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## UNITED STATES AGRICULTURAL ADJUSTMENT ACT

Fourteenth 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 with respect to 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 modifications 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 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 such regulation 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 programme, 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.

Since the last report, the President has taken further Section 22 action on imports of dairy products. On 6 January 1969, the President issued proclamation number 3884 which placed on a continuing basis the temporary quotas imposed by proclamations 3856 and 3870 of 10 June and 24 September 1968 respectively. It also established quotas on processed Italian-type cow's milk cheese, milk chocolate crumb and removed the retail package quota exclusion on butterfat/sugar mixtures.

This action was necessary as it was clear that foreign supplies of dairy products, particularly in Western Europe, would continue to increase. Surplus exporting countries had intensified their export efforts largely through heavy subsidies, and the United States again became the principal outlet. Under such abnormal trade conditions quotas had to be imposed.

### Steps taken to Balance Agricultural Production with Demand

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 cotton and peanuts as were acreage allotments and marketing allocations for wheat. Marketing allocations, like marketing quotas, are based on marketing requirements and serve to limit acreage planted. Compliance with acreage allotments and marketing quotas is a condition of price support and other programme benefits.

Acreage diversion programmes also are used to balance production of various commodities with demand. In addition, crop land devoted to most principal crops continues to be withheld from production under the conservation reserve and crop land adjustment programmes.

Price support levels for commodities regulated under Section 22 are shown below for 1968 and 1969.

Price Support Levels: Section 22 Commodities

Commodity	Unit	Support price	
		1968 (Dollars)	1969
Wheat			
Loan rate	Bu.	1.25	1.25
Domestic marketing certificate <sup>1</sup>		1.38	1.52
Total or blend <sup>2</sup>		1.80	1.90
Cotton, upland			
Loan rate <sup>3</sup>	Lb.	0.2025	0.2025
Payments <sup>4</sup>		0.1224	0.1473
Cotton, extra long			
Staple	Lb.		
Loan rate		0.4000	0.4000
Payment		0.0869	0.0888
Peanuts	Lb.	0.1201	0.1238
Dairy products <sup>5</sup>			
Butterfat	Lb.	0.66	0.686
Manufacturing milk	Cwt.	4.28	4.28

<sup>1</sup>Represents the difference between the loan rate and the parity price as of the beginning of the marketing year. Certificates issued to individual producers for their proportionate share of requirements for domestic food purposes, which were approximately 40 per cent of production for the 1968 crop and 43 per cent for 1969.

<sup>2</sup>Represents a co-operator's receipts from loan plus certificate.

<sup>3</sup>Basis middling 1 inch, "average location".

<sup>4</sup>Earned on the farm's domestic allotment, which is 65 per cent of the farm allotment.

<sup>5</sup>Implemented through a standing offer to purchase Cheddar cheese, butter and non-fat dry milk, in carlots, from processors at prices designed to return the support price for manufacturing milk and butterfat on an annual national average basis.

The preceding summarizes briefly steps taken to influence the supply. 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.

With a composite index of yield per acre of 129 (1957-59 = 100), the all crops production index for 1968 is estimated at 120, or one point above the 1968 level.

#### Positive Efforts to Increase Consumption

During the past several years, great efforts have been made to improve nutrition among children and low-income families through greatly expanded food assistance programmes. The emphasis and commitment now are to assure everyone access to a nutritionally adequate diet.

1. Child Food Service. The basic programme is the National School Lunch Program designed to provide children with a meal that meets at least one third of their daily nutritional requirements. During fiscal year 1969, the Federal Government purchased, under Section 6 of the National School Lunch Act, as amended, 285 million pounds of food valued at \$64 million for distribution to schools participating in the programme. In fiscal year 1968, such purchases amounted to 229 million pounds valued at \$56 million.

In addition to the purchased foods, the Federal Government made cash grants-in-aid to the States totalling slightly over \$166 million in fiscal year 1969. In fiscal year 1968, these cash grants amounted to \$160 million.

There were some 20 million children participating in the lunch programme in fiscal year 1969 and about 15 per cent of the meals were served free of charge.

Federal support in the amount of \$3.5 million plus donated foods were provided to the school breakfast programme. About 300,000 children participated and over 70 per cent of the meals were served free or for a nominal charge.

In addition, \$45 million was apportioned among the States for their use in expanding the number of free and reduced price lunches and breakfasts served and to assist them in the purchase of equipment to initiate or expand food service in schools.

Under new authority, assistance is available to day-care centres, settlement houses and summer recreational projects to begin or expand food service. Federal funds available totalled \$5,750,000 in fiscal year 1968 plus donated foods. Some 350,000 children participated, primarily during the summer months when schools are closed.

2. Special Milk Program. The United States Government continued to operate the Special Milk Program designed to increase the consumption of fluid milk among children by sharing the cost of each half pint of milk served. In fiscal year 1969, some 2.9 billion half pints of milk were served under this programme in participating schools, summer camps and child-care institutions.

3. Donations to schools, needy persons and institutions. Foods donated for domestic use to improve the diets of school children and needy persons during fiscal year 1968 were up more than 17 per cent in volume and nearly 25 per cent in value from the previous year. Such donations totalled nearly 2 billion pounds in fiscal year 1969, compared with 1.7 billion in 1968. Cost of the food amounted to some \$458 million in 1969 as against \$367 million in 1968, due largely to greater availability of highly-nutritious items such as meats, dairy products, poultry products and a variety of canned vegetables and canned fruit and vegetable juices.

Beneficiaries of these foods included 24 million school children, 1.3 million needy persons in charitable institutions and 3.5 million persons in low-income families. The foods donated included: apricot nectar, canned green beans, dry beans, beef products, butter, cheese, canned corn, cornmeal, egg mix, flour, canned and frozen fowl, grape juice, grapefruit juice, lard/shortening, canned chopped meat, non-fat dry milk, evaporated milk, beverage mix milk, rolled oats, orange juice, peanut butter, dried peas, canned peas, dehydrated potatoes, canned prunes and prune juice, raisins, rice, corn syrup, canned tomatoes, canned tomato juice, canned tomato paste, rolled wheat.

4. The Food Stamp Program. Under this programme, low-income families certified as in need of food assistance by State and local welfare agencies, purchase food coupons in amounts that reflect their normal level of food expenditure, based on family size and income. They receive food coupons of greater monetary value to improve their food purchasing power and the quality of their diets. The coupons are spent, like cash, for the purchase of any food except for a few imported items. Participants shop in any authorized retail store. Coupons cannot be used to purchase non-food items, alcoholic beverages or tobacco products. Retailers in turn redeem the coupons at face value at banks or through participating wholesalers.

During the fiscal year 1969, the programme was further expanded until it was operating in 1,489 counties and cities, compared with 1,027 the previous fiscal year. About 3.2 million participants paid \$374 million for coupons and received free an additional \$229 million.

## Wheat

### 1. Section 22 quotas in effect

No changes were made in 1968 nor are any contemplated in 1969 in 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). The quotas of 800,000 bushels of wheat and 4 million pounds of products during any twelve months, beginning 29 May, are on a continuing basis. That is, separate quotas for wheat and wheat products continue in effect from year to year for individual countries unless modified. There are no quantitative import restrictions on wheat classified as unfit for human consumption (feed wheat). Registered or certified seed wheat for planting purposes and wheat for experimental purposes, may be imported ex-quota under stipulated conditions.

### 2. Reasons why such restrictions continue to be applied

Import controls on wheat and wheat products are being continued to prevent imports from materially interfering with United States Government programmes and operations relating to wheat. There are in effect various programmes designed to stabilize production and bring supplies into better balance with requirements, as well as to stabilize prices and thus the income of domestic wheat producers. These programmes include acreage allotment, acreage diversion to conserving uses, marketing allocation, and price support. The latter involves a Government commitment to make loans on or purchase all wheat grown by co-operators. Storage and disposal operations also are a part of the price support programme. These programmes are similar in most respects to, and serve the same purposes as the wheat programmes in effect since 1953. These are explained in more detail below.

#### (a) Programmes

Price support for wheat is mandatory under Title I of the Agricultural Act of 1949, as amended, and acreage allotments are mandatory under the Agricultural Adjustment Act of 1938, as amended. Market allocations are provided under the AAA of 1938, as amended. Participation in the acreage allotment programme is a condition of eligibility for participation in the price support programme.

The price support programme for wheat harvested in 1969 and also in 1970 involves the use of loans and marketing certificates. Loans, at a national average of \$1.25 per bushel, are available on all wheat produced by farmers who comply with their acreage allotments and other programme requirements. The same national average loan rate - \$1.25 per bushel - has been announced for the 1970 programme.

These producers also receive marketing certificates valued at the difference between the national average loan rate and the parity price at the beginning of the marketing year<sup>1</sup> on their marketing allocation. The latter represents the amount of wheat estimated to be used during the marketing year for food products for consumption in the United States. For 1969 and 1970 the national marketing allocation is equivalent to 43 and 48 per cent, respectively, of the projected yield of farm allotments.

Processors of wheat for food purposes must buy certificates on wheat they process for domestic food use. These certificates are purchased from CCC at a cost which equals the difference between the national average loan level (\$1.25 per bushel) and \$2 per bushel. The Government cost involved in the marketing certificate arrangement is thus reduced proportionately.

The national wheat acreage allotment established for 1969 was 51.6 million acres, and an allotment of 45.5 million acres has been announced for the 1970 crop. This is the number of allotment acres determined in accordance with the Agricultural Act of 1938, as amended, to be needed to produce estimated requirements. With respect to wheat acreage and land use, participation in the price support programme requires the maintenance of the farm's conserving base, i.e. the acreage in grass and other soil-conserving uses in 1959-60; planting within the farm acreage allotment; and compliance with all other allotments as required by law, including cotton, peanuts, rice, and tobacco on that farm and with wheat allotments on all other farms in which a producer has an interest in the wheat crop.

(b) Supply situation

The United States continues to be confronted with supply adjustment problems for wheat. For 1968-69 wheat supplies totalled 2,111 million bushels and for 1969-70 the total supply will be near 2,270 million bushels or about 160 million more than 1968-69. Total utilization for 1968-69 was 1,300 million bushels of which 521 million bushels were used for domestic food purposes. Utilization for 1969-70 is estimated to be about 1,350 to 1,400 million bushels of which 525 million bushels will be for food. Stocks at the end of the marketing year are expected to be larger than the 811 million bushels carryover as of 1 July 1969. Acreage allotment for the 1970 crop has been reduced 23 per cent from the allotment level for the 1968 crop.

(c) Price support activity

The price support programme carried out by CCC in 1968-69 and in effect for 1969-70 provides that farmers co-operating in the wheat programme may receive price support through loans on farm or warehouse-stored wheat and direct sales of wheat to CCC. Loans on 1968 wheat through 30 June 1969, covered 444 million bushels. In addition, 115 million bushels from prior crops were under resale, i.e. extended loan.

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<sup>1</sup>Parity for wheat during July 1969 was \$2.77 per bushel.



The CCC owned 163 million bushels of wheat on 1 July 1969, mostly acquired by deliveries in settlement of loans to farmers under price support operations. Dispositions of wheat by CCC during 1968-69 totalled less than 12 million bushels, compared with about 226 million bushels disposed in 1966-67.

In addition to loans and purchases, price support activity involves the issuance of marketing certificates under the wheat allocation programme. Certificates issued under the 1968-69 programme represent the farmer's proportionate share of the national marketing allocation for domestic food purposes for the programme year. The use of certificates, in combination with lower loan rates than prior to 1964, serve to maintain income to producers who participate in the voluntary production adjustment programme and effectively discourage farmers from increasing their wheat acreage while marketing quotas are suspended.

#### Steps taken to manage the supply

The goal of the current wheat programme is to maintain a wheat supply that is adequate to meet domestic, export and carryover (Reserve) requirements. The level of supply in relation to requirements has a direct effect on United States wheat prices and wheat producers' income. A number of important unpredictable and largely uncontrollable factors influence both the supply and the requirement in any year. Domestic supplies are the result of controllable acreage but uncontrollable weather. Requirements are affected not only by the vagaries of the domestic economy and total grain production but importantly by world-wide grain production and requirements.

In addition to the regulation of imports two other approaches have been used to bring the supply and requirements of wheat in balance.

#### (a) Measures to adjust acreage

The present voluntary certificate type programme is based on acreage limitations. A wheat producer to be eligible for price support loans and marketing certificates (price support payments) must limit his wheat acreage to his acreage allotment. The total of the farm allotments, the national average allotment, is determined annually at the level required to provide, with normal weather, projected requirements taking into account such factors as stocks. For instance the national allotment has been reduced annually from 68.2 million acres for the 1967 crop to 45.5 million acres for 1970 harvest.

This type of programme effectively controls the acreage devoted to wheat but weather frequently results in supply variability.

(b) Disposal operations

For a number of years disposal operations aimed at increasing outlets for wheat have been continuously in effect. These include donations of wheat and flour for domestic relief under Section 416 of the Agricultural Act of 1949, as amended; donations of wheat and flour for overseas relief under Public Law 480; sales for foreign currency and/or credit under Title I of Public Law 480, which continue to be obtained generally from free market supplies instead of from sales of CCC-owned stocks; barter; and the use of export payments as necessary to compete in world markets. Conversely, where United States wheat prices are below world price levels exporters are required to pay an inverse subsidy calculated to reflect the difference between the domestic price and the world price for the class of wheat involved.

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 1969-70 cotton marketing year. There have been no changes in import quotas for these products during the past year. The import quotas for cotton, which continue in effect each year unless changed, are as follows:

(a) Upland cotton (other than linters) - 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 pounds shall consist of other cotton within the 1-1/8 inch or more and under 1-3/8 inch category. Quota year begins 1 August.

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 but are global for picker laps.

(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.

2. Need for continuing import quotas on cotton and cotton waste

During the 1969 crop season, the United States had in operation price support, production adjustment, and related surplus disposal 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 make it necessary to continue import regulations are explained below.

Upland cotton programme. The 1969 crop season is the fourth year of operation of the five-year upland cotton programme provided by the Food and Agriculture Act of 1965, as amended 11 October 1968. This legislation continues cotton acreage allotments and marketing quotas, and provides direct payments on production within a farm's domestic allotment.

The 1969 programme is similar to that in the previous year. The 1969-crop price support loan rate for middling 1-inch cotton, at average location, gross weight, is 20.25 cents per pound. To be eligible for the loan, farmers must comply with the farm's effective acreage allotment. In addition to the price support loan, participating farmers are eligible to receive a price support payment of 14.73 cents per pound on the projected production for the acreage planted within the farm's domestic allotment (65 per cent of the farm total allotment).

Special small farm provision. Farmers with ten acres or less of cotton or those whose projected production is 3,600 pounds or less, may plant their full allotment and receive, in addition to the regular price support payment on the domestic allotment, a "small-farm" payment of 11.26 cents per pound on the projected production of the remaining 35 per cent of the farm allotment. The special "small-farm" payment may be earned without planting any cotton, and the farm allotment will be considered "as devoted to cotton production" for determination of history acreage and future farm allotments.

The small farmer is also eligible for the regular price support loan on his entire production.

Export acreage. A national export market acreage reserve of 187,500 acres is provided under the 1969 programme, a reduction from the 250,000 acres available in 1968. A producer desiring to plant more than his farm allotment can request and receive a share of the export reserve acreage. However, all of the farm's

production must be exported, and no price support is available to such producer. Few producers utilize this programme provision; only 32 thousand acres were allocated on request in 1968.

Supply situation for upland cotton. Total supply for the 1969-70 marketing year is estimated at 16.3 million bales, as of 1 November, compared with 17.2 million bales for 1968-69. The 1969 acreage for harvest is estimated at 11.2 million acres. This compared with 7.9 million in 1967 and 10.1 million acres in 1968.

Carryover. Carryover 1 August 1969, was estimated at 6.4 million bales, compared with 6.3 million bales in 1968.

Production. The 1969 crop is estimated (November Crop Report) at 9.9 million bales compared with 10.8 million in 1968.

Imports. Imports of upland cotton in 1969-70 are expected to be about 20,000 bales, about the same as in 1968-69.

Disappearance. Disappearance in 1969-70 is expected to be around the 10.8 million bale total in 1968-69.

Price support activity. CCC stocks under loan or in inventory on 30 June 1969 (the end of the fiscal year) were 3.1 million bales, compared with about 1.1 million on 30 June 1968. During the marketing year ending 31 July 1969, cotton placed under loan amounted to 4.4 million bales, of which about 2.8 million bales were not redeemed.

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

Programmes. Total price support for extra long staple cotton is required by law at not more than 90 per cent nor less than 65 per cent of the effective parity price. The loan rate for eligible qualities of 1969-crop extra long staple cotton is based on the average rate of 40 cents per pound, net weight. Producers also receive a price support payment of 8.88 cents per pound on their production to provide a total support of 65 per cent of parity. Acreage allotments and marketing quotas were continued for the 1969 crop. 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

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<sup>1</sup>Extra 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 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 15 June parity price or 50 per cent of the support price) on his excess extra long staple cotton. The 1969 acreage allotment was 79,660 acres, of which 76,600 acres are expected to be harvested, compared with 70,500 acres allotted and 67,000 acres harvested in 1968.

Supply situation for extra long staple cotton. The 1969-70 supply is estimated at about 273,000 bales compared with 299,000 bales in 1968-69. The supply is composed of:

Carryover. The carryover on 1 August 1969, was estimated at about 155,000 bales, including a small amount of unsold cotton released from the stockpile. This compared with 191,000 bales on hand a year earlier.

Production. The 1969 crop is estimated (November Crop Report) at 77,800 bales, compared with 78,000 bales in 1968.

Imports. Imports of extra long staple cotton in 1969-70 are expected to total about 40,000 bales, the same as in 1968-69.

Disappearance. Disappearance in 1969-70 is expected to be around 155,000 bales.

Price support activity. During the 1968-69 season, 29,440 bales of extra long staple cotton were placed under loan and 19,275 bales were redeemed.

### 3. Steps taken to reduce surplus

In addition to the present price support programme, other Government programmes designed to attain a better balance in the supply and demand position include United States efforts to bring about a balanced position are twofold: continued CCC sales of its stocks in a manner that should avoid disrupting domestic and foreign markets; and continued emphasis on research and market promotion programmes designed to increase cotton utilization throughout the world.

CCC sales. Under its sales policy CCC makes United States cotton available for unrestricted use at a price competitive in both domestic and foreign markets. Under the 1969 upland cotton programme, the CCC sale price permits new-crop cotton to move through normal trade channels. During the 1968-69 marketing year the CCC sold about 547 thousand bales under its programmes.

Research and market promotion. The United States participates with seven other producing countries in the development of markets for cotton in Japan and consuming countries in Western Europe. Each member country contributes \$1 per bale that it exports to Western Europe and Japan. These contributions are used by the International Institute for Cotton in carrying out promotion and research projects in these areas to gain markets for cotton. The IIC member countries and industry co-operators within the consuming countries spend over \$7 million per year in this effort.

## Peanuts

### 1. Section 22 quotas in effect

No changes were made in 1968-69 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 1969-70 to prevent material interference with United States programmes and operations relating to peanuts. During the 1969 crop season there is an acreage allotment and marketing quota programme and a price support programme for peanuts. The latter includes the Government's commitment to purchase shelled peanuts from shellers co-operating in a quality improvement programme under a marketing agreement. Storage and disposal operations also are a part of the price support programme. These are described in more detail below.

#### (a) Programmes

Price support for peanuts is mandatory each year at not less than 75 per cent of parity under the Agricultural Adjustment Act of 1949, as amended, when producers have approved marketing quotas. For 1969 the national level of support is \$247.50 short ton. This represents 76 per cent of the August 1969 parity. The support level in relation to parity is determined on the basis of the expected total supply to the normal supply. Peanut farmers voted in a referendum to determine whether they desired marketing quotas for 1969, 1970 and 1971 marketing years. The quotas were approved by 97 per cent of the farmers voting in the referendum. A favourable vote of two thirds or more is required to place such quotas in effect.

The national acreage allotment of 1,612,310 acres established for 1969 is the 1,610,000 acres minimum authorized by law adjusted upward by 2,310 acres for Valencia peanuts in accordance with provisions of the Agricultural Adjustment Act of 1938, as amended. This national allotment is almost the same as it has been each year for the last twelve years.

#### (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 1969-70 are expected to exceed domestic food and farm use. Annual data on peanut

production, consumption, exports, stocks, and acquisitions under the price support programme are shown below, beginning with the 1959 marketing year.<sup>1</sup>

Year beginning 1 August	Production	Imports	Domestic consumption and exports <sup>1/</sup>	Stocks end of year	Diversion under price support
Million pounds, farmers' stock basis					
1959	1,523	1	1,614	424	246
1960	1,718	2/	1,774	368	299
1961	1,657	3	1,639	389	231
1962	1,719	2	1,713	397	329
1963	1,942	2	1,931	410	378
1964	2,099	2	2,138	373	523
1965	2,384	1	2,346	412	679
1966	2,410	2	2,452	372	697
1967	2,473	2	2,495	353	659
1968 <sup>3/</sup>	2,543	2	2,541	357	579

<sup>1/</sup> Includes civilian and military food use, crushed for oil, exports and shipments as peanuts, seed, feed, farm loss and shrinkage.

<sup>2/</sup> Less than 500,000 pounds.

<sup>3/</sup> Preliminary.

Source: The Fats and Oils Situation, Economics Research Service, USDA and ASCS operating data.

The total supply of peanuts in the United States for 1969-70 is expected to be about 2,987 million pounds compared with an average supply of 2,740 million pounds for the five years 1964-68.

#### (c) Price support activity

The price support programme carried out by CCC in the 1968-69 marketing season and announced for the 1969 crop provides that farmers may receive price support through peanut grower associations. During the 1968-69 marketing year, 452 million pounds of farmers' stock peanuts were placed under loan, of which approximately 118 million pounds were redeemed. For the 1969-70 year it is anticipated that the quantity placed under loan will approximate 455 million pounds.

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<sup>1</sup>Data are not weight basis.

Through the 1969 crop price support and marketing agreement programmes, the peanut industry, CCC, and the Consumer and Marketing Service of the Department of Agriculture are co-operating to improve the quality of peanuts used for food products. Shellers and the Secretary of Agriculture have entered into marketing agreements which require that shellers buy from producers only high-quality 1969-crop farmers' stock peanuts eligible for price support and sell only high-quality peanuts into the edible market. Under the price support programme, CCC purchases farmers' stock and shelled peanuts, including lower-quality peanuts ineligible for sale for edible purposes, from shellers who comply with the marketing agreement.

### 3. Steps to solve the problem of surplus

The United States has followed two principal approaches with a view to the solution of the problem of surplus peanuts.

(a) Acreage in production has for a decade been held to the minimum permitted by law. The national allotment of 1,612 thousand acres for 1969 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 and marketing quotas were not in effect. Despite this reduction in acreage, peanut farmers voted overwhelmingly in December 1968 for continuation of acreage allotments for the three years 1969, 1970 and 1971. When acreage allotments are in effect any producer who knowingly exceeds his farm allotment is denied price support on any peanuts produced on that farm. In addition, the marketing quota regulations require that the farmer pay a penalty of 75 per cent of the loan rate on the excess quantity produced.

(b) For many years peanuts acquired by CCC under the price support programmes have been disposed of outside normal commercial market channels at a financial loss, primarily for crushing into oil. During the 1968-69 marketing year, CCC sold about 579 million pounds, farmers' stock basis.

### Dairy products

#### 1. Section 22 quotas currently in effect

During 1969 import controls under Section 22 of the Agricultural Adjustment Act, as amended, were in effect on the dairy products listed below.

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 - 5,016,099 pounds; Cheddar cheese - 8,312,500 pounds; American-type cheese other than Cheddar - 6,096,600 pounds; natural Canadian Cheddar aged more than nine months - 1,225,000 pounds; Edam and Gouda cheese - 9,200,400 pounds; cheese and substitutes for cheese containing, or processed from Edam and Gouda cheese - 3,151,000 pounds; Italian-type cow's milk cheeses in original loaves - 11,500,100 pounds; Italian-type cow's milk cheeses not in original loaves - 1,494,000 pounds; the following cheeses if having a purchase price under



47 cents per pound f.o.b. country of origin, Swiss or Emmenthaler cheese with eye formation - 4,271,000 pounds, other than Swiss or Emmenthaler with eye formation - 3,289,000 pounds, and other cheeses, nspf - 25,001,000 pounds; butter oil and butter substitutes - 1,200,000 pounds; articles containing 45 per cent or more butterfat - 0; - articles containing 5.5 per cent but less than 45 per cent butterfat classified as "Edible preparations not specially provided for" - 2,580,000 pounds; fluid or frozen milk and cream - 1,500,000 gallons; and milk chocolate crumb - 17,000,000 pounds.

## 2. Reasons why such restrictions are applied

Import controls on dairy products are being continued to prevent imports from materially interfering with United States Government programmes and operations relating to dairy. There are in effect various programmes designed to stabilize production and bring supplies into better balance with requirements, as well as to stabilize prices and thus the income of domestic dairy producers.

The Agricultural Act of 1949, as amended, requires price support for milk and butterfat to producers at between 75 and 90 per cent of parity. The Act provides for such support to be carried out by loans on or purchases of milk and its products. For the 1969-70 marketing year, the support level is 83 per cent of parity for manufacturing milk and 75 per cent for butterfat in farm-separated cream. The support prices are \$4.28 per hundred pounds for manufacturing milk and 68.6 cents per pound of butterfat.

In carrying out the price support and related programmes in the marketing year which ended on 31 March 1969, the Department of Agriculture removed 4.4 per cent of the milkfat and 6 per cent of the solids non-fat in the milk and cream marketed by farmers. The net expenditure by the CCC for these programmes for the marketing year which ended 31 March 1969, approximated \$306 million. This does not include expenditures under the Special Milk Programme of approximately \$102 million. From 1 April 1969, through 30 September 1969, USDA removals were 117 million pounds of butter, 18 million pounds of cheese, 225 million pounds of non-fat dry milk, and 70 million pounds of evaporated milk, representing the equivalent of 2.8 billion pounds of milk. Expenditures were about \$155 million.

In the absence of import controls, foreign surplus dairy production would flood the United States market, in large measure by reason of heavy export subsidies, and would replace domestic production to the serious impairment of the dairy price support programme. Such impairment would involve additional CCC purchases, stocks and costs.

The utilization of Government-owned dairy products during the 1968-69 marketing year (1 April-31 March) compared with 1967-68 was as follows:

(million pounds)

Item	Butter		Cheese		Non-fat dry milk	
	1967-68	1968-69	1967-68	1968-69	1967-68	1968-69
Uncommitted supplies as of beginning year	66.1	128.2	20.8	53.8	71.6	306.3
Purchases (contract basis)	247.1	181.0	149.6	86.4	633.7	445.4
Utilizations:						
Sales - unrestricted use	0.1	-	0.3	2.1	0.2	-
Animal feed sales	-	-	-	-	0.6	4.1
Commercial export sales	-	-	-	-	1.3	39.3
Non-commercial export sales	-	-	-	-	4.0	72.7
Sales to Defense Department	-	0.8	-	-	-	-
Donations to Defense Department	20.0	30.0	1.0	3.2	-	-
Donations to Veterans Admin.	2.3	3.3	-	-	-	-
Donations to Bur. of Prisons	1.2	1.4	0.7	0.6	1.1	0.4
Domestic donations - school lunch and needy	139.6	158.0	114.6	107.3	128.4	130.3
Foreign donations	21.6	36.2	-	0.1	263.3	299.8
Total utilizations	184.8	229.7	116.6	113.3	398.9	546.6
Uncommitted supplies as of 31 March	128.2	79.9	53.8	27.7	306.3	201.9

Note: Totals may not result from additions and subtractions because of rounding and inventory adjustments.

Milk production and USDA market removals for the marketing years 1956-69 were as follows:

(million pounds)

Marketing year beginning 1 April	Milk production	USDA market removals			Milk equivalent of removals		
		Butter	Cheese	Non-fat dry milk	Evaporated milk	Quantity	Per cent of milk production
1956-57	124,734	154.4	197.2	736.1	-	5,106	4.1
1957-58	124,309	215.1	248.3	907.4	-	6,818	5.5
1958-59	123,245	150.2	34.7	825.8	-	3,551	2.9
1959-60	122,675	135.2	50.3	856.8	-	3,395	2.8
1960-61	123,211	154.4	0.2	837.3	-	3,306	2.7
1961-62	126,345	434.9	191.2	1,275.4	-	11,162	8.8
1962-63	125,821	347.1	136.9	1,303.0	-	8,791	7.0
1963-64	126,188	292.7	121.8	1,174.7	-	7,533	6.0
1964-65	126,890	352.4	134.6	1,223.0	-	8,968	7.1
1965-66	122,154	161.6	21.2	885.3	-	3,691	3.0
1966-67	119,804	109.2	39.9	421.0	-	2,720	2.3
1967-68	118,332	246.6	175.4	633.6	-	6,980	5.9
1968-69	116,544	186.4	69.0	555.9	54.9	4,794	4.1
Apr.-Sept. 1969	60,976	117.0	17.5	225.0	69.9	2,829	4.6

Uncommitted Government stocks on 30 September 1969 (in millions of pounds) were: butter - 61.9; cheese - 3.9; and non-fat dry milk - 204.6 million pounds. Stocks of butter and cheese are sharply below, and stocks of non-fat dry milk are slightly below year-earlier levels.

During calendar year 1968, United States milk production was 117.3 billion pounds, 1.5 billion pounds below 1967. Milk production per cow was 9,006 pounds compared with 8,797 pounds in 1967. Domestic use of milk in all products (civilian and military) increased slightly during calendar year 1968 to 117 billion pounds (milk equivalent), from 115.6 billion in 1967 due to increased donations from USDA stocks.

Despite falling milk production in both 1968 and 1969, declining domestic per capita consumption from 580 pounds in 1967 to 576 pounds in 1968, has brought about a continuing excess supply of milk in the United States. In calendar year 1968 ~~USDA removed from the market dairy products equivalent to~~ 5.2 billion pounds of milk; in 1969, removals will be equivalent to about 4.5 billion pounds. The expected difference from the 1968 level is approximately equal to the reduction in farm marketings of milk and cream plus reduced import levels brought about by the recent quota action.

United States: All Dairy Products, Total and  
Per Capita Civilian Consumption 1950-68

Total food use <sup>1/</sup> Year	Total million lb.	Per capita lb.
1950	111,108	740
1951	107,539	712
1952	106,970	698
1953	107,434	697
1954	110,946	697
1955	114,552	706
1956	116,145	702
1957	115,649	687
1958	116,835	682
1959	116,451	667
1960	116,364	653
1961	116,123	641
1962	117,776	641
1963	117,883	631
1964	119,582	631
1965	118,692	618
1966	116,723	602
1967	113,450	580
1968 <sup>2/</sup>	113,806	576

<sup>1/</sup> Milk equivalent, fat solids basis.

<sup>2/</sup> Preliminary.

United States: Individual Dairy Products Per Capita Civilian Consumption, 1950-68

(pounds)

Year	Fluid milk and cream <sup>1/</sup>			Butter	Cheese		Evaporated and condensed			Frozen products					Dry milk products					
	Sales of fluid products	Consumed on farms where produced	Total		Whole and part skim milk <sup>2/</sup>		Cottage cheese	Evaporated whole milk	Condensed whole milk	Evaporated and condensed skim and buttermilk	Ice-cream	Ice milk	Sherbet	Other frozen dairy products	Mellorine	Dry whole milk	Non-fat dry milk	Dry butter-milk	Dry whey	Malted milk
					American	Other														
1950	319	580	348	10.7	5.5	2.2	3.1	18.1	2.0	5.1	17.2	1.2	0.7	0.3	-	0.3	3.7	0.2	0.2	0.2
1951	320	594	350	9.6	5.1	2.1	3.3	16.3	2.0	4.8	17.4	1.5	0.9	0.4	-	0.3	4.2	0.1	0.1	0.2
1952	321	597	350	8.6	5.3	2.3	3.4	15.7	1.9	4.7	17.9	1.8	1.1	0.4	0.4	0.5	4.6	0.2	0.2	0.2
1953	319	597	346	8.5	5.1	2.4	3.6	15.4	2.0	4.8	18.0	2.1	1.3	0.4	0.7	0.2	4.2	0.2	0.2	0.2
1954	321	601	346	8.9	5.5	2.4	3.8	14.8	2.0	4.9	17.4	2.6	1.4	0.2	0.9	0.2	4.5	0.2	0.2	0.2
1955	323	601	348	9.0	5.4	2.5	3.9	14.2	2.0	4.7	18.0	2.9	1.5	0.1	1.0	0.2	5.5	0.2	0.2	0.2
1956	325	601	348	8.7	5.4	2.6	4.4	13.6	2.2	4.5	18.0	3.3	1.4	0.1	1.0	0.3	5.2	0.3	0.2	0.2
1957	323	604	344	8.3	5.1	2.6	4.5	13.1	2.3	4.6	18.0	3.6	1.4	0.1	1.0	0.2	5.3	0.3	0.3	0.2
1958	318	603	337	8.3	5.5	2.6	4.6	12.3	2.5	4.2	17.8	3.8	1.4	0.1	1.1	0.3	5.6	0.4	0.3	0.2
1959	312	602	330	7.9	5.2	2.8	4.7	11.9	2.5	4.6	18.7	4.2	1.5	0.2	1.2	0.3	6.2	0.4	0.3	0.1
1960	307	613	321	7.5	5.4	2.9	4.8	11.2	2.5	4.5	18.3	4.5	1.5	0.2	1.2	0.3	6.2	0.4	0.3	0.1
1961	298	620	311	7.4	5.7	2.9	4.6	10.7	2.6	4.8	18.0	5.0	1.4	0.1	1.3	0.3	6.2	0.4	0.3	0.1
1962	296	631	308	7.3	6.1	3.1	4.6	10.1	2.4	4.8	17.9	5.6	1.4	0.2	1.3	0.3	6.1	0.4	0.4	0.1
1963	295	636	307	6.9	6.1	3.1	4.6	9.4	2.2	4.5	18.0	6.0	1.5	0.2	1.3	0.3	5.8	0.4	0.4	0.1
1964	293	645	304	6.8	6.2	3.2	4.7	9.0	2.3	4.8	18.2	6.3	1.5	0.2	1.3	0.3	5.9	0.4	0.5	0.1
1965	292	650	301	6.4	6.1	3.4	4.6	8.4	2.2	5.0	18.5	6.6	1.5	0.2	1.3	0.3	5.6	0.4	0.6	0.1
1966	287	655	296	5.7	6.2	3.6	4.6	7.7	2.0	5.4	18.1	6.8	1.6	0.2	1.3	0.3	5.8	0.3	0.7	0.1
1967	276	663	285	5.5	6.4	3.7	4.5	7.1	1.9	5.0	17.8	7.0	1.5	0.2	1.3	0.3	5.5	0.3	0.8	0.1
1968 <sup>3/</sup>	271	664	279	5.6	6.6	4.0	4.7	6.8	2.1	4.8	18.3	7.2	1.6	0.2	1.4	0.3	5.8	0.3	0.8	0.1

<sup>1/</sup> Milk equivalent, fat solids basis.

<sup>2/</sup> Excludes cottage cheese.

<sup>3/</sup> Preliminary.

3. Need for continuing import quotas on dairy products

In 1968 Section 22 action was again required to counter excessive dairy imports. Foreign supplies of dairy products, including Government-held stocks, continued to increase, export subsidy programmes were intensified, and normal trade patterns became distorted. The United States, as in 1967, was the principal outlet for these surpluses and by mid-September 1968, imports had risen to an annual rate of 2.8 billion pounds milk equivalent as compared with the 1.2 billion pound annual rate during the last half of 1967. After a review of the Tariff Commission's report to him in December 1968, the President issued Proclamation 3884 of 6 January 1969, as it was quite evident that the emergency actions taken in July and September 1968 were necessary. This Proclamation made permanent the 1968 emergency quotas and established the quotas on processed Italian-type cow's milk cheese and milk chocolate, and removed the retail package quota exclusion on butterfat/sugar mixtures.

The United States does not wish to interfere with normal trade in dairy products. However, it is clear that the state of the world dairy market is not normal. The United States must under law prevent material interference with its price support programme; it cannot permit the unloading of world surpluses, with or without heavy export subsidies, on its domestic market to the detriment of its dairy support programme.