supported at a minimum level of 32.47 cents per pound, gross weight, basis Middling 1 inch, at average location. This reflects 82 per cent of the December 1961 parity on the new basis of determining the level on the "average of the crop". The support level is 0.59 cents per pound above the announced minimum national average support price of 31.88 cents per pound for all 1962-crop upland cotton.

Acreage allotments and marketing quotas were established for the 1962 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 per cent of the 15 June parity price) on his excess cotton.

The national acreage allotment established for 1962 under the marketing quota operation was set at 18.1 million acres, compared with 18.4 million for 1961. The national marketing quota of 15.7 million bales for the 1962 crop was established at a level that will result in a carryover on 1 August 1963 of about the same quantity as the estimated carryover of about 7.7 million bales for 1 August 1962.

In 1962, the United States Government also has in operation a conservation reserve programme under the Soil Bank Act. This programme provides for payments to farmers who divert land to soil conserving crops and uses. It is estimated that under this programme about 700,000 acres were taken out of production in 1961.

Supply situation for upland cotton - Total supply for the 1962-63 marketing year is estimated at 22.8 million bales, compared with 21.7 million for 1961-62. The 1962 planted acreage is reported at 16.4 million acres. This compares with 16.6 million acres in 1961.

Carryover - Carryover 1 August 1962 is estimated at 7.7 million bales, compared with 7.4 million on 1 August 1961.

Production - The 1962 crop is estimated (August Crop Report) at 15.1 million bales, compared with 14.3 million in 1961.

Imports - Imports in 1961-62 are expected to be about 50,000 bales. Most of the imports are Mexican upland and Asiatic short harsh cotton.

Disappearance - Total disappearance in 1962-63 is estimated at around 14.2 million bales, roughly the same as in 1961-62.

Price support activity - Price support in the 1962-63 season will be available through CCC loans. As of 5 July 1962, CCC stocks of upland were about 1,449,000 bales.

#### Long staple cotton<sup>1</sup>

Programmes - Price support for the 1959 crop and future crops of extra long staple cotton is required by law at not more than 75 per cent nor less than 60 per cent of the parity price. The minimum loan rate for eligible qualities of 1962 crop extra long staple cotton is based on the average rate of 53.18 cents per pound, net weight, for American-Egyptian cotton and 48.18 cents per pound, net weight, for Sea Island cotton. These levels reflect 65 per cent of parity for extra long staple cotton.

Acreage allotments and marketing quotas were continued for the 1962 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 per cent of the 15 June parity price or 50 per cent of the support price) on his excess extra long staple cotton.

The national acreage allotment for extra long staple cotton in 1962 is 102,800 acres, which compares with a 1961 allotment of 64,000 acres and a 1960 allotment of 65,000 acres.

Supply situation - CCC stocks of extra long staple cotton totalled about 22,000 bales as of 20 August 1962.

Legislation providing for the withdrawal of 50 thousand bales of domestic extra long staple in the United States stockpile of strategic materials was approved in July 1957. Although this cotton was transferred to CCC on

<sup>1</sup> For purposes of statistical comparison, references in the following discussion to "extra" long staple cotton (staple length 1 3/8 inches 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 inches or more but less than 1 3/8 inches, 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.

1 August 1957, for sale, it still is technically in the stockpile and becomes a part of the United States supply only as it is sold. The law referred to above provides that the cotton will be sold at not less than 105 per cent 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 44,000 bales, leaving 6,000 bales available for sale.

The supply is made up as follows:

Carryover - The carryover of extra long staple cotton in the United States on 1 August 1962, was estimated at about 113,000 bales, including unsold cotton released from the stockpile, but does not include cotton still in the stockpile. This compares with 162,000 bales on hand a year earlier.

Production - Production in 1962 on 97,400 acres planted will be 95,000 bales, according to the August estimate of the Crop Reporting Board. This compares with 62,600 bales produced in 1961 on 61,900 acres planted.

According to present legislation, if quotas are proclaimed, the marketing quota for 1962, announced at 102,800 bales, must be not less than 90 per cent of the marketing quota for 1959 or 66,590 bales.

Imports - Imports of extra long staple cotton in 1962-63 equalled the import quota of 82,500 bales (39,590,778 pounds). As in 1961-62, the import quota for 1962-63 was filled on opening. Roughly three quarters of imports are from Egypt and the remainder from Peru, Sudan, and others.

Disappearance - Disappearance in 1961-62 is estimated at 175,000 bales, consisting of 165,000 bales consumed and 10,000 exported, mostly to Pakistan under Public Law 480 financing. In 1962-63, domestic consumption is expected to be about 185,000 bales and exports under existing conditions are expected to be about 10,000 bales.

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 programme.

### 3. Steps taken to reduce the surplus of cotton

During 1962-63, 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 programmes; (b) holding the level of price supports as close to the minimum required by law, as the supply situation and the farm income situation necessitate; and (c) market promotion, market stabilization, and surplus disposal programmes to increase consumption, avoid disruption of domestic and foreign markets, and to dispose of the surplus in an orderly manner.

Reduction of production - The United States Government continued the above efforts in 1962 to reduce production. The national acreage allotment was established at 18.1 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 about 700,000 acres of land out of cotton. This reduction was in addition to the curtailment made through the acreage allotment programme. The 1962 planted acreage of all cotton was estimated at 16.4 million acres. This is slightly below the 16.6 million acres planted in 1961, but is 23 per cent smaller than the 1950-59 average of 21.3 million acres. Steps taken by the United States to reduce production resulted in a drop in the United States cotton crop from 16.3 million running bales in 1953 to 10.9 million bales in 1957. On 8 August, the 1962 crop was estimated at 15.1 million bales compared with 14.3 million bales in 1961.

Price support - The price support for the 1962 crop of upland cotton was fixed at a United States minimum national average of 32.47 cents per pound for Middling 1 inch cotton. This level reflects 82 per cent of 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 per cent nor less than 60 per cent of the parity price. In 1962, the level of support was fixed at 65 per cent parity, the same as in 1960 and 1961.

Market stabilization and surplus disposal operations - During the past year the United States had continued its programmes 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 productions, 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 United States cotton available for export in such a manner as to keep United States cotton prices competitive in foreign markets.

The payment-in-kind programme is being continued in 1962-63. Under this programme, 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 1 August 1962, a payment rate of 8.5 cents per pound has been announced. As of 29 June 1962, about 216,000 bales had been registered for export under this programme.

A programme under which cotton will be sold for export on a competitive bid basis during the 1962-63 marketing year has been announced. This programme will supplement and not replace the current payment-in-kind programme. It is expected that most of the cotton exported under this programme will be obtained in the open market through normal trade channels. Its purpose is to assure that an adequate supply of cotton for meeting export needs will be available at reasonable prices.

Peanuts

1. Section 22 quotas in effect

No changes were made in 1961-62 in the import quota established for peanuts under Section 22. The peanut quota of 1,709,000 pounds, shelled basis, during any twelve months beginning 1 August (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.

2. Reasons why such restrictions continue to be applied

Import controls on peanuts are being continued in 1962-63 to prevent imports from materially interfering with these programmes and operations. During the 1962 crop season the United States Government has in operation several programmes for peanuts. These include a price support programme, an acreage allotment and marketing quota programme in connexion with the price support programme, authority for a purchase programme for edible grades of less than top quality, and related storage and disposal operations. These are described in more detail below.

(a) Programmes - Price support for peanuts is mandatory each year under Title I of the Agricultural Act of 1949, as amended, at a level of 74 per cent to 90 per cent of parity when producers have approved marketing quotas. For 1962 the preplanting level of support has been announced at a minimum national average of \$221 per short ton, or 85 per cent of effective parity for January 1962. The dollar support is the same as for the 1961 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 per cent to 90 per cent of parity according to the relationship of the expected total supply to the normal supply.

On 15 December 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 per cent of the farmers voting in the referendum. A favourable vote of two thirds or more was required to place the quotas in effect. A referendum will be conducted not later than 15 December 1962 for the three years 1963, 1964, 1965.

The national acreage allotment of 1,612,577 acres established for 1962 under the marketing quota operation is the minimum authorized by law adjusted upward by 2,577 acres for Valencia peanuts in accordance with provisions of the Agricultural Adjustment Act, as amended. This allotment is about the same as for 1961. In 1947, the acres picked and threshed totalled 3,377,000 or more than double the total allotted for 1962.

(b) Supply situation - The United States is confronted with a surplus situation on peanuts. Despite the programme to limit production and dispose of surplus, peanut supplies in 1962-63 in the United States are expected to 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 1950-62.

Year beginning 1 August	Production	Imports	Domestic consumption	Acquired under price support	Disposed of as surplus	Stocks end of year
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	246	260	424
1960	1,786	1	1,448	299	396	367
1961 (Rev.)	1,743	2	1,532	230	220	360
1962 (Est.)	1,679	2	1,532	200	220	289

The total supply of peanuts in the United States for 1962-63 is expected to be 2,132 million pounds compared with an average supply of 2,103 million pounds for the five years 1957-61. The composition of the supply for 1962 and recent years may be seen in the above.

(c) Price support activity - The price support activity carried out by CCC in the 1961-62 marketing season and announced for the 1962-63 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 1961-62 marketing year 199 million pounds were placed under loan, but 7 million pounds were redeemed. For the 1962-63 year it is anticipated that approximately 200 million pounds will be placed under loan.

(d) Purchase programme 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 programme". This programme 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 purchases which were eligible for price support. By this programme, lower-quality edible peanuts are moved through CCC for diversion into oil, thus allowing a larger quantity of farmers' stock peanuts to move into the commercial market. Through May 1962, about 35 million pounds of farmers' stock equivalent were acquired from the 1961 crop under this programme. For the 1962-63 year it is expected that a similar quantity will be acquired.

### 3. Steps to solve the problems 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 in 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 basic allotment of 1,610 thousand acres for 1962 is less than one half of the 3,295 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 per cent 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 programme. During the marketing year 1960-61 CCC sold about 204 million pounds, farmers' stock basis, of peanuts for domestic crushing and an additional 34 million pounds were crushed for oil to be donated under the Food-for-Peace Programme. About 86 million pounds of CCC peanuts were exported and 66 million pounds were processed into peanut butter under Section 32 for the School Lunch Programme and donations to needy persons.

During the 1961-62 year CCC has sold about 150 million pounds, farmers' stock basis, for domestic crushing or export. Data on movement are incomplete but it is estimated that about 40 million pounds of these were exported. In addition, CCC sold about 11 million pounds for the Section 32 School Lunch Program and about 53 million pounds for the donation programme.

Dairy products

Section 22 quotas in effect

During 1961-62 import controls under Section 22 have been in effect on butter, cheese of certain types and varieties, dried milk products, and butter oil and other articles with certain exceptions containing 45 per cent or more butterfat.

The quotas in effect as of 30 June 1962, are: 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 5,017,000 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.

On 30 March 1962, the President issued a proclamation increasing the import quota on blue-mold cheese from 4,167,000 to 5,017,000 pounds. The quota of 4,167,000 pounds for blue-mold cheese had been in effect since 1 July 1953. During the period from fiscal year 1953 through fiscal year 1961, United States consumption of blue-mold cheese increased from 13 million pounds to 19 million pounds. In this same period domestic production of blue-mold cheese increased from 9.4 million pounds to 15.1 million pounds.

Reasons why such restrictions continue to be applied

The Agricultural Act of 1949, as amended, requires price support for milk and butterfat to producers at such a level (from 75 to 90 per cent of parity) as will assure an adequate supply. The Act specifies that such support be carried out by loans or purchases of milk and its products. On 30 March 1962, the United States Department of Agriculture announced national average support prices of \$3.11 per hundred pounds for manufacturing milk and 57.2 cents per pound for butterfat. These prices reflect 75 per cent of parity for the marketing year 1962-63.

Dairy support prices for the 1961-62 marketing year which ended 31 March 1962, were \$3.40 per hundred pounds for manufacturing milk and 60.4 cents per pound for butterfat.

In carrying out this support programme, the Department of Agriculture purchased, in the marketing year beginning 1 April, the equivalent of 11 billion pounds of milk, 8.7 per cent of total milk production. Government purchases of butter, cheese, and non-fat dry milk were all higher during the 1961-62 marketing year than a year earlier. The production of milk was 2.5 per cent greater and the level of total consumption of milk and dairy products declined by a little more than 1 per cent from the previous year.

The net expenditure by the Commodity Credit Corporation for dairy programmes during fiscal year ending 1962, as estimated was \$541.2 million. This does not include expenditures under the Special Milk Programme or the Veterans Milk Programme.

The utilization of Government-owned dairy products during the 1961-62 marketing year (1 April-31 March) is shown in Table I.

Table I - Disposition of dairy products held by the Commodity Credit Corporation during the marketing year 1 April - 31 March 1962.

Outlet	Butter	Cheddar cheese	Non-fat dry milk	
				<u>Thousand pounds</u>
Commercial domestic sales	146	68	19,213 <sup>1/</sup>	
Commercial export sales <sup>2/</sup>	2,910	1,690	87,457	
Non-commercial export sales	-	-	100,000	
Transfers to AID	-	-	39,238	
Sales to United States Army	4,203	-	-	
Donations to United States Army and Veteran Adminis.	26,408	2,282	82,110	
Other donations, domestic	118,097	105,335	180,995	
Donations export	-	-	510,117	
Returned to seller	120	-	4,905	
Total	148,101	109,375	942,009	

<sup>1/</sup> Of this quantity 19,165,935 pounds were for animal feed.

<sup>2/</sup> Include sales for dollars, for foreign currency and under barter programme.

Principal outlets continue to be donations for domestic and foreign school lunch and welfare uses.

Special programmes to increase the consumption of milk by military personnel and veteran hospital patients and by children in schools and summer camps are being continued. The assumption is that this milk almost correspondingly reduces price support purchases.

Uncommitted stocks on 30 June 1962, were: butter 380.3 million pounds; cheese 93.8 million pounds and non-fat dry milk 475.3 million pounds.

Milk production during the 1961-62 marketing year increased sharply from 122.9 billion pounds the previous year to 126 billion pounds. During the current year pastures are less favourable in both the southern and north-eastern states than last year. However, herd replacements, although slightly

below last year, are still at a high level compared with earlier years and the annual output of milk per cow continues to increase. The milk-feed price relationship has declined in response to the reduction in the price support level on 1 April. In spite of this, grain feeding continues to be heavy and there are indications that in this area the response may not be that which would normally be expected. It is estimated that during 1962, United States milk production may increase over last year by as much as 2 billion pounds.

During 1961, total milk consumption in the United States, excluding donations from CCC supplies declined 1.7 billion pounds. A conscious effort on the part of civilians to reduce their intake of certain fats and continued competition from products made with lower priced vegetable fats probably were contributing factors. Total consumption of milk during 1962 is expected to recover to about the 1960 level. However, the expected increase in total consumption during 1962 will probably be offset to a large extent at least by the anticipated increase in production.

Table II - United States milk production and CCC price support contracts to purchase, marketing years 1956-57 through 1961-62.

Marketing year beginning 1 April	Milk production	Contracts to purchase			Milk equivalent of total purchases <sup>1/</sup> and per cent of total milk production	
		Butter	Cheese	Non-fat dry milk	Million pounds	Per cent
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
1961-62	126,073	434.9	191.3	1,026.9	11,074	8.7

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

Figures in the foregoing table disclose that during the dairy marketing year ending 31 March 1962, contracts by CCC to purchase exceeded those of the previous year on butter by 280.5 million pounds and on cheese by 191.1 million pounds. On non-fat dry milk however, contracts to purchase, during 1960-61 exceeded those during 1961-62 by 76.6 million pounds. It is also apparent that in terms of milk equivalent contracts to purchase during the latest dairy marketing year exceeded those during the previous year by more than 7.7 billion pounds. Not in recent years has the percentage of total milk production contracted to be purchased been as high as it was during the 1961-62 marketing year, namely 8.7 per cent.

Contracts by the Government to purchase dairy products during April, May and June 1962 were: butter 148.0 million pounds, cheese 67 million pounds, and non-fat dry milk 461.1 million pounds. Compared with the same three months in 1961, contracts to purchase in the dairy marketing year beginning 1 April 1962, have been 20.5 million pounds greater on butter, 45.8 million pounds greater on cheese, and 272.2 million pounds higher on non-fat dry milk.