

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3174

10 February 1969

Limited Distribution

Original: English

## UNITED STATES AGRICULTURAL ADJUSTMENT ACT

### Quota Restrictions on Imports of Certain Dairy Products

The following communication dated 24 January 1969 has been submitted by the United States delegation in accordance with paragraph 4 of the "Conditions and Procedures" of the Decision of the CONTRACTING PARTIES of 5 March 1955.

This is to inform you that the President, after consideration of the Tariff Commission Section 22 Report of Certain Dairy Products, issued Proclamation 3883 on 8 January which continues, with one modification noted below, the emergency quotas established 10 June and 24 September 1968. In addition, the proclamation extended import control to two additional products in order to prevent imports from materially interfering with the domestic price support programme.

The new annual quotas established by the proclamation are as follows:

1. Italian type cheeses, made from cow's milk, not in original loaves (romano, reggiano, parmesano, provolone, provolette, and sbrinz) and cheese and substitutes for cheese containing or processed from such Italian type cheeses whether or not in original loaves, the total annual quota is 1,494,000 lbs., of which 1,347,000 lbs. are allocated to Argentina, 104,500 lbs. to Italy, 13,700 lbs. to Australia, and 28,800 lbs. to other countries.
2. Chocolate crumb, for which the annual quota is 17 million lbs., of which 9,450,000 lbs. are allocated to Ireland, 7,450,000 lbs. to the United Kingdom and 100,000 lbs. to the Netherlands.

It should be noted that the aforementioned annual quotas for processed Italian type cheeses is 100 per cent of the total 1967 imports and that the chocolate crumb quota is substantially above the level recommended by the majority of the Tariff Commissioners and that the country allocation of the quota for these two products is based upon the period 1965-67 imports.

The new proclamation also:

1. increases the annual quota established 24 September for miscellaneous cheese valued under 47 cents a lb. f.o.b. covered by TSUS Items 117.75 and 117.85 from 17.5 million lbs. to 25 million lbs. to New Zealand. This modification follows the Tariff Commission recommendation that quota distribution should be in accord with the principles of GATT Article XIII reflecting

to the fullest extent practicable any special factors which may have affected or may be affecting the trade and the product in the representative period;

2. allocates to Canada, effective 1 January 1969 the quota of 1,225,000 lbs. for natural cheddar cheese made from unpasteurized milk, aged not less than nine months, which was established July 1967. The action follows the Tariff Commission recommendation to the effect that the quota be allocated by country in order to prevent the importation of low price aged cheddar cheese for processing from displacing high quality table cheese for which the quota was established. Canada is the sole known historical supplier of high quality table cheese of this type;

3. eliminates the present quota exemptions for certain butterfat mixtures in retail packages (TSUS Appendix Items 950.12 and 950.13).

The proclamation provides the following transitional measures:

1. Notwithstanding the allocation of the aged cheddar cheese quota from Canada, other exporting countries will be eligible to enter all or part of any shipments of aged cheddar cheese which were en route or in bonded warehouses in the United States prior to the effective date of the proclamation until 612,500 lbs. of such cheese have been imported.

2. Import licences will not be required as a condition of entry for processed Italian cheese, chocolate crumb or miscellaneous type cheeses from New Zealand delivered during the first six months of the quota period ending 30 June 1969.

The new proclamation made no changes in the quantities or the country allocation of the quotas of canned milk, processed edam and gouda, emmenthaler and gruyère processed cheese. The present quota exemption for certain cheeses valued 47 cents per lb. and over still continues in effect.

The threat of large-scale imports of subsidized surplus dairy products from the Community and increased imports from third countries seeking outlets for surpluses arising from the loss of traditional Community markets necessitated the control over imports in order to prevent interference with the United States dairy price support programme.

Import controls were extended to chocolate crumb because of:

1. Sharply rising imports (from less than 2 million lbs. in 1965 to 45 million lbs. in 1968).

2. The displacement of the domestically produced product by directly competitive lower price imported chocolate crumb was resulting in the diversion of large quantities of domestic milk to the production of surplus dairy products which are required to be purchased by the Commodity Credit Corporation. The milk component of the 1968 imports of chocolate crumb,

for example, was about 100 million lbs., nearly ten times the milk equivalent of the canned milk quota.

3. The rising cost of support expenditures and the prospective substantial increases in imports resulting from the growing list of new suppliers which have not been traditional exporters to the United States market.