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UNITED STATES AGRICULTURAL ADJUSTMENT ACT

Twenty-Second Annual Report by the United States Government under the Decision of 5 March 1955

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REPORT OF THE UNITED STATES GOVERNMENT TO THE CONTRACTING PARTIES ON ACTION UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT

Introduction

This report is submitted in accordance with a decision of the Contracting Parties of March 5, 1955 and covers the period from October 1978 through October 1979. It includes a brief review of the situation with respect to the commodities currently subject to Section 22 import regulations, and descriptions of steps taken in the United States to balance production with demand; these steps follow the pattern of recent years. Finally, the report outlines the supply position and related data on the commodities for which Section 22 controls are currently in effect.

Background

By decision of March 5, 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 of the Agricultural Adjustment Act, as amended (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 a 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 such regulation would, in the absence of the waiver, conflict with the provision of the General Agreement.

Section 22 of the Agricultural Adjustment Act, as amended, has been in effect since August 24, 1935. It empowers the President of the United States on the basis of an investigation and report by the United States International Trade Commission (formerly 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 the price support or stabilization programs relating to agricultural commodities undertaken by the Department of Agriculture. When a condition exists requiring emergency treatment, the President may take action prior to the Commission's investigation and report.

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 restrictions pursuant to Section 22 on cotton of certain specified staple lengths, cotton waste and certain cotton products; peanuts; certain dairy products; and sugar. These commodities are subject to continuing restrictions.

Since the last report, the only actions taken under the Section 22 authority concerned sugar. On December 28, 1978, the President acted on the investigation report of the International Trade Commission by issuance of Proclamation Number 4631. As previously reported, the Commission had found that imports were interfering with the Department of Agriculture's price support program for sugar cane and sugar beets and recommended an increase in the import fee for raw sugar (then 2.70 cents per pound) and quantitative limitations on imports of refined sugar and on liquid sugar and other sugar sirups. The President decided, however, to replace the fixed import fees with a flexible system which would be responsive to changes in world sugar prices. Effective January 1, 1979, the fee for raw sugar was keyed to a market price objective of 15 cents per pound. Under the system, the fee is the difference between 15 cents and the average world price during a 20-market-day base period, adjusted to a United States delivered basis by adding the duty of 2.81 cents and a factor of 0.9 cents for attributed costs of freight, stevedoring, insurance, financing, weighing and sampling. The fee may not, however, be in excess of 50% ad valorem.

For each calendar quarter, the Secretary of Agriculture is required to make the necessary factual determination. In addition, within-quarter changes are required whenever the average world price increases or decreases by 1.0 cent over a period of 10 consecutive market days; any such fee adjustments do not apply to sugar in transit, that is, to sugar exported on a through bill of lading to the United States from the country of origin before the change. The Proclamation further provided that the import fees for refined sugar and for liquid sugar and other sugar sirups will be in a constant relationship to the raw sugar fee, fixed at 0.52 cents per pound above the fee for raw sugar.

By revising the fee system to provide for keeping the fees in reasonably current relationship with changes in world market prices, the President provided for equitable treatment of the various economic interests concerned. The domestic support program was protected against the consequences of substantial declines in world prices, while consumers and foreign suppliers were protected against unreasonable increases in imported sugar prices as the result of the fees.

During the period under review, the sugar import fees were adjusted seven times, as follows:

Effective Date	Import Fee for Raw Sugar	Type of Adjustment
January 1, 1979	3.35¢/lb.	Quarterly
April 1, 1979	2.76¢/lb.	Quarterly
July 1, 1979	3.36¢/lb.	Quarterly
September 1, 1979	2.36¢/lb.	Within-quarter
October 1, 1979	1.76¢/lb.	Quarterly
October 19, 1979	0.76¢/lb.	Within-quarter
October 24, 1979	0.00¢/lb.	Within-quarter

The fee system established by Presidential Proclamation Number 4631 remains in force, even though the October 24, 1979 action reduced the raw sugar fee to zero. As of that date, the fee for refined and liquid sugars was reduced to 0.52 cents per pound.

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.

The steps taken to influence the supply may be briefly summarized as follows. Acreage allotments and maketing quotas were in effect for the 1978 and 1979 crops of extra long staple cotton and peanuts.

A national program acreage — similar to the previous national acreage allotment — was established for the 1978 and 1979 crops of upland cotton. Compliance with acreage allotments and marketing quotas for extra long staple cotton and peanuts is a condition of price support and other program benefits and serves to limit acreage planted. However, the national program acreage for upland cotton does not limit the acreage planted; there is no limit, and the acreage is used only to determine the acreage eligible for payment.

As in previous reports, attention is drawn to the important and sometimes critical influence which natural forces have upon the harvest in any season, as well as to the highly significant effects of technological improvements in production.

It should also be noted that the President successfully opposed proposed legislation which would have strongly encouraged expansion of domestic sugar and sweetner production and reduced foreign suppliers' share of the United States market. Under existing legislation and programs affecting sugar production, the respective shares of domestic and foreign suppliers is expected to continue without fundamental change.

Price support levels for commodities regulated under Section 22 for 1978 and 1979 are shown in Table 1.

TABLE 1 -- Price Support Levels: Section 22 Commodities

Commodity	Unit	Support Price 1978 (Dollars)	1979 (Dollars)
Cotton, Upland			
Loan Rate 1/	lb.	.4800	.5023
Deficiency Payment 2/	lb.	3/	3/
Cotton, Extra Long Staple			
Loan Rate	lb.	.8320	.9295
Payments	lb.	0	0
Peanuts - Quota Loan	lb.	.2100	.2100
- Additional Loan	lb.	.1250	.1500
Dairy Products			
Mfg. Milk 4/ 5/	cwt.	9.00	9.87
		9.43	10.76
		9.87	11.49
Raw cane sugar 6/	lb.	.1473	.1300
Refined beet sugar 6/	lb.	.1699	.1515

1/ Basis Strict Low Middling 1-1/16", net weight, micronaire 3.5 through 4.9, at average location.

2/ No deficiency payments were made for 1978; for 1979, farm deficiency payments, if made, will be calculated on the acreage of cotton determined by multiplying the acreage planted for harvest on the farm by the national allocation factor. If a producer voluntarily reduces his 1979 plantings by 15 percent below 1978, he will receive deficiency payments on the total planted acreage.

3/ The Food and Agriculture Act of 1977 continued the guaranteed or "target" prices for upland cotton. For 1978, the target price was 52.00 cents per pound; for 1979, it is 57.70 cents per pound. Deficiency payments are made only if the average market price received by farmers during the applicable calendar year is lower than the target price.

4/ Implemented through a standing offer to purchase Cheddar cheese, butter and nonfat dry milk, in carlots, from processors at prices designed to return the support price for manufacturing milk on an annual national average basis.

5/ On October 1, 1978, the beginning of the marketing year, the price support was set at \$9.87; on April 1, 1979, it was increased to \$10.76; on October 1, 1979, the support price was increased to \$11.49. The increases were in accordance with the Agricultural Act of 1949, as amended.

6/ Loan rates applicable for the crop of the year indicated.

COTTON AND COTTON WASTE

Section 22 Quotas in Effect

Import quotas continue for upland-type cotton, long staple cotton, and certain cotton waste and cotton products.

Need for Continuing Import Quotas

During the 1978 and 1979 crop seasons, the United States has had in operation price support, production adjustment, and related surplus disposal programs and thus restrictions were continued. It is necessary to continue import quotas on cotton, cotton waste and certain cotton products in order to prevent material interference with the Department of Agriculture's programs for cotton. Although total disappearance in 1979-80 is projected to increase about 150,000 bales over 1978-79, the sharp increase in 1979 production will probably result in substantial quantities of the 1979 crop being placed under Commodity Credit Corporation (CCC) loan by producers. There is a possibility that some of the cotton placed under loan could eventually be forfeited by producers. Thus CCC could be faced with surplus problems and costly disposal operations. The elimination of import quotas could trigger larger imports of cotton, thereby forcing additional quantities into the CCC loan program and further aggravating the situation for domestic cotton producers and programs.

a. 1979 Cotton Program

The 1979 program for extra long staple cotton is essentially the same as the 1976, 1977, and 1978 programs. The Food and Agriculture Act of 1977 continues for upland cotton the concepts provided in the Agriculture and Consumer Protection Act of 1973. The 1977 Act provides a four year program (1978-1981) for wheat, feed grains, and upland cotton. The upland cotton program is part of an overall farm program designed to encourage the expansion of needed farm production to meet domestic and foreign demand while protecting farm income earned from the marketplace.

The 1977 Act continues the concept of guaranteed or "target" prices. The target price for 1979 crop upland cotton is 57.70 cents per pound. If the average market price received by farmers during the 1979 calendar year is at or above the 57.70 cents per pound target price, no deficiency payments will be made. If the average price is below the target level, payments will be made on the difference. The 1977 Act limits total payments to any person under one or more of the annual programs for cotton, wheat, or feed grains to $45,000 for the 1979 crop.

There is no cropland set-aside requirement for upland cotton in 1979, but producers are required to reduce acreage by 15 percent in order to be guaranteed 100 percent target price protection on production

The 1978 final national program acreage for upland cotton was 10,000,000 acres. The 1979 national program acreage for upland cotton was set at 10,634,181 acres; such acreage may be revised, but cannot be reduced below the statutory minimum of 10 million acres. Size of the program acreage does not restrict planting; there is no limit on planted acreage. The 1979 national program acreage will be used only to determine the acreage eligible for payment. The law requires that the acreage be set at a level that the Secretary determines necessary to maintain adequate supplies, but cannot be less than 10 million acres, as noted above.

Program Activity

1) Upland Cotton. CCC stocks under loan or in inventory on July 31, 1979, (the end of the marketing year), were 614 thousand bales, compared with about 1.2 million on July 31, 1978. Beginning with the 1971 crop, loans mature 10 months from the first day of the month in which the loan is made, rather than on July 31 as was the case in prior years; however, The Food and Agriculture Act of 1977 provides that nonrecourse loans for upland cotton shall, upon request of the producer during the tenth month of the loan period, be made available for an additional term of eight months, unless the average price of Strict Low Middling 1-1/16 inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for the preceding month exceeds 130 percent of the average spot price for the preceding 36 months. During the 1978-79 season, about 1.5 million bales were placed under loan, and through October 1, 1979, all but

about 350,000 bales had been redeemed. Through October 1, 1979, no activity has been reported for the 1979-80 loan program.

The Food and Agriculture Act of 1977 also provides that if the average price of Strict Low Middling 1-1/16 inch cotton (micronaire 3.5 through 4.9) in the designated spot markets for a month exceeds 130 percent of the average price of such quality of such cotton for the preceding 36-month period, loans will not be extended, and the President shall proclaim a special global import quota, subject to certain conditions in the Act. Since the spot price has not exceeded 130 percent, no special quotas have been proclaimed.

2) Extra Long Staple Cotton. As with upland cotton, loans mature 10 months from the first day of the month in which the loan is made. For the 1978 crop, ELS cotton loans may be extended, at the producer's request, for eight months, after the regular maturity date. During the 1978-79 season, 35,256 bales were placed under loan, and through October 1, 1979 23,344 bales had been redeemed. No loans on the 1979 crop had been made through October 1, 1979.

Supply Situation

1) Upland Cotton. The carryover on August 1, 1978, totaled 5.3 million bales. Production in 1978 decreased significantly from 1977, totaling about 10.8 million bales as compared with about 14.3 million in the previous year. Thus, total supply in 1978-79 approximated 16.0 million bales or 1.1 million below a year earlier. Disappearance (domestic

consumption and exports) totaled about 12.4 million bales in 1978 as compared with 11.9 million in 1977. Offtake in 1978 was above 1978 production by about 1.7 million bales, resulting in a 1.4 million bale decrease in the carryover. The August 1, 1979, carryover is reported at about 3.9 million bales. The October estimate of 1979 crop production was 14.2 million bales, up about 3.5 million from 1978.

Extra Long Staple Cotton. The carryover on August 1, 1978, totaled about 69,000 bales. Production in 1978 decreased from 1977, totaling 93,000 bales as compared with 112,000 in the previous year. Imports in 1978 totaled 2,000 bales, compared to 1977 imports of 4,000 bales. Thus, total supply approximated 164,000 bales or about the same as a year earlier. Disappearance (domestic consumption and exports) totaled about 96,000 bales, about 4,000 more than 1977; about 15,000 bales were unaccounted for. The net result was a carryover on August 1, 1979, estimated at about 53,000 bales, 16,000 bales below a year earlier. The October estimate of the 1979 crop extra long staple production was 113,000 bales, up substantially -- 20,000 bales -- from 1978.

3) Steps Taken to Balance Supply and Demand. In addition to acreage allotments, marketing quotas, and other acreage options, additional government programs designed to attain a better balance in the supply and demand position include: (1) CCC sales of its stocks in a manner that should avoid disrupting domestic and foreign markets; and (2) continued emphasis on research and market promotion programs designed to increase cotton utilization throughout the world. These programs remain basically the same as previously reported.

PEANUTS

Section 22 Quotas in Effect

No changes were made in the import quota for peanuts.

Need for Continuing the Import Quota

Import controls on peanuts are being continued to prevent material interference with U.S. programs and operations relating to peanuts.

Programs

The Food and Agriculture Act of 1977 required changes in the programs for the 1978 through 1981 crops. The 1979 national acreage allotment is set at the legal minimum of 1,614,000 acres, the same as the 1978 acreage allotment. This Act established minimum national poundage quotas which are reduced each year from 1,680,000 tons in 1978 to 1,440,000 tons in 1981. Quotas represent the peanuts eligible for domestic edible use and supported at not less than $420 per ton. Peanuts produced on the acreage allotment but in excess of a farm's poundage quota are supported at a lower level. For the 1979 peanut crop, the Secretary announced a national poundage quota of 1,596,000 tons supported at $420 a ton net with the additional peanuts supported at $300 a ton net. This compares with a national quota of 1,680,000 tons, also supported at $420 a ton net, with additional peanuts supported at $250 a ton net for the 1978 peanut crop. The Secretary may increase the acreage allotment and poundage quota above the statutory mininum if he determines one or both are insufficient to meet expected requirements. The minimum quota support level may be increased at the Secretary's discretion.

Program Activity

During the 1978-79 marketing year, 520 million pounds of farmers' stock peanuts were placed under loan, of which approximately 34 million pounds were redeemed. For the 1979-80 marketing year, it is anticipated that the quantity placed under loan will approximate 660 million pounds, with 100 million pounds redeemed.

Supply Situation

During the 1978 crop year, the U.S. continued to be confronted with a surplus situation on peanuts. Annual data on peanut production consumption, exports, stocks and acquisitions under the price support program since the 1969 marketing year are shown below.

Year Beginning August 1	Production 1/	Imports	Domestic Consumption & Exports 2/	Stocks End of Year	Diversion Under Price Support 3/
----------------Million Pounds, Farmers' Stock Basis----------------					
1969	2,535	1	2,540	353	586
1970	2,979	2	2,881	453	1,033
1971	3,005	2	3,068	392	1,204
1972	3,275	2	3,240	429	1,158
1973	3,474	1	3,351	553	858
1974	3,668	1	3,138	1,084	410
1975	3,857	1	3,886	1,056	1,170
1976	3,751	1	4,204	608	1,236
1977	3,726	1	3,754	581	305
1978 4/	3,989	1	3,978	593	309

1/ Data are net weight values.

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

3/ Included in Domestic Consumption & Exports; may include diversions of previous crop.

4/ Preliminary.

The total supply of peanuts in the United States for 1979-80 is expected to be about 4,681 million pounds, compared with an average supply of 4,575 million pounds for the five years 1974-78.

Steps Taken to Balance Supply & Demand

Through 1977 the U.S. followed two principal approaches with a view to solving the problem of surplus peanuts: (1) acreage in production, as it has been for 20 years was held to the minimum permitted by law; and (2) peanuts acquired by the CCC under the price support programs were disposed of outside normal commercial market channels at a financial loss primarily for crushing into oil and donation of oil and other products under Section 416 programs (domestic distribution) and Public Law 480 programs (food aid). The new legislation provides methods which should be more effective in balancing supply and demand. CCC net realized losses were an estimated $20 million in fiscal year 1979.

DAIRY PRODUCTS

Section 22 Quotas in Effect

Since the last report, no new quotas have been added to the quotas previously in effect. All of the existing quotas continued without change.

The domestic support price for manufacturing milk was increased twice during the reporting period. These increases resulted in increases in the Commodity Credit Corporation purchase price for Cheddar cheese and, consequently, in the "pricebreak" which determines whether or not imported cheeses falling under certain tariff classifications are subject to quota. The Cheddar cheese purchase price was increased from $1.06 per pound to $1.16 per pound effective April 1, 1979. This necessitated an increase in the "pricebreak" from $1.13 to $1.23 per pound. On October 1, 1979, the Cheddar cheese purchase price was again increased to $1.24 per pound requiring an increase in the "pricebreak" to $1.31 per pound.

Need for Continuing Import Quotas

a. Programs. The price support program, which is operated pursuant to the Agricultural Act of 1949, as amended, requires that price support for milk be established at such level between 75 and 90 percent of parity as will assure an adequate supply, reflect changes in cost of production, and assure a level of farm income adequate to meet future needs. The Food and Agriculture Act of 1977 amended the basic legislation to raise the minimum level of support to 80 percent of parity through March 31, 1979 and to require that the support price be adjusted semiannually to reflect any estimated change in the parity index during the semiannual period through March 31, 1981.

The support price was adjusted from $9.00 to $9.43 per hundredweight on April 1, 1978, the midyear point. On October 1, 1978, the beginning of the 1978-79 marketing year, the support price was set at $9.87 per hundredweight which was 80 percent of parity. On April 1, 1979, the support price was increased to $10.76 based on the semiannual change in the parity index. On October 1, 1979, the beginning of the 1979-80 marketing year the support price was set at $11.49 per hundredweight, which was 80 percent of parity.

b. Program Activity. In carrying out the price support and related programs in the 1978 calendar year, the Department of Agriculture removed 2.4 percent of the milkfat and 2.8 percent of the solids-not-fat in the milk and cream marketed by farmers. USDA removals in calendar year 1978 were 112 million pounds of butter, 40 million pounds of cheese, 285 million pounds of nonfat dry milk and 18 million pounds of evaporated milk. The CCC purchase cost was $388 million, compared to $689 million in 1977.

The expenditures under the Special Milk Program were $138 million during FY 77 (October 1, 1977-September 30, 1978). (The United States fiscal year changed from a July-June basis to an October-September basis effective October 1, 1977.) The expenditures were $134 million in FY 79.

c. Supply Situation. During 1978 milk production was about one percent below 1977, and manufacturing milk prices averaged well above the support price.

In 1979 milk production was about the same as a year earlier through May. In June milk production began to increase one percent in June, two percent in July and August and three percent in September. During the same period manufacturing milk prices were above the support price, and Commodity Credit Corporation (CCC) market removals under the price support program were lower than a year earlier. However, due to the increase in milk production during the last quarter of the marketing year (July-September 1979) higher purchases by CCC are expected in the coming marketing year.

World supplies of dairy products continue to be in excess of commercial demand. The resultant surpluses continue to seek outlets wherever possible. In the absence of import controls, these surpluses would replace domestic production to the serious impairment of the dairy price support program.

Steps Taken to Balance Supply and Demand

There are several programs available which are used as adjuncts to the price support program and which serve to attain an effective balance between supply and demand. These include: (a) the Special Milk Program designed to increase the consumption of fluid milk among children by reimbursing state agencies and private institutions for the milk served; (b) CCC purchases (under the authority of the price support program) on a competitive bid basis of butter, cheese, and nonfat dry milk in special forms and in consumer-size packages, especially for use in various food distribution programs, such as the programs for school lunch and institutions; (c) the use of excess CCC stocks for various foreign programs, including emergency aid, donations, grants, and sales under U.S. aid programs such as P.L. 480; and (d) purchases of evaporated milk and infant formula containing nonfat dry milk. Preliminary data for fiscal year 1978-79 indicate that 1.87 billion half-pints of milk were served in schools, summer camps and child care institutions under the Special Milk Program compared to 1.98 billion during the same period in FY 1978.

The following tables summarize USDA market removals from 1960 through September 1979, and utilization during 1977, 1978 and the first nine months of 1979.

Year	Milk Production	USDA Market Removals: Butter	Cheese	Nonfat dry milk	Evaporated milk	Milk Equivalent of Removals	Percent Removal of Milk Production
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Percent
1960	123,109	144.8	0.3	852.8	--	3,101	2.5
1961	125,707	329.4	100.3	1,085.6	--	8,019	6.4
1962	126,251	402.7	212.9	1,386.1	--	10,724	8.5
1963	125,202	307.5	110.9	1,219.2	--	7,745	6.2
1964	126,967	295.7	128.5	1,168.8	--	7,676	6.0
1965	124,180	241.0	48.6	1,098.4	--	5,665	4.6
1966	119,912	25.1	10.8	365.8	--	645	0.5
1967	118,732	265.1	130.5	687.0	--	7,427	6.3
1968	117,225	194.8	87.5	557.8	54.9	5,159	4.4
1969	116,108	187.9	27.7	407.2	107.5	4,479	3.9
1970	117,007	246.4	48.9	451.6	48.4	5,774	4.9
1971	118,565	292.2	90.7	456.2	111.4	1/7,268	6.1
1972	120,025	233.7	30.4	2/345.0	97.0	1/5,345	4.5
1973	115,491	97.7	3.2	36.8	53.7	1/2,185	1.9
1974	115,586	32.7	60.3	265.0	28.3	1,346	1.2
1975	115,334	63.4	68.2	394.5	24.5	2,036	1.8
1976	120,269	39.4	38.0	157.1	21.8	1,236	1.0
1977	122,698	221.8	148.2	461.7	15.9	6,080	5.0
1978	121,928	112.0	39.7	285.0	17.6	2,743	2.2
1979 . . . . . . Jan. Sept.	93,856	56.3	12.1	187.2	12.8	1,311	1.4

1/ Includes small purchases of dry whole milk.
2/ Includes 9.6 million pounds, Title I export sales.
In committed Government stocks on September 30, 1979 were 447.9 million pounds of nonfat dry milk; 147.1 million pounds of butter and no cheese.

Utilization (commitments to uses) in January-September 1978 compared with January-September 1979 were: 1/

Item	Butter		Cheese		Nonfat Dry Milk	
	Jan.-Sept. 1978	Jan.-Sept. 1979	Jan.-Sept. 1978	Jan.-Sept. 1979	Jan.-Sept. 1978	Jan.-Sept. 1979
			(Million Pounds)			
Uncommitted supplies as of beginning of year	149.1	164.3	50.3	8.4	638.0	524.8
Purchases (contract basis)	134.4	59.7	44.3	12.4	270.2	187.2
Utilizations:						
Sales--unrestricted use	12.3	3.4	4.7	0.3	---	---
Sales--restricted use	0.4	0.6	---	---	40.2	54.3
Noncommercial export sales	---	---	---	---	69.3	3.2
Sales to Dept. of Defense	---	---	---	---	7.9	8.1
Domestic donations						
Schools and needy	70.6	57.8	77.4	17.4	33.8	30.8
Furnished for manufacture of Mozzarella cheese	---	---	---	---	---	33.4
Bureau of Prisons	1.5	1.2	0.5	---	0.3	0.3
Dept. of Defense	7.0	7.3	0.8	---	---	---
Veterans Administration	0.7	0.5	---	---	---	---
Foreign donations						
As dairy product	---	---	---	---	140.4	109.0
Furnished as an ingredient for CSM (corn-soya-milk)	---	---	---	---	22.8	23.1
TOTAL UTILIZATIONS	92.5	70.8	83.4	17.7	314.7	262.2
Uncommitted supplies as of September 30	204.1	147.1	30.6	2/	3/585.1	3/447.9

1/ Totals may not result from additions and substractions because of rounding and inventory adjustments.
2/ Less than 50,000 pounds.
3/ Reflects contract adjustments.

Utilizations (commitments to uses) in calendar year 1978 compared with calendar year 1977 were: 1/

Item	Butter		Cheese		Nonfat dry milk	
	1977	1978	1977	1978	1977	1978
	(Million pounds)					
Uncommitted supplies as of beginning of year	33.9	149.1	18.5	50.3	397.2	638.0
Purchases (contract basis)	201.3	134.4	124.6	44.3	490.1	285.0
Utilizations:						
Sales--unrestricted use	0.2	22.4	0.3	4.7	28.4	---
Sales--restricted use	0.2	0.4	0.1	---	15.7	58.3
Noncommercial Export Sales	---	---	---	---	0.6	69.3
Sales to Dept. of Defense	---	---	---	---	0.4	9.0
Domestic donations						
Schools and needy	77.0	86.0	90.3	80.1	37.3	49.0
Bureau of Prisons	1.4	1.8	0.9	0.6	0.9	0.4
Dept. of Defense	6.6	7.0	1.2	0.8	---	---
Veterans Administration	0.4	1.0	---	---	---	---
Foreign donations						
As dairy product	---	---	---	---	137.0	166.2
Furnished as an ingredient in corn-soya-milk	---	---	---	---	29.1	33.5
Total utilizations	85.8	118.6	92.8	86.2	249.4	385.7
Uncommitted supplies as of December 31	149.1	164.3	50.3	8.4	638.0	2/524.8

1/ Totals may not result from additions and subtractions because of rounding and inventory adjustments.

2/ Reflects contract adjustments.

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SUGAR

Section 22 Import Fees in Effect

The import fees on sugar in effect as of the date of submission of this report (November 1979) are zero cents per pound for raw sugar and 0.52 cents per pound for refined sugar and for liquid sugar and other sugar sirups. As previously noted, these fees are subject to change, under the flexible import fee system which became effective January 1, 1979, in response to changes in world prices. The fees are regularly reviewed and, if necessary, adjusted quarterly. They are adjusted more frequently if, under the system, this is necessitated by sizeable shifts in world prices. Sugar imports for the production of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human food consumption, are exempt from the fees; such imports are subject to licensing by the Department of Agriculture in order to insure that utilization meets the conditions of the exemption.

Need for Continuing the Import Fees

Because of the continuing imbalance in world sugar supplies and the consequent threat of depressed prices, import fees remain necessary to prevent interference with the price support program. If external conditions strengthen world prices to a point where the import fees no longer are necessary, the necessary measures to eliminate the fees will be initiated.

Price Support Program

Since November 8, 1977, United States production of sugarbeets and sugarcane has been supported by a price support loan program. Section 902 of the Food and Agriculture Act of 1977, which covered the 1977 and 1978 crops, provided for support at not less than 52.5 percent, and not more than 65 percent, of parity. For the 1977 crop, the support level (equivalent to 52.5 percent of parity) evolved from a 13.5 cents per pound, raw value, loan rate. While the support level for the 1978 crop remained at 52.5 percent of parity, the loan rate required to achieve that level increased to 14.73 cents per pound, raw value. The 1979 crop of sugarbeets and sugarcane is supported under descretionary authority contained in Section 301 of the Agricultural Act of 1949. The loan rate for the 1979 crop is 13.00 cents per pound, raw value, and support for sugarbeets and sugarcane is in the range of 43 to 47 percent of parity.

Under the programs, processors may qualify for nonrecourse loans on sugar, sirup or edible molasses processed from cane, or on refined beet sugar. The 1977 crop loan rates were 13.5 cents and 15.57 cents per pound for raw cane sugar and refined beet sugar, respectively. The comparable national average 1978 and 1979 crop loan rates are 14.73 and 13.00 cents per pound (raw cane) and 16.99 and 15.15 cents per pound (refined beet), respectively.

Program provisions include the following:

1. In order to be eligible for a loan the processor must pay all his eligible producers not less than prices specified by CCC for sugarbeets and sugarcane. For 1977 and 1978 crops these

prices are designed to provide price support to sugarbeet and sugarcane producers at a level of at least 52.5 percent of the parity prices for such commodities. For the 1979 crop, support prices are in the range of 43 to 47 percent of parity. 1979 crop support is under the descretionary authority in Section 301 of the Agricultural Act of 1949, which limits support to no more than 90 percent of parity.

2. For the 1977 and 1978 crops, eligible producers must certify (to processors) compliance with minimum wage regulations. This provision is not mandated in the Agricultural Act of 1949, therefore, it is not applicable to the 1979 program.

3. Unredeemed loan collateral becomes the property of the Commodity Credit Corporation (CCC) at loan maturity. Processors must continue to store (CCC will make storage payments) the commodity after loan maturity until CCC moves it elsewhere.

4. 1977 and 1978 crop loans mature on the last day of the eleventh month following the month of disbursement (unless extended for a further period for the 1978 crop). 1979 crop loans mature on the last day of the ninth month following month of disbursement.

5. Loans are made and serviced by State and county ASCS offices.

Loans on the 1977 crop totaled $374.1 million, representing approximately 1,325,000 short tons of sugar. Of the total quantity placed under loan, just over 200,000 tons (raw value) with a loan value of about $55 million were forfeited to CCC. Loans on the 1978 crop totaled about $790 million, representing almost 2.5 million short tons. As of October 20, $350 million representing over 1.1 million tons remain outstanding. Of the total 1978 crop sugar placed under loan, over 218,000 tons, raw value, with a loan value of over $64 million have been forfeited to CCC through September 30. It is estimated that CCC will acquire up to an additional 900,000 tons, raw value, of the 1978 crop. Through October 20, loans on 1979 crop sugar totaled just over $5 million; total loan activity is currently projected at $300 million.

Supply Situation

The United States is not self-sufficient in sugar. Over the longer term, domestic production has supplied between 48 and 63 percent of requirements, averaging about 55 percent. Imports provided the remainder of supplies, primarily in the form of raw sugar. Annual data on sugar production, imports, stocks and utilization are shown in the accompanying table. Domestic production in 1978 declined to 5.6 million short tons, compared to 6.1 million short tons in 1977. 1979 production is not expected to show an increase. Because of excess world supplies and depressed prices, United States market prices for sugar remained below support levels for most of the period during which import fees have been in effect.

Steps Taken to Balance Supply and Demand

Until the expiration of the Sugar Act of 1948 on December 31, 1974, imports of sugar were regulated by import quotas. Since then, the United States has endeavored to respond to marked shifts in world supplies and prices by policies intended to achieve domestic market prices which, at the consumer level, were non-inflationary and which would cover production costs and provide a reasonable return to efficient producers.

It is United States policy to maintain a capacity to produce a substantial part of its sugar needs. The United States has sought to maintain a proper balance between domestic and imported supplies and has not attempted to attain an uneconomically high degree of self-sufficiency. Domestic production is being supported at non-expansionary levels, and the President has successfully opposed legislation which would have encouraged substantial increases in domestic production at the expense of imports.

At the international level, the United States supports the objectives and provisions of the International Sugar Agreement, to which it has provisionally subscribed. The President requested the legislative authority required for full United States participation in the Agreement, but was unsuccessful, primarily for reasons unrelated to the merits of the Agreement. Continuing efforts are being made to obtain the necessary legislation.

TABLE 2-- SUGAR, CANE, AND BEET: SUPPLY AND UTILIZATION, UNITED STATES, CALENDAR YEARS, 1968-78

YEAR	SUPPLY: PRODUCTION: CANE 1/	BEET	TOTAL	OFFSHORE RECEIPTS: FOREIGN	TERRITORIES	TOTAL	BEGINNING STOCKS	TOTAL SUPPLY
	1,000 SHORT TONS, RAW VALUE							
1968	2,588	3,039	5,627	5,130	504	5,634	2,941	14,202
1969	2,236	3,246	5,482	4,886	342	5,228	3,043	13,753
1970	2,363	3,511	5,874	5,296	353	5,649	2,869	14,392
1971	2,386	3,429	5,815	5,587	144	5,731	2,835	14,381
1972	2,481	3,534	6,115	5,459	149	5,608	2,823	14,446
1973	2,708	3,353	6,061	5,329	79	5,408	2,823	14,292
1974	2,441	3,221	5,662	5,770	157	5,927	2,646	14,235
1975	2,827	3,473	6,300	3,882	96	3,978	2,854	13,132
1976	2,795	4,003	6,798	4,658	203	4,861	2,856	14,515
1977	2,666	3,423	6,089	6,138	102	6,240	3,498	15,827
1978 3/	2,536	3,067	5,603	4,683	52	4,735	4,491	14,829

YEAR	UTILIZATION: TOTAL USE	EXPORTS	NET CHANGE IN INVISIBLE STOCKS	BALANCING ITEMS 2/	DOMESTIC DISAPPEARANCE: LIVESTOCK FEED AND ALCOHOL	MILITARY AND CIVILIAN: TOTAL	PER CAPITA
	1,000 SHORT TONS, RAW VALUE						POUNDS REFINED
1968	11,159	79	291	51	82	10,656	99.2
1969	10,884	82	-273	37	68	10,950	101.0
1970	11,557	66	185	60	83	11,163	101.8
1971	11,558	89	-7	70	61	11,345	102.4
1972	11,623	50	-21	45	62	11,487	102.8
1973	11,646	26	91	69	31	11,429	101.5
1974	11,381	72	305	51	8	10,945	96.5
1975	10,276	216	-277	29	6	10,302	90.2
1976	11,017	76	-24	72	---	10,893	94.6
1977	11,336	22	201	14	---	11,099	95.7
1978 3/	11,075	16	58	118	4	10,889	93.1

1/INCLUDES HAWAII. 2/CALCULATED AS A RESIDUAL. 3/PRELIMINARY 4/ESTIMATE