

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/2081

13 November 1963

Limited Distribution

Original: English

UNITED STATES AGRICULTURAL ADJUSTMENT ACT

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

Contents

	<u>Page</u>
Introduction	2/3
Background	2/3
Current situation	4
Steps taken to solve the problem of agricultural surpluses	4
Positive efforts to increase consumption	5
Wheat and wheat products	10
Cotton and cotton waste	14
Dairy products	18
Peanuts	21

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 September 1963, there has been no action taken by the President under the provisions of Section 22.

On 6 September 1962, the United States Tariff Commission submitted to the President the results of its investigation into the need for imposition of an import fee on the cotton content of certain cotton textiles. The Commission found that imports of cotton in the form of textiles and products were not materially interfering with or rendering ineffective the programmes of the Department of Agriculture for cotton, and recommended that an import fee on such products equivalent to the export payment rate on raw cotton not be placed into effect. The findings and recommendations of the Commission's report were accepted by the President.

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. Marketing quotas served to limit the acreages planted to these crops. For example, acreage planted to wheat for harvest in 1963 was 53 million acres compared with 79 million acres in 1953, the last year without acreage allotments.

Operations under the Soil Bank Conservation Reserve Programme continued. Under this Programme farmers agreed to withdraw general crop land from production. Contracts in effect during 1963 relate to about 250,000 farms and cover about 24 million acres of crop land. Each acre of crop land in the conservation reserve reduces the acreage available for production.

Price support levels for commodities regulated under Section 22 for 1954, 1962, and 1963 are shown in the following table:

Price Support Levels: Section 22 Commodities

Commodity	Unit	Support price ¹			Support level as % of parity		
		1954	1962	1963	1954	1962	1963
Wheat	bu.	\$2.24	\$2.00	\$1.82 ²	90	83	75.0 ²
Cotton, upland ³	lb.	.3403	.3247	.3247	90	82	81
Cotton, extra long staple	lb.	.6552	.5317	.5317	90	65	65
Peanuts	lb.	.122	.1107	.112	90	82	80
Dairy products:							
Butterfat	lb.	.562	.572	.581	75	75	75
Mfgr. milk	cwt.	3.15	3.11	3.14	75	75	75

¹ National average rate.

² Producers participating in the voluntary acreage diversion programme also receive a payment-in-kind of 18 cents per bushel.

³ Basis middling 1 inch, average location.

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 1963 been relatively good but soil-moisture deficiencies threaten to a greater extent than usual. The all crops production index, reflecting the August Crop Report of the United States Department of Agriculture, was 107 on 1 August - one point below the record high of 1962 but equalling the 1961 level. Yields per acre generally are not quite as high as in 1962.

POSITIVE EFFORTS TO INCREASE CONSUMPTION

The supply side of the agricultural surplus problem has been summarized in the previous section of this report. A brief statement of the efforts to increase consumption of agricultural commodities, both at home and abroad, follows:

1. Fluid milk programmes. The United States Government continues to operate two programmes specifically directed at increasing milk consumption through which the costs are shared. These are the Special, and the Military and Veterans Administration Milk Programmes.

During the past year, the Special Milk Programme of the Government continued to expand. This Programme now embraces the distribution of milk through approximately 90,000 schools and institutions. Out of this Programme part of the cost of nearly 2.8 billion half pints (1.5 billion pounds) of milk, purchased by children in these schools and institutions throughout the United States, is paid.

Recognition of the nutritional effect of this milk programme derived by young people in America, and appreciation of its rôle as a very worthwhile outlet for domestic supplies of milk, for which there has not been an effective demand, resulted more than a year ago in legislation extending the Programme through 1 July 1967.

The Military and Veterans Administration Milk Programme also encourages increased consumption of fluid milk. Under this Programme, to stimulate expanded use of milk, United States Armed Forces and Veterans Hospital patients increased their consumption of milk over the standard ration by more than 600 million pounds annually. This increase in fluid consumption reduces the quantity of milk used for the manufacture of dairy products and correspondingly reduces purchases by the Commodity Credit Corporation for price support purposes. The CCC pays about half the cost of milk representing above-normal purchases.

In addition, 33.9 million pounds of butter, 2.7 million pounds of cheese, and 10,000 pounds of non-fat dry milk were transferred to military agencies by CCC under this Programme during the dairy marketing year ended 31 March 1963.

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 1963 the Federal Government purchased 286 million pounds of food valued at about \$59 million for distribution to schools participating in this Programme. In fiscal year 1962, such purchases amounted to 325 million pounds valued at \$69 million.

In addition to this food distribution, the Federal Government made cash grants in aid to the states totalling nearly \$108.6 million in fiscal year 1963. In fiscal year 1962, these cash grants amounted to \$98.8 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 benefiting and the volume and variety of foods distributed to them. During the twelve months ending 30 June 1963, an estimated 1.9 billion pounds of surplus foods costing about \$354 million was donated through domestic outlets. This compares with 2.0 billion pounds costing \$366 million in the preceding fiscal year. Beneficiaries of these surplus foods included about 17 million school children, 1.5 million needy persons in charitable institutions and more than 6 million needy persons in family units in participating states, territories, and possessions. The products donated included dry edible beans, butter, cheese, cornmeal, cranberries, dried eggs, flour, lard, chopped meat, non-fat dry milk, peanut butter, peaches, pears, rice, rolled wheat, shortening, and frozen turkeys.

4. The Food Stamp Programme. Prior reports 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.

Evaluation studies of the original eight pilot areas showed that retail food store sales increased an average of 8 per cent after the inauguration of the pilot programmes. Household food consumption surveys in two of the eight pilot areas showed that participating families made significant increases in the value of food consumed under the Programme.

During fiscal year 1963, the pilot programme was progressively expanded until it was operating in forty-two counties and cities in twenty-one states. In June 1963, about 358,000 participants paid \$3,696,927 for coupons and received free an additional \$2,317,456 worth, meaning that the recipients paid about 61 cents for every dollar of coupons they received. The United States Government's total contribution to the Programme for fiscal year 1963 was \$18.6 million in bonus coupons. Participants paid an additional \$31.2 million.

5. Activities carried on under Public Law 480. A special assistant to the President serves as Director of the Food-for-Peace Programme and supervises and co-ordinates other operations under Public Law 480. The Food-for-Peace Director is seeking additional and improved ways to make available United States food abundance for the under-nourished people throughout the world.

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 friendly 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-six countries under this programme, involving a total export market value of about \$9.3 billion through 30 June 1963, including over \$1.2 billion during the last twelve months. Actual shipments under the agreements have reached the aggregate value of about \$6.7 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 total 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 nine years ending 30 June 1963, in which the programme has been in effect, commitments undertaken amounted to \$1,460 million on the basis of the cost of commodities (including transportation costs). The following commodities were included: barley, dry edible beans, corn and cornmeal, cotton, edible oils, grain sorghums, non-fat dry milk, rice, wheat and wheat products.

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 inter-governmental organizations. Reasonable precautions must be taken to assure that the grants will not displace or interfere with sales which might otherwise be made. As of 30 June 1963, \$207 million worth of United States farm commodities have been authorized for payment-in-kind wages for work performed by needy people in nineteen countries on relatively simple public works projects. Including workers and dependents, these programmes are reaching an estimated 3.1 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 2.9 billion pounds of surplus foods to needy persons in foreign countries during fiscal year 1963. This food had a cost value of approximately \$277 million. These donations compare with 2.7 billion pounds at a cost of \$225 million of a year earlier. The foods donated included dry edible beans, butter, cheese, corn, cornmeal, non-fat dry milk, shortening, vegetable oils, and wheat and wheat products (flour, bulgur, rolled).

(d) Barter (Title III). Under this authority the United States barter 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. One hundred and twenty countries and territories have received agricultural commodities under the Barter Programme through 30 June 1963. Agricultural commodities exported under barter contracts during fiscal year 1963 totalled \$57 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 of 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 1963, twenty agreements and amendments have been signed with fourteen countries for the sale of \$145 million worth of commodities at export market value. The principal products are wheat and flour, feedgrains, cotton, rice, and vegetable oils. The United States has received total principal and interest payments of \$138,000 as of 30 June 1963.

(f) 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. In addition \$81 million of foreign currencies, which is being made available under Title I of Public Law 480, co-operating trade and agricultural groups have contributed from their own resources over \$30 million for the expansion of markets covering virtually all agricultural commodities available for export.

The United States is supporting the effort to develop a multilateral programme for distributing food surpluses to food-deficient areas, pursuant to the United Nations General Assembly Resolution of 27 October 1960. Through United States initiative a "World Food Programme" with a goal 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 United States has pledged \$40 million in commodities and \$10 million cash and services.

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 merchandising 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 1963-64 as in 1962-63. 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 1963, 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. 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 in which case price support is mandatory at 50 per cent of parity to those farmers who comply with their acreage allotments. Wheat producers disapproved the Marketing Quota Programme for 1964. The programme of acreage allotments and marketing quotas, under which wheat acreage has been drastically curtailed, has been continuously in effect since 1954.

Principal provisions of the 1963 Wheat Programme include: (1) farm allotments determined on the basis of a minimum national allotment of 55 million acres, and (2) a voluntary acreage diversion programme. Participation in the special diversion programme is not required as a condition of price support eligibility, but farmers who agree to participate must divert all the acreage signed up to be eligible for price support. The price support level for 1963 wheat is specified in the Food and Agriculture Act of 1962 at \$2.00 per bushel for producers participating in the diversion programme, of which 18 cents is in-kind, and at \$1.82 per bushel for non-participants. Farmers who reduce wheat acreage by 20 to 50 per cent also receive income maintaining payments equal to 50 per cent of the value of normal production on the diverted acreage if it is diverted to soil conservation uses.

Another effort to curb surpluses is made through the Soil Bank Conservation Reserve Programme. Under this Programme 24 million acres of crop land are being withheld from production and diverted to soil-conserving uses. The rental for 1963 alone under this Programme amounts to \$297 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 1963-64 is now estimated at about 2,345 million bushels, based on the August 1963 Crop Report, 75 million bushels less than in 1962-63. 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 1963-64 supply is made up as follows: the beginning carryover on 1 July 1963, of 1,189 million bushels, 133 million less than on 1 July 1962. In recent years the CCC has owned or controlled about 90 per cent of the United States carryover; and this was true also on 1 July 1963, when the CCC had in inventory nearly 1.1 billion bushels.

The United States carryover of wheat on 1 July 1964, is expected to be about 1,055 million bushels. This would be the third consecutive year in which the wheat carryover declined. Production in 1963 is now estimated at 1 151 million bushels. This production is 139 million bushels less than anticipated domestic requirements and total exports including those under the various foreign aid and other programmes in 1963-64. The 1963 crop came from 53 million planted acres, compared with 79 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 5 million bushels during 1963-64.

(c) Utilization - Domestic disappearance in 1963-64 is estimated at about 615 million bushels. Exports of wheat, including flour, in 1963-64 may total 675 million bushels, compared with a total of about 639 million in 1962-63, and 719 million in 1961-62.

(d) Price support activity in 1963-64 is expected to continue heavy. About 250 million bushels of 1963 wheat may be placed under support, of which perhaps 175 million bushels would be delivered to the CCC during April-June 1964. The CCC acquired about 190 million bushels during 1962-63, and 134 million bushels during 1961-62.

The CCC owned 1.1 billion bushels of wheat on 1 July 1963, all acquired by deliveries from farmers under price support operations. Dispositions of wheat by the CCC during 1963-64 may be about 200 million bushels, compared with about 200 million bushels disposed of in 1962-63. Thus, it is anticipated that CCC stocks, which increased annually from 1957 to 1961, will decline further during 1963-64.

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 acreage allotments were at the minimum specified by law. Legislation also provided incentives for further reducing the acreage by an amount up to an additional 50 per cent 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 is 30 per cent below the acreage seeded to wheat in 1953, prior to the imposition of production control programmes.

When acreage allotments and 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. In addition, any producer who exceeds his marketing quota pays a penalty on the excess quantity.

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 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 during 1963 are withholding 24 million acres from production under this Programme.

(c) Disposal operations aimed at increasing outlets for wheat are being continued by the United States Government during the 1963-64 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 1963-64 cotton marketing year. There have been no changes in import quotas for these products during the past year. The 1963-64 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 have 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.

(d) Cotton picker lap - Cotton products produced in any stage preceding the spinning into yarn (cotton picker lap) - 1,000 pounds annually during the quota year beginning 11 September of each year.

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 1962 crop season, the United States Government continued its extensive efforts to deal with the cotton surplus problem. It 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 meet the requirements of Section 22 provisions. These Programmes and the conditions which made necessary the continuation of import regulations are explained in detail below.

Upland cotton

Programmes - The Agricultural Act of 1958 established a new Brice Support Programme for upland cotton. The new provisions permitted a gradual transition to a more flexible price support by 1962, when the overall range widened to 65 to 90 per cent of parity.

The 1963 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 81 per cent of the January 1963 parity on the new basis of determining the level on the "average of the crops". The support level is 0.75 cents per pound above the announced minimum national average support price of 31.72 cents per pound for all 1963 crop upland cotton.

The national acreage allotment established for 1963 under the marketing quota operation was set as 16.2 million acres, compared with 18.1 million for 1962. Marketing quotas were approved for the 1963 crop 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.

Supply situation for upland cotton - Total supply for the 1963-64 marketing year is estimated at 24.6 million bales, compared with 22.3 million for 1962-63. The 1963 planted acreage is reported at 14.7 million acres. This compares with 16.2 million acres in 1962.

Carryover - Carryover 1 August 1963 is estimated at 10.7 million bales, compared with 7.5 million on 1 August 1962.

Production - The 1963 crop is estimated (August Crop Report) at 13.8 million bales, compared with 14.8 million in 1962.

Imports - Imports in 1963-64 are expected to be about 50,000 bales. Most of the imports are Mexican upland and Asiatic short harsh cotton.

Disappearance - Total disappearance in 1963-64 is estimated at around 13.6 million bales, compared with 10.7 million in 1962-63.

Price support activity - Price support in the 1963-64 season will be available through CCC loans. As of 12 July 1963, CCC stocks of owned and loan upland cotton were about 8.2 million bales.

Long staple cotton¹

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 1963 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 cents per pound, net weight, for Sealand Cotton.

Acreage allotments and marketing quotas were continued for the 1963 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.

Supply situation for extra long staple cotton - Legislation directed that 50,000 bales of domestic extra long staple cotton in the United States stockpile of strategic materials be transferred to the CCC in 1957 and sold for unrestricted use at not less than 105 per cent of the current support price plus reasonable carrying charges, or the current market price as determined by the CCC. Subsequent legislation directed that the remaining American Egyptian cotton in the national stockpile be transferred to the CCC in 1962 and sold under these same terms. This cotton enters the United States supply only in quantities sold by the CCC. As of 1 August 1963, 47,200 bales of this cotton remained in CCC stocks.

Legislation also directed that some 172,000 bales of Egyptian and Sudanese extra long staple cotton remaining in the national stockpile be transferred to the CCC on 1 August 1962, and sold, for export only, at world prices and in such quantities as to avoid undue market disruption. Out of a total of 35,000 bales made available for the sale by the CCC for the calendar year 1963, only 1,594 bales were sold by the CCC in the competitive-bid offerings through 28 August 1963.

¹Extra long staple cotton means cotton of the Barbados species having a staple length of 1 3/8 inches or longer. For purposes of statistical comparison, references herein to extra long staple cotton are 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 upland cotton, even though it is included in the "long staple" category of the import quota.

The 1963-64 supply is made up as follows:

Carryover - The carryover on 1 August 1963 of about 98,000 bales, excluding unsold cotton released from the stockpile. This compares with 84,000 bales on hand a year earlier.

Production - Production of 161,500 bales, according to the August estimate of the Crop Reporting Board. This compares with 109,800 bales produced in 1962.

Imports - Imports of extra long staple cotton in 1962-63 which reached 82,417 bales by 30 June, are estimated to equal the import quota of 82,500 bales (39,590,778 pounds). As in 1961-62, the import quota for 1962-63 was nearly filled on opening. Roughly three fourths of imports are from Egypt and the remainder from Peru, Sudan, and others.

Disappearance - Disappearance in 1962-63 is estimated at 164,000 bales, consisting of 161,000 bales consumed and 3,000 exported, mostly to Pakistan under Public Law 480 Financing. In 1963-64, domestic consumption is expected to continue at about 165,000 bales.

Price support activity - It is too early to forecast a specific quantity of extra long staple cotton which might be pledged and/or acquired by the CCC under the 1963-64 Price Support Programme.

3. Steps taken to reduce the surplus of cotton

During the 1963-64 season, efforts to reduce the surplus of cotton will continue. These efforts have been largely along the lines of adjustment of production through the use of acreage allotments and marketing quota, and market promotion programmes.

Reduction of production - The United States Government is continuing the above efforts in 1963 to reduce production. The national acreage allotment was established at 16.2 million acres, based on the minimum prescribed by law. This compares with 26.9 million planted acres in 1953, the last year without acreage allotments and marketing quotas for cotton.

Price support - The price support for the 1963 crop of upland cotton was fixed at a national average of 32.47 cents per pound for middling 1 inch cotton. This level reflects 81 per cent of parity for this quality.

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 recent years, the level of support has been fixed at 65 per cent parity, and is the same in cents per pound in 1963 as for 1962.

Market stabilization and surplus disposal operations - The United States Government has continued to market stocks of cotton owned by the CCC 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. Under the export sales policy the CCC makes United States cotton available for export in such a manner as to keep it competitive in foreign markets.

The Payment-in-Kind Export Programme is being continued in 1963-64. Under this Programme, exporters who register with the CCC their export sales of upland cotton from commercial stocks, can earn a payment-in-kind from CCC stocks. The payment rate of 8.5 cents per pound in effect in 1962-63 is being continued, although it is subject to change.

The PIK Programme is supplemented by an Export Sales Programme, announced 29 March 1963, under which Government-owned stocks of cotton are offered for sale periodically on a competitive bid basis. The Programme is deemed necessary to assure that stocks of American cotton of all different grades and staples will be available for export. A quantity of cotton equal to that purchased from the CCC under the Programme must be exported without any equalization payment and during the marketing year which began 1 August 1963.

DAIRY PRODUCTS

Section 22 quotas currently in effect

During 1962-63 import controls under Section 22 were continued without change on butter, cheese of certain types and varieties, dried milk products, butter oil and other articles, with certain exception, containing 45 per cent or more butterfat.

The quotas in effect 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; blue-mould cheese - 5,016,999 pounds; Cheddar cheese - 2,780,100 pounds; Edam and Gouda cheese - 9,200,400 pounds; Italian type (cow's milk) cheese - 11,500,100 pounds; butter oil and butter substitutes - 1,200,000 pounds; articles containing 45 per cent or more of butterfat - 0. The quotas on Edam and Gouda and Italian type cheese were increased from 4,600,200 and 9,200,100 pounds respectively in May 1960. The quota on blue-mould cheese was increased from 4,167,000 to 5,017,000 pounds in March 1962. None of these increased quotas have been completely utilized at the time of this writing.

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, between 75 and 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. Under these circumstances, support prices of \$3.14 per hundred pounds for manufacturing milk, and 58.1 cents per pound of butterfat were established for the 1963-64 dairy marketing year. These levels reflect 75 per cent of parity for the marketing year 1963-64, the minimum permissible level.

In carrying out the support programme for the marketing year ended 31 March 1963, the Department of Agriculture purchased the equivalent of roughly 8.7 billion pounds of milk, 6.9 per cent of total milk production.

The net expenditure by the Commodity Credit Corporation for dairy support programmes during this period approximated \$488 million. This does not include expenditures under the Special Milk Programme of approximately \$94 million.

The utilization of Government-owned dairy products during the 1962-63 marketing year (1 April - 31 March) was as follows:

Outlet	Butter	Cheddar cheese	Non-fat dry milk
		<u>Thousand pounds</u>	
Commercial domestic sales	187	2,438	23,498
Commercial export sales	10,789	1,585	147,429
Non-commercial export sales	-	-	250
Transfers to A.I.D.	2,094	256	82,981
Transfers to US army	11,066	303	-
Donations to US army and Veteran's Administration	22,851	2,400	10
Other donations, domestic	163,526	153,348	192,804
Donations, export	41,877	39,266	606,825
Donations, research	-	-	61
Other	114	761	3,043
Total	262,499	200,357	1,056,901

Donations for domestic and foreign school lunch and welfare uses are by far the principal outlets.

Uncommitted stocks on 30 June 1963, in million pounds were: butter - 292; butter oil and ghee - 116; cheese - 40; and non-fat dry milk - 477.

During the calendar year 1962, United States milk production was a record 125.9 billion pounds, about a half billion pounds above 1961. Milk production per cow was 7,370 pounds compared with 7,223 pounds in 1961. Total milk production for 1963 now appears unlikely to exceed the 1962 level, and may be lower. During the first five months of 1963 production of milk was 500 million pounds below the corresponding period in 1962. The decline resulted largely from a decrease in cow numbers and a relatively low rate of gain in production per cow, as cool, dry weather in many states retarded pasture development.

Milk consumption gained one billion pounds in 1962

Domestic civilian disappearance of milk in all products during calendar 1962 was 116.4 billion pounds (milk equivalent), compared with 115.4 billion in 1961.

This gain was attributable chiefly to the increase in donations for welfare purposes by the CCC from 3.4 billion pounds of milk equivalent in 1961 to 4.9 billion pounds the following year. Another 100 million pounds of increase occurred in the use of milk in the National School Lunch and Special Milk Programmes. However, civilian consumption with donations from the CCC excluded, dropped a half billion pounds.

Marketing year beginning 1 April	Production	Contracts to purchase			Milk equivalent of total purchases 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	20.2	1,103.4	3,306 2.7
1961-62	126,073	434.9	191.3	1,026.9	11,074 8.7
1962-63	125,644	347.4	137.6	1,352.0	8,714 6.9

These data show that during the dairy marketing year ending 31 March 1963, contracts by the CCC to purchase butter and cheese were lower than during the previous year by 87.5 and 53.7 million pounds, respectively. This drop was due in a large part, to heavy sales to United States Government in January-March 1962 in anticipation of lower price levels. With this exception, purchases in the 1962-63 marketing year were the highest since 1953-54.

Contracts by the Government to purchase dairy products during April, May and June 1963 were: butter - 147.2 million; cheese - 56.7 million; and non-fat dry milk - 348.8 million pounds. Compared with the same three months in 1962, purchase contracts regarding butter were about the same; cheese contracts were 10.3 million pounds lower; and non-fat dry milk contracts represented 113 million pounds less than during April-June 1962.

PEANUTS

1. Section 22 quotas in effect

No changes were made in 1962-63 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 1963-64 to prevent imports from materially interfering with these programmes and operations. During the 1963 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 Adjustment Act of 1949, as amended, at a level of 75 per cent to 90 per cent of parity when producers have approved marketing quotas. For 1963 the level of support has been announced at a national average of \$224 per short ton. This represents 80 per cent of parity as of 1 August 1963 the beginning of the peanut marketing year. 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 11 December 1962 peanut farmers voted in a referendum to determine whether they desired marketing quotas for the 1963, 1964 and 1965 marketing years. The quotas were approved by 96.9 per cent of the farmers voting in the referendum. A favourable vote of two thirds or more is required to place the quotas in effect.

The national acreage allotment of 1,612,129 acres established for 1963 is the 1,610,000 acres minimum authorized by law adjusted upward by 2,129 acres for Valencia peanuts in accordance with provisions of the Agricultural Adjustment Act of 1938, as amended. This allotment is almost the same as that 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 1963-64 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 1950-63.

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	1,271	376	270	456
1957	1,436	2	1,393	127	138	361
1958	1,814	2	1,357	381	304	514
1959	1,588	1	1,410	246	259	424
1960	1,786	1	1,444	299	396	368
1961	1,740	2	1,496	232	221	389
1962	1,810	1	1,509	331	290	400
1963 (unofficial estimate)	1,800	2	-	-	-	-

The total supply of peanuts in the United States for 1963-64 is expected to be about 2,200 million pounds compared with an average supply of 2,168 million pounds for the five years 1958-1962. The composition of the supply for 1962 and recent years may be seen in the above table.

(c) Price support activity - The price support activity carried out by the CCC in the 1962-63 marketing season and announced for the 1963-64 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 1962-63 marketing year 276 million pounds of farmers' stock was placed under loan, of which 23 million pounds was redeemed. For the 1963-64 year it is anticipated that approximately 270 million pounds will be placed under loan.

(d) Purchase programme for edible grade of less than top quality - For the last eight years (1955-62) the CCC has operated what is termed a "No. 2 programme". For 1963-64 this programme provides a means whereby shellers may offer to the CCC up to 275 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 programme, lower quality edible peanuts are moved through the CCC for diversion into oil, thus allowing a larger quantity of farmers' stock peanuts to move into the commercial market. Through June 1963, about 84 million pounds of farmers' stock equivalent were acquired from the 1962 crop under this programme. For the 1963-64 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 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 1963 is 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 1962 for continuation of acreage allotments for the three years 1963, 1964 and 1965. 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 the excess quantity 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 1961-62 the CCC sold about 122 million pounds, farmers' stock basis, of peanuts for domestic crushing. About 33 million pounds of CCC peanuts were exported and 63 million pounds were processed into peanut butter under Section 32 for the School Lunch Programme and donations to needy persons.

During the 1962-63 year CCC has sold about 222 million pounds, farmers' stock basis, for domestic crushing or export. Data on movement are incomplete, but it is estimated that about 32 million pounds of these were exported. In addition, the CCC sold about 63 million pounds for the School Lunch Programme and distribution to needy persons. These peanuts were processed into peanut butter.