

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## UNITED STATES AGRICULTURAL ADJUSTMENT ACT

### Twenty-Sixth 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 the decision of 5 March 1955, which waived obligations of the United States under Articles II and XI of the GATT 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, pages 32 and 35). It includes a review of recent developments and steps taken to balance production with demand; general observations; and summaries of the support programmes and supply position for the commodities which are subject to Section 22 controls. The general reporting period is October 1982-September 1983, with supplementary information as necessary.

Recent changes in Section 22 controls

Import restrictions pursuant to Section 22 continued in effect for cotton of specified staple lengths, cotton waste and certain cotton products; peanuts; certain dairy products; and sugar and syrups. During the reporting period, there were no changes except for sugar; these are described below. No new Section 22 restrictions were imposed.

Sugar. The flexible import fee system for sugar, keyed to changes in sugar prices, remained in effect. The fee system has been described in detail in previous reports. Throughout the reporting period, the fee applicable to raw sugar remained at zero cents per lb. The fee for refined sugar was one cent per lb. The fees are intended to prevent domestic sugar prices from falling below a price objective established under the support programme for sugar cane and sugar beets.

The previous report noted that the International Trade Commission had completed an investigation concerning certain technical modifications of the import fee system. Presidential action on the Commission's report is pending.

In June 1983, temporary Section 22 quotas of zero lbs. were placed on two categories of certain sugar-containing articles. The action was taken to halt importation of high sugar-content articles which had been newly formulated in order to obtain customs classification in tariff categories not subject to the import quota on sugar. (As previously reported, the sugar quota is not a Section 22 quota; the sugar quota was established in 1975 under the President's "headnote authority" and was lowered to a restrictive level in May 1982).

The new quotas do not apply to those sugar-containing articles, such as confectionery and bakery goods, which are normal articles of trade. No traditional trade has been disturbed.

In accordance with the Section 22 statute, the International Trade Commission has undertaken an investigation of this action. The investigation currently is still in progress.

#### Steps taken to balance agricultural production with demand

For three of the four commodity groupings subject to Section 22 controls (cotton, peanuts, dairy products), United States production normally exceeds market requirements. In all three sectors, the Government has recently taken strong measures to reduce excess production and bring supplies into a better balance with demand.

For the 1983 crop of upland cotton, several measures were taken to reduce production substantially. Early in the crop year, a 20 per cent reduction in acreage was established; in addition, there was an optional paid diversion of up to 5 per cent of the base acreage. Under the subsequently announced Payment-in-Kind (PIK) Programme, producers were encouraged to put an additional 10-30 per cent of their base acreage in conservation uses; reduced production was compensated with payments in cotton. The PIK programme also included an alternative option in which producers could, under certain conditions, remove their entire base acreage from production and be compensated accordingly. Details of these measures are described in the Cotton section of this report.

For peanuts, the steps to reduce production which were begun in 1977 are continuing. Production is controlled by a national poundage quota representing national requirements for domestic edible use. Only peanuts within that quota receive full support. The national poundage quota was again reduced for the 1983 crop to 1,167 million tons.

During the past three years, the measures taken to discourage over-production of milk have been stronger than at any time in the history of the Dairy Support Programme. Except for a temporary three-week period, the support price for milk has been frozen since 1 October 1980. Since production costs have continued to increase because of price inflation, this has meant - in real terms - a reduction of the support price. Direct penalties for excess production in the form of two deductions of 50 cents per cwt. have been authorized by law and are now being levied on producers. The second of the deductions may be refunded to producers who reduce their marketings from a specified base-period amount. Additional legislative proposals for achieving a better balance between milk supplies and demand are now before the Congress. Full details of the existing programmes and the legislative proposals are provided in the Dairy Products section.

#### General observations

As noted above, the single restrictive Section 22 action taken during the period under review did not involve normal trade; it concerned only articles which had been especially formulated to evade existing border controls. Historic trade in the tariff categories concerned has continued without interruption and has actually increased slightly.

Existing Section 22 controls are kept under continuing review, as is the feasibility of alternative measures. The essential consideration regarding adoption of alternative measures to Section 22 controls is effectiveness in protecting the support programmes - specifically, in preventing involuntary government purchases and inventory maintenance costs because of displacement of domestic supplies by imports.

Requests were received from producer groups and their legislative representatives to limit imports of tobacco, peanut products and honey. These are commodity sectors which are politically sensitive and controversial. However, no import restrictions were imposed on these commodities, nor have formal Section 22 investigation procedures been initiated.

The United States will continue to meet the conditions of the Section 22 Waiver, including exploration of possible alternative approaches and continuation of efforts to increase consumption and to improve the supply balance for the commodities concerned. The United States will continue to confine its Section 22 controls to the measures necessary to prevent interference by imports with its support programmes for agricultural commodities.

#### Levels of price support

Price support levels for Section 22 commodities, for 1982 and 1983, are shown in Table 1.

TABLE 1 - Price support levels: Section 22 commodities

<u>Commodity</u>	<u>Unit</u>	<u>Support Price</u>	
		1982 (Dollars)	1983 (Dollars)
Cotton, upland			
Loan rate <sup>1/</sup>	lb.	.5500	<u>3</u> .5500
Deficiency payment <sup>2/</sup>	lb.	.1392	
Cotton, extra long staple			
Loan rate	lb.	.9989	.9625
Payments	lb.	0	0
Peanuts - quota loan	lb.	.2750	.2750
- additional loan	lb.	.1000	.0925

<u>Commodity</u>	<u>Unit</u>	<u>Support Price</u>	
		1982 (Dollars)	1983 (Dollars)
Dairy products			
Mfg. milk <sup>4/</sup>	cwt.	13.10	13.10
Raw cane sugar loan	lb.	17.00	17.50
Refined beet sugar loan	lb.	20.15	20.86

<sup>1/</sup> Basis Strict Low Middling 1-1/16 inch, net weight, micronaire 3.5 through 4.9, at average location

<sup>2/</sup> For the 1982 and 1983 crops, deficiency payments are calculated based on the difference between the target price and the average market price received by farmers for the calendar year, not to exceed the difference between the target price and the loan rate. For 1982, only those producers who participated in the 15 per cent acreage reduction programme were eligible to receive deficiency payment. 1983 crop deficiency payments will be made to producers who participated in the 20 per cent acreage reduction programme.

<sup>3/</sup> Has not been determined

<sup>4/</sup> Implemented through a standing offer to purchase cheese, butter and non-fat dry milk, in carlots, from processors at prices designed to return the support price for manufacturing milk (national average milk fat content of 3.67 per cent).

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 1982 and 1983 crop seasons, the United States has had in operation price support, production adjustment, and related surplus disposal programmes, and thus restrictions were continued. Acreage limitations apply to the 1982 and 1983 crops. Import quotas on cotton, cotton waste and certain cotton products are necessary in order to prevent material interference with the Department of Agriculture's programmes for cotton.

1983 cotton programme

The 1983 programme for extra long staple cotton (ELS) was essentially the same as the 1980, 1981, and 1982 programmes. The ELS cotton programme is governed by acreage allotments and marketing quotas. Acreage of ELS cotton is limited by the acreage allotment. Producers who plant in excess of their allotment are subject to severe penalties on the excess production and are not eligible for loans. The 1983 national acreage allotment was 80,131 acres.

The Agriculture and Food Act of 1981 continued for upland cotton, the concepts provided in the Food and Agriculture Act of 1977. The 1981 Act provided a four-year programme (1982-1985) for wheat, feed grains, rice, and upland cotton. The upland cotton programme is part of an overall farm programme designed to encourage necessary agricultural production to meet domestic and foreign demand while protecting farm income earned from the market-place.

The 1981 Act continued the concept of guaranteed or "target" prices. The target price for 1983 crop upland cotton was 76.00 cents per lb. If the weighted average market price received by farmers during the 1983 calendar year is at or above the 76.00 per lb. target price, no deficiency payments are made. If the average price is below the target level, payments will be made on the difference not to exceed the difference between the target price and the price support loan rate. The 1981 Act limited total payments to any person under one or more of the annual programmes for cotton, wheat, rice, or feed grains to \$50,000.

On 27 September 1982, the Secretary of Agriculture announced an acreage reduction of 20 per cent and an optional paid diversion of up to 5 per cent for the 1983 crop of upland cotton. This step was taken under the authority of the newly enacted Agriculture and Food Act of 1981. In

addition, on 11 January 1983, President Reagan announced the Payment-In-Kind (PIK) Programme for certain 1983 crops, including upland cotton. Under the PIK Programme, producers could devote an additional 10 to 30 per cent of their acreage base to conservation uses in return for payments in cotton equal to 80 per cent of their farm programme yield times the PIK acres. Alternatively, producers could bid to remove their entire acreage base from production in return for PIK payments equal to the base times the accepted bid percentage times the farm programme yield.

#### Programme activity

1. Upland cotton. CCC stocks under loan or in inventory on 31 July 1983 (the end of the marketing year), were 4,662,000 bales, compared with about 3,644,000 on 31 July 1982. Beginning with the 1971 crop, loans mature ten months from the first day of the month in which the loan is made; however, the Agriculture and Food Act of 1981 provides that non-recourse 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 per cent of the average spot price for the preceding thirty-six months. During the 1982-83 season, about 5.0 million were placed under loan, and through 12 October 1983, 3.0 million had been redeemed and an estimated 1.7 million were scheduled for PIK payments, leaving a balance of 0.3 million bales.

#### Supply situation

1. Upland cotton. The carry-over on 1 August 1982, totalled 6.6 million bales. Production in 1982 decreased significantly from 1981, totalling about 11.9 million bales as compared with about 15.6 million in the previous year. The total supply in 1982-1983 approximated 18.4 million bales or 0.2 million above a year earlier. Disappearance (domestic consumption and exports) totalled about 10.7 million bales in 1982 as compared with 11.8 million in 1981. The 1 August 1983 carry-over was reported at about 7.8 million bales. The current estimate of 1983 crop production is 7.5 million bales, down about 4.4 million bales from 1982.

2. Extra long staple cotton. The carry-over on 1 August 1982 totalled about 65,000 bales. Production in 1982 increased from 1981, totalling 99,000 bales as compared with 80,000 a year earlier. Imports in 1982 totalled 8,000 bales, the same level as 1981. The total supply approximated 172,000 bales, compared to 142,000 bales the previous year. Disappearance (domestic consumption and exports) totalled about 69,000 bales, about 7,000 more than 1981; about 10,000 bales were unaccounted for. The net result was a carry-over on 1 August 1983, estimated at about 93,000, 28,000 bales above a year earlier. The current estimate of the 1983 crop extra long staple production is 84,000 bales, down 15,000 bales from 1982.

3. Steps taken to balance supply and demand. In addition to acreage allotments, marketing quotas, and other acreage options, additional Government programmes 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 programmes designed to increase cotton utilization throughout the world. These programmes remain basically the same as previously reported.



## PEANUTS

### Section 22 quotas in effect

The annual quota of 1,709,000 lbs. (shelled basis) remained in effect for the 1983 crop of peanuts.

### Need for continuing the import quota

Import controls on peanuts are being continued to prevent material interference with United States programmes and operations relating to peanuts.

### Programmes

The Agriculture and Food Act of 1981 further modified provisions of the peanut price support programme for the 1982 through 1985 crops, continuing steps began in 1977 to bring peanut production for domestic edible use in balance with market needs. The 1981 Act continues the two-tier price support programme. It retained poundage quotas, but it eliminated acreage allotments. This major change allows any farmer in the United States to grow and market peanuts whether the farm has a poundage quota or not.

The national poundage quota was reduced from 1.44 million tons in 1981 to 1.2 million tons in 1982. The national quota will be dropped further to 1.167 million tons in 1983, 1.134 million tons in 1984, and 1.1 million tons in 1985. Peanuts under the national poundage quota are eligible for domestic edible use; accordingly, they are supported at the higher rate. Legislation requires that the price support for quota peanuts be set at not less than \$550 per ton for 1982 - up from \$455 per ton in 1981. From 1983 through 1985, the support level for quota peanuts will reflect annual increases in production costs, excluding any increase in the cost of land. However, the increase is limited to 6 per cent for each annual adjustment. The 1983 support level was set at \$550 per ton.

Additional or non-quota peanuts may be grown by anyone, both quota-holders and non-quota holders. Legislation requires these peanuts to be contracted for export, crush, or both, or placed under loan. Contracts (price and quantity agreements between buyers and sellers) for growing additional peanuts must be submitted to the Department of Agriculture or, if so designated, to the Area Association before 15 April.

The support price for additional peanuts will be set to avoid any net cost to the Government. The basis for the support rate continues to be the demand for peanut oil and meal, expected prices for other vegetable oils and protein meals, and the demand for peanuts in foreign markets. For 1983, the support level was set at \$185 per ton.

Programme activity

During the 1981-82 marketing year (August-July), 836 million lbs. of farmers' stock peanuts were placed under loan, of which approximately 483 million lbs. were redeemed or brought back for domestic edible use. For the 1982-83 marketing year, 539 million lbs. of peanuts were placed under loan, with about 347 million lbs. redeemed or brought back for domestic edible use.

Supply situation

In response to the 17 per cent reduction in the 1982 crop national poundage quota, growers planted 1,309,000 acres to peanuts in 1982, 205,000 acres below 1981. Supplies in the 1982-83 marketing year were 5 per cent below 1981-82. Growers received an average of \$488 per ton for all peanuts produced, \$62 per ton below the quota support level.

Growers harvested an estimated 1,330,000 acres of 1983 crop peanuts, 4.3 per cent above 1982. Hot, dry weather reduced average yield per harvested acre from a record high of 2,696 lbs. in 1982 to an estimated 2,194 lbs. in 1983. Larger than normal beginning stocks are expected to partially offset the lower production resulting in supplies of 1,892,000 tons, 9.8 per cent below 1982. Quota peanuts are expected to account for 72 per cent of production and additional peanuts the remaining 28 per cent.

Annual data on peanut production, consumption, exports, stocks and acquisitions under the price support programme since the 1969 marketing year are shown below.

Year beginning 1 August	Production <sup>1</sup>	Imports	Domestic consumption <sup>2</sup> and exports	Stocks end of year	Acquisitions under price support <sup>3</sup>
1969	2,535	1	2,540	353	536
1970	1,979	2	2,881	453	1,033
1971	3,005	2	3,063	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	1,060	1,170
1976	3,739	1	4,192	608	1,235
1977	3,715	1	3,743	581	305

Year beginning 1 August	Production <sup>1</sup>	Imports	Domestic consumption <sup>2</sup> and exports	Stocks end of year	Acquisitions under price support <sup>3</sup>
1978	3,952	1	3,948	586	309
1979	3,968	1	3,927	628	436
1980	2,301	401	2,917	473	235
1981	3,982	2	3,641	756	298
1982 <sup>4</sup>	3,438	2	3,332	864	92
1983 <sup>4</sup>	2,918				

<sup>1</sup>Data are net weight values

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

<sup>3</sup>Included in domestic consumption and exports; may include diversions of previous crop.

<sup>4</sup>Preliminary

The total supply of peanuts in the United States for 1982-83 is expected to be about 4,127 million lbs., compared with an average supply of 4,131 million lbs. for the five years 1978-82.

#### Steps taken to balance supply and demand

The Agriculture and Food Act of 1981, effective for the 1982 through the 1985 peanut crops, provides improved methods for achieving a better balance between supply and demand. This legislation takes two principal approaches: (1) mandatory reductions in the quantity of peanuts eligible for support for domestic edible use, from 1,200,000 short tons in 1982 to 1,100,000 short tons in 1985; and (2) disposal of peanuts acquired by the CCC under the price support programmes by means outside normal commercial market channels, at a financial loss - primarily for crushing into oil. In addition, peanut products have been purchased under related programmes and utilized in domestic distribution programmes.

CCC net realized losses were about \$6 million for the 1982 crop and about \$8 million for the 1981 crop.

## DAIRY PRODUCTS

### Section 22 quotas

In 1983 the import licences were issued earlier than ever, giving licensees the maximum amount of time to utilize the full amount of the licences.

In the last report mention was made regarding the installation of new data processing equipment. More licensees have taken advantage of the rapid services offered by this new equipment.

During this quota year meetings have been held with members of the trade, i.e. key importers, officers of the Importers Association and officials of the United States Customs Service in an effort to keep everyone apprised of licence use, enquiries for quota changes, import regulation interpretations and country of origin adjustments.

As in prior years, country of origin adjustments were made in 1983 when it became evident that a country could not provide a quota item in sufficient quantities to fill its quota. Affected quotas included Swiss or Emmenthaler cheese (Item 950.10B) from Argentina and Iceland, other cheese (Item 950.10D) from Poland, (Low fat cheese (Item 950.10E) from Israel and chocolate crumb (Item 950.15) from Australia.

Since 1979, total imports against all quotas have shown an increase. For example, in 1981 approximately 92 per cent of the quotas were used and in 1982 approximately 96 per cent of the total quota was filled. At this point in the 1983 quota year (calendar year) there is every indication that even a higher percentage of the quotas will be utilized.

### Need for continuing the import quotas

Import controls on dairy products are being continued to prevent material interference with the price support programme for milk.

### The dairy support programme

(a) Programme. The price support programme, which is operated pursuant to the Agricultural Act 1949 (1949 Act), as amended, requires that the price of milk to producers be supported at such level between 75 per cent and 90 per cent of parity as will assure an adequate supply of milk, reflect changes in cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs.

The price of milk is supported by the Commodity Credit Corporation (CCC), through purchases of butter, cheese and non-fat dry milk at prices calculated to enable plant operators to pay dairy farmers, on average, a price equal to the support level. The effectiveness of the programme depends on competition by manufacturers for available supplies of milk so

that the average price received by farmers will equal the announced support price. At times of significant price support purchases, the purchase prices for these products tend to become the floor for the market prices of such products. Since most of the fluid milk prices are based on prices paid for manufacturing milk, the price support programme undergirds all milk and dairy product prices.

The high levels of support from 1977 through 1980 required by law gave dairy farmers a strong incentive to produce an increasing volume of milk. This led to large price support purchases of surplus dairy products and a record build-up of Government-owned inventories. In an effort to discourage the production of surplus milk, the milk support price has not been permanently increased since 1 October 1980. However, because of low grain and feed prices prior to the summer of 1982 and the lack of favourable alternative farm enterprises, milk production continues to increase.

On 1 October 1980, the beginning of the 1980-81 marketing year, the support price was fixed at the legal minimum of 80 per cent of parity and increased from \$12.36 per cwt. to \$13.10 per cwt. (national average milk fat content of 3.67 per cent). Through the efforts of the Administration, the mid-year support price adjustment for 1 April 1981 was rescinded by legislation enacted 31 March 1981 and the support price continued at \$13.10 per cwt. On 1 October 1981, the beginning of the 1981 marketing year, the support price was set at \$13.49 per cwt. which was 75 per cent of parity, the legal minimum. On 21 October 1981, again at Administration initiative, the support price was re-established at \$13.10 per cwt. based on temporary legislation prior to enactment of the Food and Agriculture Act of 1981.

The Omnibus Budget Reconciliation Act of 1982 (Reconciliation Act of 1982) further amended the 1949 Act to continue the minimum support price at \$13.10 per cwt. through marketing year 1983-84. For the 1984-85 marketing year, the support price will be set at not less than the per cent of parity that \$13.10 represented on 1 October 1983, which was 64.9 per cent. The Reconciliation Act of 1982 also includes provisions for deducting 50 cents per cwt. from the proceeds of all milk marketed commercially to discourage excess production and to help offset part of the cost of the support programme. The provision is authorized, from 1 October 1982 through 30 September 1985, if projected annual CCC purchases are 5.0 billion lbs. or more milk equivalent. A second 50-cent per cwt. deduction is authorized 1 April 1983 through 30 September 1985, if projected annual purchases are 7.5 billion lbs. or more milk equivalent and if the Department of Agriculture (USDA) establishes a programme to refund the second deduction to producers who reduce their marketings from the base period, which may be either 1981-82 or 1980-81 and 1981-82 marketing years.

The first of these two deductions was originally implemented on 1 December 1982, but due to challenges in the United States District Court of South Carolina, implementation was delayed until 16 April 1983. The

second 50-cent deduction, with provisions to refund the deductions to those farmers who reduced their marketing at least 8.4 per cent below their marketings in marketing years 1980-81 and 1981-82, was made effective on 1 September 1983. Approximately US\$255 million was collected in FY 1983.

(b) Programme activity. In carrying out the price support and related programmes in the 1982 calendar year, USDA removed from the market 10.5 per cent of the milk fat and 9.6 per cent of the solids-non-fat in the milk and cream marketed by farmers. USDA removals in calendar year 1982 were 383 million lbs. of butter, 614 million lbs. of American cheese, 28 million lbs. of Mozzarella cheese, 948 million lbs. of non-fat dry milk, 21 million lbs. of evaporated milk and 7 million lbs. of infant formula. CCC purchase cost was \$2.4 billion in the 1982 calendar year compared with \$2.1 billion in 1981.

CCC dairy product purchases in the first nine months of 1983 were 368 million lbs. of butter, 688 million lbs. of American cheese, 25 million lbs. of Mozzarella cheese, 875 million lbs. of non-fat dry milk, 17 million lbs. of evaporated milk and 4 million lbs. of infant formula, at a purchase cost of about \$2.4 billion. These figures compare with 337 million lbs. of butter, 514 million lbs. of American cheese, 17 million lbs. of Mozzarella cheese, 774 million lbs. of non-fat dry milk, 15 million lbs. of evaporated milk and 5 million lbs. of infant formula at a purchase cost of \$2.0 billion for the same period in 1982.

The expenditures under the Special Milk Programme were \$28 million during FY 1982 compared with \$20 million in FY 1983.

(c) Supply situation. Milk production has continued to exceed year-earlier levels. The annual increase in production (adjusted for leap year) compared with the previous year was 3.8 per cent in 1980, 3.8 per cent in 1981 and 2.1 per cent in 1982. Milk production for January through September 1983 was 2.2 per cent above the same period in 1982. Production per cow, adjusted for leap year, increased 3.2 per cent in 1980, 2.4 per cent in 1981 and 1.1 per cent in 1982. For the first nine months of 1983, production per cow was 1.7 per cent above the same period in 1982. Cow numbers have reversed a long-term trend and have increased relative to a year earlier, beginning in February 1980. Cow numbers increased 0.6 per cent in 1980, 1.0 per cent in 1981, 0.9 per cent in 1982, and have increased 0.5 per cent for the first nine months of 1983.

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 displace domestic production to the serious impairment of the dairy price support programme.

Steps taken to balance supply and demand

Several legislative actions in 1981, 1982 and 1983 were intended to discourage the production of excess milk. On 31 March 1981, the President signed the law that rescinded the semi-annual adjustment scheduled for 1 April 1981. Also, the 1 October 1981 support price increase to \$13.49 per cwt. (the legal minimum on that date) was rolled back to \$13.10 on 21 October 1981. The Agriculture and Food Act of 1981 authorized continuation of the support price at \$13.10 per cwt. for the remainder of the 1981-82 marketing year and reduced the minimum support level below 70 per cent of parity through 30 September 1985, if projected price support purchases exceed certain levels.

The signing by the President of the Reconciliation Act of 1982 represented a further effort to control excess milk production. The Reconciliation Act of 1982 continued to hold the minimum support price at \$13.10 per cwt. for the 1982-83 marketing year (rescinding the 10-cent increase authorized by the Agriculture and Food Act of 1981), and provided for two 50-cent per cwt. deductions from producers on all milk marketed commercially.

Congress has passed and the President has signed the Dairy and Tobacco Adjustment Act of 1983. This bill includes provisions for a \$10.00 per cwt. payment for reducing marketings below base period levels, a 50-cent reduction in the support price and a 50-cent per cwt. deduction to run for a fifteen-month time period. At the end of that time, if milk production is still 6 billion lbs. above consumption, the support price can be lowered another 50 cents per cwt.; and if production exceeds consumption by 5 billion lbs. six months later, the support price can be lowered another 50 cents per cwt. The bill also includes an assessment of 15 cents per cwt. of milk marketed by producers to finance a promotion programme.

A number of domestic and foreign feeding programmes are used to expand the utilization of dairy products. These programmes serve as adjuncts to the price support programme in seeking to attain a better balance between supply and demand. They include: (a) the Special Milk Programme 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 programme) on competitive bids and announced prices for butter, cheese, and non-fat dry milk in special forms and in consumer-size packages, in order to facilitate use in food sales and donation programmes; (c) CCC purchases of evaporated milk and milk-based infant formula; (d) the school lunch programme; (e) distribution to institutions and welfare programmes; (f) special distribution of surplus commodities to the needy; (g) foreign donation programmes for welfare and emergency assistance under Public Law 480, Title II; (h) expanded authority to donate surplus dairy products to needy persons in the United States and overseas under the Reconciliation Act of 1982; and (i) export sales for social welfare programmes in recipient

countries. Increased consumption of dairy products also resulted from the food stamp programme and from participation in the women-infants-children (WIC) programme under which certain disadvantaged groups receive financial assistance for increased food purchases.

The Agriculture and Food Act of 1981 authorized the domestic donation of surplus dairy products to needy. Under this authority, 535 million lbs. of cheese, 183 million lbs. of butter and 39 million lbs. of non-fat dry milk have been released to States for distribution to needy households from January 1982 through September 1983. This Act also directed USDA to use all available authorities to the fullest practicable extent to reduce Government inventories of dairy products, including exportation at not less than world market prices.

For FY 1983, 199 million half-pints of milk were served in school, summer camps and child-care institutions under the Special Milk Programme compared with 210 million half-pints in FY 1982. Slightly more than 5.0 billion half-pints of milk were served in each fiscal year under the School Lunch and other Child Nutrition Programmes.

The following tables summarize USDA market removals from 1960 through September 1983, and utilization during 1981, 1982, and the first nine months of 1983.



Milk Production and Market Removals, by Calendar Year,  
1960-1982 and January-September 1983

Year	Milk production	USDA market removals				Milk equiva- lent of removals	Percent removal of milk produc- tion
		Butter	Cheese	Non-fat dry milk	Evap- orated milk		
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Percent
1960	123,109	144.3	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	180.5	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	7,268 <sup>1</sup>	6.1
1972	120,025	233.7	30.4	345.0 <sup>2</sup>	97.0	5,345 <sup>1</sup>	4.5
1973	115,491	97.7	3.2	36.8	53.7	2,185 <sup>1</sup>	1.9
1974	115,586	32.7	60.3	265.0	28.3	1,346	1.2
1975	115,398	63.4	68.2	394.5	24.5	2,036	1.8
1976	120,180	39.4	38.0	157.1	21.8	1,236	1.0
1977	122,654	221.8	148.2	461.7	15.9	6,080	5.0
1978	121,461	112.0	39.7	285.0	17.6	2,743	2.3
1979	123,411	81.6	40.2	255.3	16.4	2,119	1.7
1980	128,525	257.0	349.7 <sup>3</sup>	634.3	17.5	8,800	6.9
1981	133,013	351.5	563.0 <sup>3</sup>	851.3	18.6	12,861	9.7
1982	135,795	382.0	642.5 <sup>3</sup>	948.1	20.8	14,281	10.5
1982, Jan.-Sept.	102,941	337.5	525.4 <sup>3</sup>	774.2	15.5	12,193	11.8
1983, Jan.-Sept.	105,250	367.8	703.3 <sup>3</sup>	874.6	17.1	14,580	13.9

<sup>1</sup>Includes small purchases of dry whole milk

<sup>2</sup>Includes 9.6 million lbs., Title I export sales

Uncommitted Government stocks on 30 September 1983 were 1,346.4 million lbs. of non-fat dry milk; 391.2 million lbs. of butter and 902.7 million lbs. of cheese.

<sup>3</sup>Includes quantities of Mozzarella cheese as follows: 28.4 million lbs. in CY 1980, 12.5 million lbs. in CY 1981, 28.0 million lbs. in CY 1982, 10.2 million lbs. January through September 1981, 16.9 million lbs. January through September 1982, and 24.8 million lbs. January through September 1983.

Utilizations (commitments to uses) in calendar year 1982 compared with calendar year 1981 were:

Item	Butter		Cheese				Non-fat dry milk	
			American		Mozzarella			
	1981	1982	1981	1982	1981	1982	1981	1982
	(million lbs.)							
Uncommitted supplies as of beginning of year	273.7	206.6	196.8	570.3	-	-	532.4	856.5
Purchases (contract basis)	351.5	382.7	542.9	623.0	8.0	36.0	851.3	948.1
Utilizations								
Sales - unrestricted use	-	-	8.9	9.0	-	-	-	-
Sales - restricted use	0.1	7.3	<u>2/</u>	2.1	-	-	44.6	54.6
Export sales								
Non-commercial	311.6	-	18.5	<u>2/</u>	-	-	175.2	40.3
Barter	-	5.3 <sup>3/</sup>	-	-	-	-	-	16.0
Sales to Department of Defence	0.9	2.4	-	1.3	-	-	8.7	9.2
Domestic donations								
Schools and needy	105.4	160.0 <sup>4/</sup>	140.8	392.6 <sup>4/</sup>	8.0	36.0	49.2	58.8 <sup>4/</sup>
Bureau of Prisons	1.3	2.3	0.5	0.5	-	-	<u>2/</u>	0.6
Department of Defence	-	16.2	1.3	2.5	-	-	-	-
Veterans Administration	0.2	0.2	-	<u>2/</u>	-	-	-	-
Foreign donations								
As dairy product	-	19.8	-	17.6	-	-	185.5	309.8
Furnished as an ingredient in corn-soya-milk	-	-	-	-	-	-	33.4	39.7
Total utilizations	419.5	213.5	170.0	425.6	8.0	36.0	496.6	529.0
Uncommitted supplies as of 31 December	206.6	387.2	570.3	772.6	-	-	856.5 <sup>5/</sup>	1,230.8 <sup>5/</sup>

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

<sup>2/</sup> Less than 50,000 lbs.

<sup>3/</sup> As anhydrous milk fat

<sup>4/</sup> Includes approximately 47 million lbs. of butter, 180 million lbs. of cheese and 11 million lbs. of non-fat dry milk for the special distribution to needy persons.

<sup>5/</sup> Reflects contract adjustments.

Utilization (Commitments to Uses) in January-September 1982  
Compared with January-September 1983 were:

Item	Cheese							
	Butter		American <sup>2</sup>		Mozzarella		Non-fat dry milk	
	Jan.- Sept. 1982	Jan.- Sept. 1983	Jan.- Sept. 1982	Jan.- Sept. 1983	Jan.- Sept. 1982	Jan.- Sept. 1983	Jan.- Sept. 1982	Jan.- Sept. 1983
Uncommitted supplies as of beginning of year	206.6	387.2	570.3	772.6	-	-	856.5	1,230.8
Purchases (contract basis)	338.7	367.2	514.2	687.6	20.0	20.1	779.7	874.6
Utilizations:								
Sales - unrestricted use	-	-	5.8	9.0	-	-	-	-
Sales - restricted use	7.3	0.6	1.7	0.4	-	-	41.1	49.8
Export sales								
Non-commercial		52.9 <sup>3</sup>	-	22.0 <sup>3</sup>	-	-	39.7 <sup>4</sup>	158.4
Barter	4.0 <sup>5</sup>	0.7 <sup>6</sup>	-	-	-	-	16.0	3.9
Sales to Department of Defence	2.4	0.1 <sup>7</sup>	0.3	-	-	-	7.6	6.0
Domestic donations								
Needy	20.0	136.3 <sup>8</sup>	142.0	324.5 <sup>8</sup>	-	-	7.0	28.6 <sup>8</sup>
Schools and institutions	67.3	75.1 <sup>8</sup>	117.1	135.4 <sup>8</sup>	20.0	20.1	31.9	32.8 <sup>8</sup>
Bureau of Prisons	1.7	1.4	0.5	0.7	-	-	0.5	0.3
Department of Defence	16.3	10.6	9.5	3.5	-	-	-	-
Veterans Administration	0.1	0.2	-	-	-	-	-	-
Foreign donations								
Title II								
As dairy product	13.2	15.5	11.0	9.6	-	-	245.8	227.7
Furnished as an ingredient in CSM (corn-soya milk) Section 416	-	40.8 <sup>7</sup>	-	6.3	-	-	33.2	55.6
Section 416							158.2	
TOTAL UTILIZATIONS	132.3	334.2	280.9	511.4	20.0	20.1	442.8	721.3
Uncommitted supplies as of 30 September	402.7	391.2	825.1	902.7	-	-	1,177.1 <sup>10</sup>	1,346.4

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

<sup>2</sup>Includes process cheese.

<sup>3</sup>Negotiated contracts with deliveries extending into 1984

<sup>4</sup>Negotiated contracts with deliveries extending into 1983

<sup>5</sup>As anhydrous milk fat

<sup>6</sup>Butter used as butteroil

<sup>7</sup>Includes butter used as butteroil.

<sup>8</sup>Based on orders issued for shipment, the uncommitted inventory reflects the orders received for all programme uses.

<sup>9</sup>Less than 50,000 lbs.

<sup>10</sup>Reflects contract adjustments.

## SUGAR

### Section 22 import fees

The system of flexible import fees applicable to sugar and syrups remained in effect. Since 1 October 1982, the fee for raw sugar (which constitutes the overwhelming volume of imports) has been zero cents per lb. The differential fee for refined sugar is one cent per lb.

On 1 September 1983, the Secretary of Agriculture announced the annual determination of the market stabilization price (MSP) for sugar for the fiscal year beginning 1 October 1983. The MSP is the market price objective derived from the producer price level specified in the support programme; it is the basic factor used to calculate the import fees. For the fiscal year 1983-84, the MSP is 21.17 cents per lb., up slightly from 20.73 cents per lb., the MSP for the 1982-83 fiscal year.

Effective 29 June 1983, action was taken to limit imports of certain sugar-containing articles which were entering in circumvention of the quota, established under the President's "headnote authority", which governs imports of sugar, syrups and molasses. All of the articles concerned are new articles with a high sugar content which were formulated to obtain customs classification in tariff categories other than sugar, thereby evading the quota controls. Primarily, these articles are blends and mixtures of sucrose with other articles, such as fructose, dextrose, starch and cocoa, falling under TSUS item numbers 155.75, 156.45, 183.01 and 183.05. The two new Section 22 quotas of zero lbs. each specifically apply to such articles. Normal imports of traditional sugar-containing articles, such as confectionery, jellies, bakery goods and desserts, are not affected. The Section 22 quotas are temporary, pending Presidential action on an investigation report by the International Trade Commission. The Commission's investigation is currently in progress.

Sugar imports for the production of polyhydric alcohols, except polyhydric alcohols for use as a substitute for sugar in human consumption, are exempt from import fees.

### Need for continuing the import fees

The import fee system remains in force in order to prevent interference by imports with the support programme for sugar-cane and sugar-beets, described below. Prices for raw sugar on the world market continue to be very low, with no substantial strengthening indicated for the short or medium term. Consequently, border controls remain necessary to prevent market displacement of domestic sugar and consequent large and costly government acquisitions.

As noted above, the Section 22 import fee system is being operated in connection with import quotas established under another authority. The quota system is regarded as temporary. The fee system will remain legally

in force but, because of its automatic flexible provisions, will not function to restrain imports when external prices have recovered sufficiently.

#### Price support programme

As previously reported, the Agriculture and Food Act of 1981 established a support programme for sugar-cane and sugar-beets for the 1982 through 1985 crops. Support is provided through a programme of non-recourse loans.

The loan programme for 1982 crop refined beet sugar, raw cane sugar, refined cane sugar, cane syrup, and edible molasses provided that processors could receive loans on raw cane and refined beet sugar at national average prices of 17 and 20.15 cents per lb., respectively. The raw cane sugar and refined beet sugar loan levels for the 1983 crop have been established at 17.5 cents and 20.86 cent per lb., respectively. The Agriculture and Food Act of 1981 established the minimum raw cane sugar loan level at 17.75 cents per lb. for the 1984 crop, and 18 cents per lb. for the 1985 crop. 1983 crop sugar processed between 1 July 1983 and 30 June 1984, is eligible for loan. The 1984 and 1985 crop year programmes will apply to sugar processed during the twelve-month period beginning on 1 July of the applicable year.

Loans will be available beginning 1 October each year. Loans are for a period of six months, except all loans will carry a maturity date of no later than 30 September. The interest rate on these loans will be the rate applicable to CCC loans during the month of disbursement. To be eligible for the loan programme, a processor must agree to pay at least the minimum specified support price to any grower who delivers sugar-beets or sugar-cane to him.

#### Supply situation

The United States is not self-sufficient in sugar. Over the longer term (1972-1983), domestic production has supplied between 50 and 63 per cent of requirements, averaging about 56 per cent. Imports provided the remainder of supplies, primarily in the form of raw sugar. Annual data for recent years on sugar production, imports, and stocks are shown in the following tables. Domestic production in 1982 decreased to 5.9 million short tons, compared to 6.2 million short tons in 1981. Production for 1983 is estimated at 5.8 million short tons, 2 per cent less than for 1982. The import quota is expected to prevent domestic prices from falling below the 1983 market stabilization price of 21.17 cents a lb. for raw sugar.

#### Steps taken to balance supply and demand

The United States, since it is not self-sufficient, needs to maintain a production capacity for its minimum essential sugar needs. The domestic programme is focused on this objective. Support prices are fixed

accordingly, not - as in some other major countries - at uneconomically high levels which induce surplus production. Under the presently governing legislation, the support prices have administratively been kept at the legally permissible minima. The domestic programme has historically resulted in maintaining an equitable share of the American market for foreign suppliers. This policy continues in force.

Long-term experience has shown that the utilization of sugar in special distribution and feeding programmes has not been a practical means of adjusting the supply situation.

Table 16 United States Sugar Crops: Area, Yield, and Production by State, 1981-1983<sup>1</sup>

State and Area	Acres harvested			Yield per acre			Production			Share of 1983 production	Production change from 1982 to 1983	
	1981	1982	1983	1981	1982	1983	1981	1982	1983			
	1,000 acres			Tons			1,000 short tons					
Florida	755.4	759.4	777.7	36.3	39.2	39.3	27,408	29,770	30,584	100.0	814	2.7
Louisiana	348.2	373.0	377.0	28.8	33.8	32.0	10,019	12,613	12,084	39.5	-549	-4.4
Texas	265.0	255.0	265.0	26.9	27.6	28.5	7,134	7,030	7,553	24.7	523	7.4
Total mainland	37.4	36.7	36.7	31.4	30.8	35.5	1,174	1,130	1,267	4.1	137	12.1
Hawaii	650.6	664.7	677.7	28.2	31.3	30.8	18,327	20,773	20,884	68.3	111	0.5
	104.8	94.7	100.0	86.7	95.0	97.0	9,081	8,997	9,700	31.7	703	7.8
Beet												
Michigan	1,228.1	1,030.8	1,050.4	22.4	20.6	20.3	27,538	21,280	21,333	100.0	73	0.3
Ohio	99.0	96.5	101.0	20.5	19.2	19.0	2,030	1,853	1,919	9.0	66	3.6
Great Lakes	14.4	-	12.7	19.0	-	18.0	274	-	228	1.1	228	100.0
Minnesota	113.4	96.5	113.7	20.3	19.2	18.9	2,304	1,853	2,147	10.1	294	15.9
North Dakota	258.0	253.0	259.0	17.2	18.8	17.5	4,403	4,756	4,533	21.2	-223	-4.7
Red River Valley	144.9	144.8	144.0	18.6	17.1	17.5	2,895	2,476	2,520	11.8	44	1.8
Colorado	400.9	397.8	403.0	17.7	18.2	17.5	7,098	7,920	7,053	33.0	-179	-2.5
Kansas	77.0	46.0	35.0	22.5	20.0	19.0	1,733	920	665	3.1	-255	-27.7
Montana	14.0	9.5	4.8	20.3	17.9	16.5	284	170	79	0.4	-91	-53.6
Nebraska	44.5	43.0	41.4	20.8	19.8	20.0	926	850	828	3.9	-22	-2.6
New Mexico	78.4	45.4	63.0	24.1	20.4	19.0	1,889	926	1,197	5.6	271	29.3
Texas	2.1	0.7	-	20.5	17.1	-	43	12	-	-	-12	-100.0
Wyoming	25.2	29.4	33.0	22.8	18.9	18.0	575	558	594	2.8	36	6.8
Great Plains	44.9	38.4	31.7	24.0	21.1	22.5	1,078	810	713	3.3	-97	-12.0
Idaho	286.1	212.4	208.9	22.8	20.0	19.5	6,528	4,244	4,076	19.1	-163	-4.0
Oregon	144.4	136.0	143.0	28.0	23.4	25.0	3,754	3,182	3,575	16.8	393	12.4
Northwest	10.7	10.3	10.8	28.0	24.4	27.0	300	292	292	1.4	41	16.3
Arizona	155.1	146.3	153.8	28.1	23.5	25.1	4,054	3,433	3,867	18.2	434	12.6
California	12.6	12.8	-	23.8	23.3	-	300	298	-	-	-298	-100.0
Southwest	260.0	165.0	171.0	27.9	25.5	24.5	7,254	4,200	4,190	19.6	-10	-0.2
	272.6	177.8	171.0	27.7	25.3	24.5	7,554	4,498	4,190	19.6	-308	-6.8

<sup>1</sup>Crop year September/August

<sup>2</sup>Sugar-cane for seed-cane and for processing into sugar

RCE: Crop Production, Crop Reporting Board, SRS, USDA

United States sugar supply and use, calendar 1978-1982

	1978	1979	1980	1981	1982
		1,000 short tons, raw value			
Beginning stocks <sup>1</sup>	4,491	3,754	3,701	3,082	3,461
Production					
Beet sugar	3,067	3,066	3,052	3,182	3,160
Cane sugar	2,535	2,727	2,684	3,043	2,776
Offshore receipts					
Foreign	4,683	5,027	4,495	5,025	2,964
Territories	52	47	178	48	80
TOTAL SUPPLY	14,828	14,621	14,110	14,380	12,441
Domestic disappearance					
Civilian and military food use	10,889	10,756	10,189	9,769	9,160
Livestock feed and alcohol	4	-	-	-	-
Exports	16	18	650	1,048	65
Statistical adjustment <sup>2</sup>	57	43	111	49	95
Refining loss adjustment	108	103	78	53	53
TOTAL USE	11,074	10,921	11,028	10,919	9,404
Ending stocks	3,754	3,701	3,062	3,461	3,068
			Million		
Population	222.6	225.1	227.7	229.8	232.0
			lbs. refined		
Per capita food use	91.4	89.3	83.7	79.5	73.8

<sup>1</sup> Stocks held by primary distributors and CCC.

<sup>2</sup> Calculated as a residual. Largely invisible stocks change of wholesalers, retailers, and industrial users. Minus sign means a withdrawal from stocks.

Source: Sugar Market Statistics, SRS.