

# GENERAL AGREEMENT ON

RESTRICTED

L/6643

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# TARIFFS AND TRADE

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## UNITED STATES IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

### Report of the Working Party

1. The Working Party was established by the Council on 11 November 1987, with the following terms of reference:

"To examine the twenty-ninth and thirtieth annual reports (L/6256) submitted by the Government of the United States under the Decision of 5 March 1955<sup>1</sup>; and to report to the Council."

When proposing the terms of reference for the Working Party, the Chairman of the Council repeated the understanding, noted by the Council in 1986, that these traditional terms of reference would permit the Working Party to make appropriate recommendations. The Council took note of this statement (C/M/215).

2. The Working Party met on 11 February, 2 May, 5 July and 16 September 1988, 26 June 1989 and 12 February 1990, under the chairmanship of H.E. Ambassador Julio A. Lacarte (Uruguay).

3. In accordance with its terms of reference, the Working Party carried out its examination of the twenty-ninth and thirtieth annual reports on import restrictions in effect under Section 22 of the United States Agricultural Adjustment Act as amended<sup>2</sup>, and on the reasons for the maintenance of those restrictions, on the basis of the reports (document L/6256). With the assistance of the representative of the United States, the Working Party reviewed the action taken by the United States under the Decision of 5 March 1955. Written questions submitted by members of the Working Party to the United States representative and the United States answers to them are contained in Annexes A and B to this draft report.

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<sup>1</sup>BISD 3S/32

<sup>2</sup>Import restrictions or fees pursuant to Section 22 currently in effect include cotton of specified staple lengths, cotton waste and certain cotton products; peanuts; certain dairy products; sugar and syrups, and certain sugar-containing articles.

4. In his opening statement the representative of the United States noted that his authorities had submitted, in document L/6256, two United States annual reports, covering the period October 1985 to September 1987. This had been done, exceptionally and without prejudice, in order to update the review cycle which had been slowed by Uruguay Round business. He specified that during the period under review two Presidential Proclamations regarding Section 22 had been issued, both of which had been discussed by the previous Working Party (Proclamations 5325 and 5618). Other import restrictions imposed under the authority of Section 22 continued in effect without change. Document L/6256 indicated steps being taken to balance supply with demand for the products where Section 22 restrictions existed. For all these commodities information was presented in the tabular form requested by the previous Working Party.

5. The representative of the United States affirmed that his government continued to meet the terms of the waiver in letter and spirit. Its use was limited to those cases where imports would materially interfere with the operation of a price support programme, and restrictions were relaxed or removed when possible. As for the problems of world agricultural trade,

these were the result of government support programmes in many countries - their elimination must therefore be pursued multilaterally, as the United States sought to do with its negotiating proposal on agriculture.

6. The scope of the terms of reference of the Working Party was discussed. One member asked whether the United States was prepared to accept that the Working Party should make recommendations, as provided for in the Council Chairman's statement. Another said it was essential that it do so. The United States representative replied that his authorities did not consider it appropriate to make recommendations concerning the actions of one country alone. The member who had raised the question found this unacceptable. In his view it was proper to make recommendations concerning the policies of the United States because the United States was in a special, even unique, situation in GATT. Though they were zealous in enforcing Article XI on others, they could in fact withdraw their own agricultural sector from its rules. A member who had recently been party to a dispute settlement case on agricultural imports with the United States commented that it was difficult for his farmers to accept that practices which had been ruled against in their own case were permitted to the United States. The Chairman of the Working Party noted that the terms of reference were broad enough to permit it to make recommendations, with reservations or dissenting opinions noted as necessary. The position of the United States could not change this mandate, though the United States were free to express their views.

7. Members of the Working Party raised general questions concerning the existence of the waiver and its effects on agricultural trade. It was described as a significant problem which had had serious adverse effects on the GATT system as a whole and on other contracting parties. The lack of any time-limit and the potential breadth of its coverage were criticized. Members claimed that the legitimate expectation of the CONTRACTING PARTIES at the time the waiver was granted was that the United States would take

action within a reasonable period which would enable termination of the waiver. Several members agreed that in the circumstances unilateral action by the United States to reduce its export subsidies would be appropriate as a sign of good will. It was noted that the United States negotiating proposal carried with it a clear affirmation that the waiver was on the table. What was still needed was a commitment to terminate it within a specified period, of which there was no sign as yet. Several members also commented that the circumstances in which the waiver was granted had changed. It had been intended to enable the United States to seek a solution to the problem of surpluses through the adjustment of domestic supply and demand. Not only had this not been done, but the use of the waiver was in fact protecting and maintaining the production of exportable surpluses. Several members saw it as inconsistent with the intentions of CONTRACTING PARTIES in 1955 that the United States should become a subsidized exporter of products for which the waiver protected its own market. Additional data on export subsidies, conditions, prices and quantities was sought - especially CCC disposals and their destinations - and the United States was asked to comment on the relationship between exports and import protection.

8. The representative of the United States replied that his government had sought the waiver in order to put the United States on the firmest possible GATT standing given the requirements of Section 22. Section 22 was not in itself the cause of United States exportable surpluses, though some USDA programmes might be among the causes. Concerning the suggestion that a time-limit be set on the waiver, he noted that the 1955 Working Party had considered but dismissed this idea, either for the waiver itself or for the adjustment of supply and demand. The waiver had been sought in order to avoid a conflict between Section 22 and the GATT obligations of the United States, a conflict which would still exist. Therefore no commitment could be given either in 1955 or now to a specific termination date. Document Spec(84)9 showed the progress that had been made over time to reduce the waiver's coverage. Efforts had also been made to reduce surplus production; there was now a 25 per cent acreage reduction requirement for farmers participating in the cotton price support programmes, and dairy support prices had been reduced by about 18 per cent in the past 18 months. There was also a dairy termination programme which had been described in the United States reports.

9. A member of the Working Party commented that the United States had been giving their own interpretation regarding the granting of the waiver, which not all contracting parties would share. There had been expectations attached to its granting, which members had the right to recall. He could not accept that there was no direct link between Section 22 and subsidized exports. Section 22 protected the United States programmes which led to surplus production which in turn was disposed of through export. He saw it as necessary for the United States Congress to modify Section 22 in order to permit full United States participation in the Uruguay Round agricultural negotiations. He asked the United States representative for information on congressional attitudes to such a modification and whether the administration had already been given a mandate to open negotiations which could lead to a modification of Section 22.

10. The United States representative answered that all United States programmes were on the table in the Round. He confirmed that an Act of Congress would be needed to change Section 22. His government was not proposing to trade Section 22 for any particular action by another contracting party, but rather wanted a gradual multilateral elimination of all trade-distorting actions. The United States administration had a mandate to negotiate, and there was broad bipartisan congressional support for their agricultural negotiating proposal.

11. Taking up the United States statement that the waiver was on the negotiating table, a member of the Working Party inferred that this meant the United States would eventually be able to do without it. He asked them therefore to give details of the possible systems which could replace it, and the steps by which the waiver could be removed. In the light of their own negotiating proposal, he questioned whether the United States could bring their actions into conformity with Article XI by a certain date.

12. The United States representative replied that the question essentially concerned the work of the Negotiating Group on Agriculture, which was distinct from the business of this Working Party. However, he observed that Section 22 existed to protect United States farm programmes. The programmes might change but the need for such a mechanism remained, and hence the need for the waiver, leaving aside hypothetical questions about the outcome of the Uruguay Round. The other member commented that a purpose of Article XI was to protect domestic programmes, which many contracting parties maintained without necessarily violating it. Thus "possible conflict with Article XI" was not much of a reason for maintaining the waiver. He asked for more information on the standing of United States domestic programmes in terms of Article XI. The United States representative replied that his government was not saying the import restrictions on the four product groups covered by Section 22 were consistent with Article XI, because the United States was waived from Article XI.

13. Members also commented on various specific aspects of the reports, and on United States policies for the products under the waiver. Overall there was seen to be insufficient information on measures being taken to balance supply and demand - measures of whose effectiveness members were in any case critical. On sugar, a member expressed disappointment that there was no separate statistical tabulation in the reports. He also commented on the dramatic change in the United States sugar import regime: imports had now slipped far below the 2.7 million tons cited to some 750,000 tons in 1988 according to US official statements. This would be the lowest level for 100 years. The effect of United States sugar programmes had in fact been that from being the major importer in the late 1970s, the United States now verged on becoming a net exporter. The corn sweetener industry was the major beneficiary of the United States sugar programme. The use of the waiver in respect of sugar was not, this member claimed, consistent with the spirit of the Decision of 5 March 1955. Several other members agreed, and also found the information concerning sugar in the United States reports to be insufficient, especially compared with previous years. They stated that more information was needed on the details of policy

measures acting on production, imports and exports, in particular the duty drawback system on sugar, which in certain circumstances could be seen as an export subsidy under the Subsidies Code. A member asked how the United States considered it to be compatible with the waiver. This member also claimed that the United States had not observed the reporting and notification procedures set down in the waiver, particularly when imposing import restrictions on products containing sugar in 1985.

14. It was noted that the present import position had been reached without (in the case of raw sugar) the need to use the provisions of Section 22. As the United States could impose either quotas or fees under these provisions but not both simultaneously, a member asked why the United States had not applied Section 22 quotas on raw sugar. He asked the United States to confirm that the present quotas were not under Section 22, and furthermore that they were not justified in GATT terms by any waiver granted by the CONTRACTING PARTIES under Article XXV, or by the use of programmes consistent with Article XI. The United States representative was also asked to outline the domestic consequences if the President were to use Section 22 to impose quotas on raw sugar, rather than the legislative authority drawn on at present. He was asked to confirm that this authority was based on a headnote in the Tariff Schedule of the United States, and to explain how this was consistent with GATT in the absence of waiver cover. He was also asked why measures had been not taken under the waiver for raw sugar but had been for refined sugar, in the form of an import fee (1 cent per pound). Did this reflect some special support for refined sugar which did not exist for raw sugar? These questions were endorsed by other members of the Working Party, who underlined their importance. One of them also commented that drafts of the United States Trade Bill had included a provision to extend the period for sugar duty drawback back as far as 1977. However, he had heard that this clause had been removed prior to the Bill's approval by Congress; the United States representative's confirmation of this was requested.

15. In reply the United States representative affirmed that the sugar import quotas were not under Section 22; hence they, and their GATT conformity, were not within the mandate of this Working Party. (He noted, nonetheless, that the United States administration had announced its intention to introduce legislation to change the price support programme for sugar.) The provisions of Section 22 had been included in the CONTRACTING PARTIES' decision granting the waiver in 1955. These provisions had not been changed since. They did prohibit the use of Section 22 quotas and fees together. Concerning the domestic consequences if the President were to use Section 22 to impose quotas on raw sugar rather than the legislative authority drawn on at present, he outlined the sequence of conditions and procedures that would have to be fulfilled in terms of the Decision of 5 March 1955 before the President would decide whether or not to impose such quotas. The essential point was that - once all the necessary conditions were met - quantitative restrictions on sugar imports could be maintained, albeit under different legal authority. He confirmed that the Trade Bill clause referred to had indeed been deleted. The duty drawback on refined sugar was an export, not an import issue, he noted.

16. In response to the question concerning the import fee on refined sugar, the United States representative noted that this 1¢/1 lb differential predated the period covered by the reports under examination, and that it had been discussed in previous Working Parties. He nonetheless replied that when the restrictions applied to raw and refined sugar were the same, normal trade patterns were disrupted through a shift in imports from raw to refined. Imports of refined sugar could materially interfere with the United States price support operation for raw sugar insofar as they reduced the market for United States refined sugar. The aim of United States policy was therefore to discourage the diversion of imports into refined sugar. The United States had fulfilled all its reporting and notification obligations under the waiver, he said; concerning the notification of the 1985 measures on products containing sugar, members were referred to the discussion on this subject in the previous Working Party (document L/6194).

17. One member of the Working Party contrasted the United States restrictions on cotton under the waiver with the United States government's attitude to the Multi-Fibre Agreement, which he said hurt his country's interests. Another noted that cotton carry-over stocks continued to increase and asked the United States to comment on the effectiveness of set-aside programmes for cotton in reducing surpluses when accompanied by high target prices and deficiency payments. The United States representative stated that his government, as it had often said, was not enamoured with the use of set-aside programmes as an effective means of controlling production, for cotton or for other products.

18. A member noted continuing production increases for dairy products as well, and commented that here, as for sugar, the intention that the waiver would allow the United States to balance supply and demand was not being fulfilled. Another member observed that the dairy termination programme referred to had in fact ended, and asked what other steps were being taken or envisaged. Turning to the administration of import quotas established under the waiver, a member asked how "non-traditional" suppliers of dairy products could gain access to the United States market. How was a "traditional supplier" defined? His own country had tried without success for ten years to get a share of the uncommitted cheese quota.

19. In response to these points, the representative of the United States reaffirmed that Section 22 existed to protect United States agricultural programmes, not particular production levels. It was not an export programme. Concerning the data supplied in the United States annual reports, he recalled that the previous Working Party had asked for this to be set out in the format used on page 4 of document L/6256. Furthermore, that Working Party had criticized the United States for an excessive amount of detail on sugar. The restrictions in place for this product remained as last reported - i.e., a 1¢/lb fee on imports of refined sugar and quotas on three categories of sugar-containing products. In answer to the question concerning the administration of quotas (traditional/non-traditional suppliers) the United States representative noted that the United States was not waived from its obligations under the General Agreement to consult

with other contracting parties; he was willing to meet with the member concerned to discuss this issue as those obligations required.

20. A member called for the Working Party's report to include a set of conclusions, which would highlight the lack of respect the United States had shown for the procedures of the waiver. This was, he stated, the first time the United States had missed a year in reporting, and there was no justification for this. The United States had also not respected the waiver's procedures in taking action concerning products containing sugar; these should have been announced before their adoption. In fact the United States had failed to respect the agreed conditions of the 1955 Decision in connection with a number of products - had they done so there would not be import restrictions on these products. The member recalled that the United States had undertaken in 1955 to "continue to seek a solution to the problems of agricultural surpluses", and had said that this would include the lowering of support price levels or the application of strict marketing quotas. These undertakings had not been kept. Support levels had in fact increased considerably for all products to which the waiver applied - by about 260 per cent for dairy products, by 233 per cent for sugar, about 130 per cent for cotton and around 100 per cent for peanuts. Thus the United States administration had done the opposite of what it had undertaken to do.

21. The United States had also given assurances that before it restricted imports it would take into consideration representations by countries with substantial interests involved. It was only possible for the interested countries to make such representations if they had prior notice of the measures to be introduced; this had not been the case for the restrictions on products containing sugar.

22. In reply to the above points, the representative of the United States commented first of all on the statement that his authorities had breached the terms of the waiver with regard to their reporting obligations. This was not correct. The annual report for 1985, covering the period up to September that year, had been presented in 1986 since contracting parties had understood that it was preferable to await enactment of the 1985 United States farm legislation before submitting the report. This report had been discussed by a Working Party whose report was document L/6194. The report before the present Working Party had been submitted in November 1987. The United States could have fulfilled its reporting obligations by providing at that time a report covering one year only, October 1985-September 1986. But since the additional information was available, they had also reported on the following year (October 1986-September 1987) at the same time. The report of the Working Party should therefore reflect the position of the United States that it had fulfilled all its reporting requirements.

23. Concerning products containing sugar, the representative of the United States noted that this subject had been extensively discussed by the previous Working Party and was covered in its report (L/6194). However he repeated that it was a requirement for the United States to notify the contracting parties whenever the President caused an investigation to be made under Section 22. Such an investigation was called for in

January 1985. It was held in June of that year. Contracting parties had been advised in March or early April - i.e., several months before the investigation. Thus the United States considered it had met the conditions of the waiver, since its prior notification did allow any interested party to make representations.

24. The representative of the United States also replied to the view that his government had broken undertakings given in 1955 to balance supply and demand and lower support levels, and that if the terms of the waiver had been observed the United States would not have the import restrictions it had today. He noted that the question a requirement to balance supply and demand had been raised in the original 1955 Working Party. At that time the United States had said it could not accept such a requirement. This was not a condition of the waiver.

25. Regarding support prices, the United States representative stated that if presented in real terms these showed substantial declines over the waiver period; this was also true in relation to the concept of "parity" used in United States farm legislation.

26. The United States did not agree that nothing had been done in thirty years to remove or relax Section 22 restrictions. Nine major commodity areas had been covered by the waiver in 1955 - today only four were. Furthermore, since 1955 the United States had adjusted import quotas and restrictions as conditions permitted, in keeping with the provisions of Section 22.

27. The member of the Working Party who had raised the above questions was not satisfied with the United States answers. In addition to the assurances given by the United States at the time of the Decision of 5 March 1955 he recalled paragraph 6 of the Decision, which read:

"The CONTRACTING PARTIES will make an annual review of any action taken by the United States under this Decision. For each such review the United States will furnish a report to the CONTRACTING PARTIES showing any modification or removal of restrictions effected since the previous report, the restrictions in effect under Section 22 and the reasons why such restrictions (regardless of whether covered by this waiver) continue to be applied and any steps it has taken with a view to a solution of the problem of surpluses of agricultural commodities."

28. In failing to take effective steps to solve the surplus problem the United States had failed to meet the obligations of this provision. The member gave examples from all of the product groups covered by the waiver to show that in fact United States production and self-sufficiency had risen under the price support policies practised, which had included the elimination of marketing quotas and allotments in several cases. This had led to diminished scope for imports and to an increase in United States exports. The member called for the Working Party's report to show that he, at least, had noted that the conditions cited above had not been met, and



that the assurances given by the United States in 1955 - which formed part of the grant of the waiver - had not been fulfilled either.

29. Another member of the Working Party agreed that there was a need for the group's report to include conclusions and recommendations, similar to those which had been proposed in the previous Working Party (L/6194). These should bring together at the end of the report for the CONTRACTING PARTIES' attention the points made in the Working Party's discussions and reflected, for example, in paragraphs 7 and 9 of the present draft. These covered, inter alia, the intentions and legitimate expectations of contracting parties at the time the waiver was granted.

30. Concerning the United States answers to the questions raised above, this member noted that the United States had pointed to declines in support prices in real terms, but commented that this had been the long-term trend in most products. That it happened under support programmes did not mean that adequate steps were being taken to bring supply and demand into balance. In any case any such steps had obviously not been sufficient to enable the removal of Section 22 restrictions on the products in question.

31. Addressing other specific points recorded in the present draft report, the member noted in connection with paragraph 8 that production restraints on wheat had been relaxed during the period under review. While this product was not under the waiver, the policy change was worth noting for the sake of completeness and since no product was excluded from future waiver action. Concerning paragraph 12, he called for the United States to answer the question concerning the Article XI standing of the domestic programmes. He noted that the question recorded in paragraph 14 concerning sugar quotas had been answered partially in paragraph 15; did the United States answer mean that if sugar import quotas were not on their present legislative basis they would have to be placed under Section 22 because they related to measures inconsistent with Article XI? The application of Section 22 to sugar raised the question of what was a support programme in terms of the 1955 Decision; in fact the sugar programme aimed, through limiting imports, at avoiding the need for any support payments. Therefore its Section 22 status was not clear. The member also considered that the question concerning the effectiveness of the set-aside programme for cotton (paragraph 17) had not been fully answered.

32. In reply, the representative of the United States recalled his earlier statements on support price levels, which he maintained. He also repeated that the suggestion that supply/demand balance should be a condition of the waiver had been rejected in 1955. The United States had carried out the requirements of the decision by relaxing or removing restrictions where possible. If the programmes existing in 1955 had been maintained, the United States would have many more restrictions than it did.

33. Regarding the specific questions which had been emphasized, he noted that cotton production statistics had been provided in the United States report. While the effectiveness of set-aside could be debated, the United States had fulfilled its reporting obligations. Concerning any reflections the United States might have on the consistency of their programmes with

Article XI, he noted that this issue had been discussed in the previous Working Party and that this discussion was accurately reflected in its report. He was not arguing here whether the programmes in question were or were not in conformity with Article XI; this was not the mandate of the Working Party. On the domestic consequences of operating sugar import quotas under Section 22 he confirmed the reply recorded in paragraph 15 of the present draft, and noted that the relevant provisions of Section 22 were published as an annex to the 1955 Decision. These put an upper limit on fees and a lower limit on quotas.

34. Members of the Working Party renewed their queries concerning the presentation of data in the United States annual reports in the light of the answers by the United States representative recorded in paragraph 19 (above). The United States representative made it clear that in his previous replies he had been referring to paragraph 9 of the report of the previous Working Party (L/6194). A member who had queried the United States responses agreed that members of the previous working party had commented as reported. But his concern was that in the current United States annual reports (L/6256) there was no uniformity in the presentation of data. The section on sugar was shorter and less detailed than that for other products. However, he noted that some of the missing information had been supplied in United States replies to written questions. Another member suggested that this Working Party's report should note that the United States delegation answered a number of questions by referring members to the report of a previous Working Party. He did not agree that paragraph 9 of document L/6194 could be taken to mean that the United States had supplied too much information on sugar - and in any case there had been considerable discussion and questioning on sugar issues in the present Working Party. The United States representative answered that the record showed that his authorities had provided the required data and answers; they would continue to do so.

35. Members of the Working Party also requested clarification concerning, firstly, reports that Section 22 had been amended because of the Canada-US Free Trade Agreement; and secondly, the present GATT justification claimed by the United States for import restrictions on sugar-containing products. These appeared to have been reclassified with the entry into force of the Harmonized System on 1 January 1989, and now came under quota on the basis of the Headnote in the United States Schedule, rather than under Section 22. The reason for this change was queried. In reply the representative of the United States noted that both questions fell outside the time period covered by this Working Party. However he stated that Section 22 had not been amended, and undertook to seek clarification concerning the second question.

36. In bringing the Working Party's proceedings to a close, members returned to the subject of conclusions and recommendations. One member, underlining the importance of these, said they should reflect, inter alia, the low level of co-operation the United States had shown, for example in the length of time taken to respond to written questions. To this, the representative of the United States replied that certain written questions had been submitted late, and repeated that his authorities had endeavoured

to respond fully. Another member noted that the conclusions and recommendations proposed by some members in the previous Working Party retained their validity.

37. The Working Party considered draft conclusions and recommendations on the basis of proposals submitted by a number of members. Most members expressed support for a text in which the Working Party would note that the concluding comments in the report of the Working Party which examined the twenty-eighth annual report of the United States (L/6194 of 2 July 1987) were still relevant. That is, the continued application by the United States authorities of the Waiver granted by the CONTRACTING PARTIES in 1955 had done little to facilitate long-term adjustment of affected United States industries to international competition. On the contrary, it had allowed the maintenance of agricultural programmes which had led to recurring serious imbalances in supply and demand; created pressure for periodic subsidized exports; and retarded the development of operationally effective GATT rules and disciplines in the field of agriculture. The Working Party should note that the 29th and 30th Annual Reports of the United States contained nothing which would weaken the force of the foregoing observation.

38. Furthermore, these members considered that the Working Party should note that the circumstances under which the Waiver had been granted had changed. It was no longer appropriate for the United States to continue to claim coverage of the Waiver. The Waiver was granted in consideration of assurances by the United States that it intended to seek a solution of the problem of surpluses of agricultural commodities. As the Waiver was now protecting and maintaining the production of agricultural surpluses, the legitimate expectations of the contracting parties at the time of the granting of the Waiver had not been fulfilled.

39. In view of the above conclusions and the repeated assurances of the United States that it was prepared in the context of the Uruguay Round negotiations on agriculture to make fundamental changes to policies related to the Waiver, these members urged that the Working Party recommend that the United States might undertake the review, foreshadowed in its statement to the CONTRACTING PARTIES in 1955, of the circumstances which led to the granting of the Waiver. Such a review should lead to the setting of a realistic time-frame for the termination of the Waiver. The Working Party should further recommend that the report be submitted to the CONTRACTING PARTIES with a view to obtaining recommendations to the United States government as to actions which might be appropriate and which would obviate continued indefinite application of the Waiver.

40. It was proposed that the Working Party should also note that the United States had not complied with the procedure agreed by the CONTRACTING PARTIES in 1955, in that it had submitted two reports together covering the period 1985 and 1986 whereas the procedure provided for the submission of an annual report. The Working Party would also note that its work had been considerably delayed by the United States, which had been dilatory in answering the questions addressed to it by members of the Working Party. The Working Party would therefore suggest that the CONTRACTING PARTIES

recommend that in the submission of reports the United States should henceforth respect the procedure agreed in 1955 and display a more co-operative spirit and greater diligence during the examination of the reports.

41. The representative of the United States could not accept these proposed conclusions and recommendations. Concerning the proposal in paragraph 40 in particular, he recalled his previous statements to the Working Party (paragraph 22 above). He in turn proposed a set of draft conclusions, in which the Working Party would note that while the United States authorities had continued to apply the waiver granted by the CONTRACTING PARTIES in 1955, the fundamental problem of excessive agricultural production and depressed prices had persisted. In fact the policies pursued by the United States and other major agricultural traders encouraged periodic surges of subsidized exports and retarded the development of operationally effective GATT rules and disciplines for agricultural commodities. Therefore, the conclusions of the Working Party should show that members welcomed the assurances of the United States Representative that all programmes and policies of the United States, including the Section 22 waiver, were on the table in the Uruguay Round of Trade Negotiations, and that the United States was prepared to work, with other participants in the round, to promote a more market-oriented global agricultural trading system in which reductions in import barriers and domestic support end the need for recourse to the waiver. Several members found the United States' proposal also to be unacceptable.

42. The representative of the United States stated that his government had exercised, and would continue to exercise, restraint in the use of Section 22 authority, insofar as the statute allowed. However, the lack of operationally effective GATT rules and disciplines to govern international trade in agricultural commodities had occasioned in the past, and might occasion in the future, situations in which Section 22 import restraints had to be imposed. The US Government had made a comprehensive proposal in the Uruguay Round Negotiating Group on Agriculture with respect to import access restraints, export subsidies, domestic subsidies, and sanitary and phytosanitary restrictions. It was the hope of the US Government that multilateral agreement in these areas would result in a more market-oriented global agricultural trading system and obviate any future need for the use of Section 22 authority.

43. The Working Party was thus not able to reach agreement on conclusions or make unanimous recommendations. The members whose conclusions and recommendations are set out in paragraphs 37-40 above recommended that these should be noted by the CONTRACTING PARTIES.

ANNEX A

Written questions posed by Japan at the first meeting of the Section 22 Working Party<sup>1</sup>, with the written responses of the United States authorities

1. General remarks

Question (1)

We would like the United States to provide us with data on all items (such as butter, cheese, margarine, chocolate and cocoa preparations) under waivers, in addition to the items described in the report.

Question (2)

The data mentioned in the above should contain at least those on production, consumption, trade volume and value, import quota quantity (if it is allocated on a country-by-country basis, it is requested to provide quantity allocated to each country), domestic price and import price, and stock (CCC stocks should be mentioned specifically).

Answer

Shown below are the data requested for the specific products in Questions 1 and 2 as related to the table on page 4 of the United States Annual Report (L/6256 of November 1987). The USDA does not maintain data on chocolate and cocoa preparations.

Production, Consumption, Trade and CCC  
Acquisition and Stock Data, 1983-1988

(<sup>1</sup>000 metric tons)

Commodity and production year	Production	Imports	Domestic consumption	Exports	CCC acquisitions	CCC * stocks
<b>Butter</b>						
(January-December)						
1983	589	1	541	34	187	155
1984	500	1	536	51	93	81
1985	566	2	529	82	152	57
1986	545	2	506	25	134	59
1987	505	2	516	25	85	29
1988 proj.	500	2	517	15	120	43
<b>Cheese</b>						
(January-December)						
1983	2,186	130	2,208	17	384	380
1984	2,120	139	2,334	17	217	273
1985	2,305	137	2,456	39	304	270
1986	2,353	134	2,541	27	220	181
1987	2,385	135	2,648	20	138	15
1988 proj.	2,500	135	2,645	10	121	0

<sup>1</sup>Page references in questions are to United States 29th and 30th Annual Reports (document L/6256).

\* Stocks are end of year numbers

Table 50  
Margarine (Product Weight): Supply and Utilization, 1966-86

Year	Supply				Utilization				Pounds Per capita <sup>2</sup>
	Production	Beginning stocks	Total supply	Exports <sup>1</sup>	Shipments to US territories	Ending stocks	Food disappearance Total		
	<u>Million pounds</u>								
1966	2,110	42	2,152	14	1	53	2,085	10.6	
1967	2,144	53	2,167	15	1	60	2,092	10.5	
1968	2,141	60	2,201	10	1	49	2,142	10.7	
1969	2,182	49	2,231	12	1	52	2,167	10.7	
1970	2,230	52	2,282	13	1	46	2,223	10.8	
1971	2,290	46	2,336	13	1	157	2,266	10.9	
1972	2,364	57	2,421	13	1	69	2,339	11.1	
1973	2,359	69	2,428	13	1	61	2,354	11.1	
1974	2,398	61	2,459	15	1	64	2,380	11.1	
1975	2,399	64	2,463	5	12	60	2,386	11.0	
1976	2,628	60	2,688	6	14	67	2,601	11.9	
1977	2,535	67	2,602	7	13	80	2,502	11.4	
1978	2,520	80	2,600	7	15	70	2,503	11.3	
1979	2,553	70	2,623	7	18	81	2,517	11.2	
1980	2,593	81	2,674	8	16	74	2,576	11.3	
1981	2,577	74	2,651	17	16	61	2,557	11.1	
1982	2,596	61	2,657	13	18	62	2,564	11.0	
1983	2,451	62	2,513	12	15	55	2,431	10.4	
1984	2,481	55	2,536	9	16	55	2,456	10.4	
1985	2,603	55	2,658	9	15	61	2,573	10.8	
1986	2,789	61	2,850	8	15	81	2,746	11.4	

<sup>1</sup>Shipments to United States territories are included under exports in 1966-74.

<sup>2</sup>Per capita figure uses United States total population, 1 July.

Allocations, by country, are shown in the attached excerpts from Part 3 to the Appendix to the Tariff Schedules of the United States. Country allocations are attached as Annex I to this document. Attached, as Annex II, is a USDA publication (Circular Series, FDL MT-88 entitled Meat and Dairy Monthly Imports) which provides detailed country-by-country information on imports of butter (950.050), margarine (950.06), cheese (950.07-950.10B) and chocolate products containing butterfat (950.15 and 950.16) in calendar years 1986 and 1987.

Question (3)

Concerning the import quota system, we would like the United States to explain the allocation method and criteria (including conditions applicable to newcomers and import quota holder qualification).

Answer

In general country allocations for quota restrictions were made in the Presidential Proclamations establishing the quota restriction and were based on the historical shares from those countries during a representative period. Cheese quotas were revised by negotiation during the Tokyo Round of Multilateral Trade Negotiations and enacted by the Trade Agreements Act of 1979.

To some extent temporary reallocations can be made in any given year when it becomes evident that imports under one or more country allocations will not meet the designated level. Import licences are issued to persons or firms that meet certain eligibility criteria. Each person or firm must apply each year during the ninety-day application period that begins 1 August. Licences that are issued are valid for the coming calendar year which is also the quota year for purposes of administering the licensing system.

There are two ways for a person or firm to qualify. The first, is to apply as a manufacturer of dairy products and produce 100,000 pounds of cheese or cheese products for the twelve-month period ending 1 August prior to the year for which the applicant is requesting licence eligibility. The firm applying must also be listed in the United States Department of Agriculture publication "Dairy Plants Surveyed and Approved for USDA Grading Service". The second way to qualify is as an importer. Importers qualify by entering in two or more commercial shipments, cheese or cheese products totalling 10,000 pounds. Importers must show proof of entry by submitting Customs forms 7501 or 7505, and importation must be made during the twelve-month period ending 1 August prior to the year for which the applicant is requesting licence eligibility.

Allocation of the quotas assigned to each country is made in accordance with Import Regulation 1, Revision 7, which specifies that certain minimum amounts be allocated for articles listed in Appendix 1 or Appendix 2 for non-historical and supplementary licences. Quota shares allocated to historical licence holders are made based on their imports during a representative base period which was used to calculate the basic annual allocation and licence amount for articles that eventually became subject to quota and licensing requirements.

Item-by-item questions

1. Peanuts

Question (i) (pages 8-9)

Is the import quota established under designated usage (e.g. edible use)? If so, please provide us with country data on the import volume on country-by-country, usage-by-usage basis.

Answer

The United States quota is not established by usage such as edible and inedible. A quantity is permitted entry regardless of its intended end use.

Question (ii) (page 8, page 20)

It is described in the report that the national production quota is established for domestic edible use. Please explain how the import quota system and the national production quota are operated in order to ensure the effectiveness of the latter (e.g. is there the national production quota for export, or the import quota for limited use).

Answer

This question seems to be aimed at understanding the relationship between the national production quota and the import quota.

First of all it should be understood that peanuts are free to be grown by anyone in any quantity. However, only the peanuts grown by quota holders within quota limits are eligible for domestic edible use and may receive price support. Domestically grown peanuts outside the quota must be approved by the USDA. These peanuts must be grown under contract for export, crushed or placed under loan. There is no production quota for export.

The import quota is set to prevent material interference with the United States programme. The import quota is not an end-use designation.

2. Dairy products

Question (i) (page 11, 1.2 from the bottom)

The United States argued that Japan could not control the import of dairy products to protect the price support programme on milk, during the deliberations of the panel on Japan's restrictions on imports of certain agricultural products. Is not this description of the report inconsistent with such United States argument presented to the panel?

Answer

The reason the United States requested a waiver was that the requirement of Section 22 might result in actions which would be



inconsistent with GATT obligations under Articles II and XI. The waiver was sought to prevent United States law and United States GATT obligations from conflicting.

Question (ii)

Please provide the amount of financial payment for the support programme and its breakdown (storage, dealing loss, disposal for other use, direct subsidization to producers).

Answer

Listed below are the FY 1986 and FY 1987 financial payments requested for the dairy support programme.

	<u>CCC Expenditure</u> (millions of dollars)			
	<u>Expenses</u>	<u>Outlays</u>	<u>Expenses</u>	<u>Outlays</u>
	<u>FY 1986</u>		<u>FY 1987</u>	
Purchases	-	2,205.1	-	1,205.0
Storage and handling	50.9	50.9	48.6	48.6
Transportation	77.8	77.8	65.1	65.1
Processing and packaging	-	103.6	-	78.7
Sales (cost basis)	812.1	-	1,037.5	-
Domestic donations (cost basis)	1,156.2	-	1,329.2	-
Export donations (cost basis)	396.4	-	298.4	-
Other expense or outlays	159.9	159.9	70.8	70.8
Diversion payments	0.4	0.4	(0.2)	(0.2)
Termination payments	<u>489.2</u>	<u>489.2</u>	<u>587.0</u>	<u>587.0</u>
<u>SUB-TOTAL</u>	3,142.9	3,087.0	3,488.3	2,054.9
<u>Offsetting income/receipts</u>				
Proceeds from sales	-248.6	-248.6	-337.7	-337.7
Net transfer to blended foods	-	-52.7	-	-49.2
Other income or receipts	-161.3	-161.3	-71.6	-71.6
Milk marketing reductions	<u>-287.4</u>	<u>-287.4</u>	<u>-429.9</u>	<u>-429.9</u>
<u>SUB-TOTAL</u>	-697.3	-750.0	-839.3	-888.5
Net realized loss or net expenditure	2,445.6	2,337.0	2,649.0	1,166.3

3. Sugar

Question (i)

As it was done with regard to the previous report. please provide us with data on sugar supply and its use.

Answer

Attached is a table, Annex III, containing the data requested on sugar.

Question (ii)

Please show the breakdown of the import volume for three kinds of sugar preparations which are classified in accordance with their sugar content.

Answer

The breakdown is shown in the attached, Annex IV, excerpt from Part 3 of the Appendix to the Tariff Schedules of the United States.

Question (iii)

It is reported that sugar held by CCC was exported to China. Please clarify its factual background and the export volume and value.

Answer

The attached press release, Annex V, (985-86) of 12 August 1986 provides clarification.

Question (iv)

According to the data which we possess, the loan rates for sugar are as follows. We would like the United States to confirm them since they are different from the figures mentioned in the report.

Answer

The correct loan rates for sugar, in United States cents per pound, are:

	<u>1985</u>	<u>1986</u>
Raw cane sugar	18.0	18.0
Refined beet sugar	21.06	21.09

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1987)

APPENDIX TO THE TARIFF SCHEDULES

Part 3 - Additional Import Restrictions Proclaimed Pursuant to Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. Suffix	Units of quantity	Quota quantity	Condensed			
				Evaporated		Condensed	
				In air-tight containers (in pounds)	Other (in pounds)	In air-tight containers (in pounds)	Other (in pounds)
469.80	*	1,500,000 gallons None					
<p>Whenever, in any 12-month period beginning 1 January in any year, the respective aggregate quantity specified below for one of the numbered classes of article has been entered, no articles in such class may be entered during the remainder of such period:</p>							
		Milk and cream, fluid or frozen, fresh or sour, containing over 5.5 per cent but not over 45 per cent by weight of butterfat:					
		New Zealand					
		Other					
469.90	*						
<p>Milk and cream, condensed or evaporated, classifiable for tariff purposes under items 115.35, 115.75 and 115.40:</p>							
		Netherlands					
		Canada					
		Denmark					
		West Germany					
		Australia					
		Other					
	*			1,209,000	None	338,000	None
	*			70,000	None	2,182,000	5,000
	*			11,000	None	1,334,000	None
	*			22,000	None	None	None
	*			None	None	202,000	None
	*			None	None	6,000	None

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)	Metric equivalent (in kilograms)
		Whenever, in any 12-month period, etc. (cont'd):			
		Dried milk, dried cream and dried whey provided for in part 4 of schedule 1:			
950.01	*	Described in items 115.45 and 118.05	*	496,000	
950.02	*	Described in item 115.50	*	1,807,000	
950.03	*	Described in item 115.55	*	7,000	
950.04	*	Described in item 115.60	*	500	
950.05	*	Butter, and fresh or sour cream containing over 45 per cent of butterfat, provided for in part 43 of schedule 1	*	707,000	
		Butter substitutes containing over 45 per cent of butterfat provided for in item 116.30, part 43, schedule 1, and butter oil however provided for elsewhere in these schedules	*	1,200,000	
		Cheeses and substitutes for cheese provided for in part 4C, schedule 1:			
950.07	*	Blue-mold cheese (except Stilton produced in the United Kingdom) and cheese and substitutes for cheese containing, or processed from, blue-mold cheese (provided for in item 117.00, 117.05, 117.75 or 117.88):			
		European Economic Community	*	5,465,203	2,679,000
		Argentina	*	4,409	2,000
		Other	*	2	1

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)	Metric equivalent (in kilograms)
950.08A	*	<p>Whenever, in any 12-month period, etc. (cont'd): Cheeses and substitutes, etc. (cont'd):</p> <p>Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese (provided for in item 117.15, 117.20, 117.75 or 117.88):</p> <p>European Economic Community Australia New Zealand Canada Other</p>	* * * * *	579,809 2,645,520 6,834,260 1,837,351 308,399	263,000 1,200,000 3,100,000 833,413 139,188
950.08B	*	<p>American-type cheese, including Colby, washed curd, and granular cheese (but not including Cheddar) and cheese and substitutes for cheese containing, or processed from, such American-type cheese (provided for in item 117.75, 117.81, or 117.88):</p> <p>European Economic Community Australia New Zealand Other</p>	* * * *	559,968 2,204,600 4,409,200 371,598	254,000 1,000,000 2,000,000 178,777
950.09A	*	<p>Edam and Gouda cheeses (provided for in item 117.25):</p> <p>European Economic Community Sweden Argentina Other</p>	* * * *	8,842,650 90,388 275,575 2	4,011,000 41,000 125,000 1
950.09B	*	<p>Cheese and substitutes for cheese containing, or processed from, Edam and Gouda cheese (provided for in item 117.25, 117.75, or 117.88):</p> <p>European Economic Community Norway Other</p>	* * *	2,727,090 268,168 55,999	1,237,700 147,000 25,401

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)	Metric equivalent (in kilograms)
950.10	*	Whenever, in any 12-month period, etc. (cont'd): Cheeses and substitutes, etc. (cont'd): Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz) (provided for in item 117.44 or 117.55): European Economic Community Argentina Other	* * *	3,886,709 8,487,710 ?	1,763,000 3,750,000 1
950.10A	*	Italian-tape cheeses, made from cow's milk, not in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, Sabrine, and Goya) and cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves (provided for in item 117.42, 117.44, 117.55, 117.75, 117.86, or 117.88): European Economic Community Argentina Other	* * *	103,616 1,417,557 28,798	47,000 673,000 13,063
950.10B	*	Swiss or Emmenthaler cheese with eye formation (provided for in item 117.60): European Economic Community Austria Finland Norway Switzerland Israel Australia Canada Iceland Argentina Other	* * * * * * * * * * * *	13,227,600 13,844,888 18,077,720 15,174,261 7,561,778 59,524 1,102,300 154,322 661,380 176,368 187,999	6,000,000 6,280,900 8,200,000 6,883,000 3,430,000 27,000 500,000 70,000 100,000 80,000 85,276

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)	Metric equivalent (in kilograms)
		Whenever, in any 12-month period, etc. (cont'd): Cheeses and substitutes, etc. (cont'd):			
950.100	*	Swiss or Emmenthaler cheese other than with eye formation, Gruyère-process cheese, and cheese and substitutes for cheese containing, or processed from, such cheeses (provided for in item 117.60, 117.75, or 117.88):			
		European Economic Community			
		Austria	*	7,716,100	3,500,000
		Finland	*	2,028,232	920,000
		Switzerland	*	2,204,600	1,000,000
		Portugal	*	4,078,510	1,850,000
		Other	*	275,575	125,000
				175,999	79,833
950.100	*	Cheeses and substitutes for cheese provided for in item 117.75 or 117.88 (except cheese not containing cow's milk and soft ripened cow's milk cheese, cheese (except cottage cheese) containing 0.5 per cent or less by weight of butterfat, and articles within the scope of other import quotas provided for in this part):			
		European Economic Community			
		Finland	*	44,092,000	20,000,000
		Iceland	*	2,865,980	1,300,000
		Norway	*	712,085	323,000
		Poland	*	330,690	150,000
		Sweden	*	2,063,999	936,224
		Switzerland	*	2,334,671	1,059,000
		New Zealand	*	2,689,612	1,220,000
		Canada	*	24,960,481	11,322,000
		Portugal	*	2,515,448	1,141,000
		Austria	*	1,005,297	456,000
		Israel	*	1,432,990	650,000
				1,483,695	673,000
				(no more than 352,736 of which shall contain more than 3 per cent by weight of butterfat)	(no more than 160,000 of which shall contain more than 3 per cent by weight of butterfat)
		Argentina		220,460	100,000
		Australia		2,314,830	1,050,000
		Other		444,525	201,635

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)	Metric equivalent (in kilograms)
950.10E	*	<p>Whenever, in any 12-month period, etc. (cont'd): Cheeses and substitutes, etc. (cont'd):</p> <p>Cheese, and substitutes for cheese, containing 0.5 per cent or less by weight of butterfat, provided for in item 117.75 or 117.88 (except articles within the scope of other import quotas provided for in this part):</p> <p>European Economic Community</p> <p>Poland</p> <p>Australia</p> <p>New Zealand</p> <p>Sweden</p> <p>Israel</p> <p>Other</p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p>8,818,400</p> <p>385,599</p> <p>551,150</p> <p>2,204,600</p> <p>551,150</p> <p>110,230</p> <p>2</p>	<p>4,000,000</p> <p>174,907</p> <p>250,000</p> <p>1,000,000</p> <p>250,000</p> <p>50,000</p> <p>1</p>
950.11	*	Malted milk, and articles of milk or cream (provided for in item 118.30)	*	6,000	2,721
950.15	*	Chocolate provided for in item 156.30 containing over 5.5 per cent by weight of butterfat (except articles for consumption at retail as candy or confection):			
		<p>Ireland</p> <p>United Kingdom</p> <p>Netherlands</p> <p>Australia</p> <p>New Zealand</p> <p>Other</p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p>9,450,000</p> <p>7,450,000</p> <p>100,000</p> <p>4,409,200</p> <p>2</p> <p>None</p>	<p>4,286,491</p> <p>3,379,297</p> <p>45,359</p> <p>2,000,000</p> <p>1</p> <p>None</p>
950.16	*	Chocolate provided for in item 156.30 and articles containing chocolate provided for in item 183.00, containing 5.5 per cent or less by weight of butterfat (except articles for consumption at retail as candy or confection):			
		<p>United Kingdom</p> <p>Ireland</p> <p>New Zealand</p> <p>Other</p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p>930,000</p> <p>3,750,000</p> <p>2</p> <p>None</p>	<p>421,845</p> <p>1,700,988</p> <p>1</p> <p>None</p>

\* See Appendix statistical headnote 2



Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)
950.17	*	<p>Whenever, in any 12-month period, etc. (cont'd): Animal feeds containing milk or milk derivatives, classified under item 184.80, subpart C, part 15, schedule 1:</p> <p>Ireland United Kingdom New Zealand Australia Other</p>	* * * * * *	12,060,000 185,000 3,930,000 125,000 None
950.18	*	<p>Ice cream, as provided for in item 118.25 of part 4, subpart D, schedule 1:</p> <p>Belgium New Zealand Denmark Netherlands Jamaica Other</p>	* * * * * *	243,650 gallons 155,680 gallons 3,450 gallons 27,600 gallons 950 gallons None
950.19	*	<p>Dried milk (described in items 115.45, 115.50, 115.55, and 118.05) which contains not over 5.5 per cent by weight of butterfat and which is mixed with other ingredients, including but not limited to sugar, if such mixtures contain over 16 per cent milk solids by weight, are capable of being further processed or mixed with similar or other ingredients and are not prepared for marketing to the retail consumers in the identical form and package in which imported: all the foregoing mixtures provided for in items 187.00 and 493.14, except articles within the scope of other import restrictions provided for in this part.</p>	*	None
950.22	*	<p>Articles containing over 5.5 per cent by weight of butterfat, the butterfat of which is commercially extractable, or which are capable of being used for any edible purpose (except articles provided for in subparts A, B, C or item 118.30, of part 4, schedule 1, and except articles which are not suitable for use as ingredients in the commercial production of edible articles):</p> <p>Over 43 per cent by weight of butterfat</p>	*	None

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)
950.23	*	Whenever, in any 12-month period, etc. (cont'd): Articles containing over 5.5 per cent by weight of butterfat, etc. (cont'd):  Over 5.5 per cent but not over 43 per cent by weight of butterfat and classifiable for tariff purposes under item 182.92 or 183.00:  Australia Belgium and Denmark (aggregate) Other	* * *	2,240,000 pounds 340,000 pounds None
950.60		[Deleted, see headnote 3(c)]		
951.00	*	Whenever, in any 12-month period beginning 1 August in any year, the aggregate quantity specified below of peanuts, shelled or not shelled, blanched, or otherwise prepared (except peanut butter) provided for in Items 145.20, 145.21, and 145.48, part 9A, schedule 1, has been entered, no such products may be entered during the remainder of such period.	*	1,709,000 pounds: provided that peanuts in the shell shall be charged against this quota on the basis of 75 pounds for each 100 pounds of peanuts in the shell.
951.01	*	Notwithstanding the quantitative limitation on the importation of peanuts described in item 951.00, an additional quantity of such peanuts, within the scope of such quota, may be entered during the period 4 December 1980 through 31 July 1981: provided that the following certificates (or a bond for their production) for such peanuts shall be filed with the appropriate customs officer at the time of entry (except that such peanuts, blanched or otherwise prepared or preserved shall not require such certificates):  (a) a certificate issued by the United States Department of Agriculture attesting to the fact that the peanuts meet the requirements as to quality, size and wholesomeness that are specified in the Out?? Quality Regulations of the Marketing Agreement for Peanuts No. 146 (45 F.? 41675-87 (20 June 1980)); and  (b) a certificate issued by the United States Department of Agriculture laboratories or designated laboratories approved by the Peanut Administration Committee attesting to the fact that the peanuts tested "negative" as to aflatoxin.	*	700,000 pounds: provided that peanuts in the shell shall be charged against this quota on the basis of 75 pounds for each 100 pounds of peanuts in the shell.

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)
		Whenever, in the respective 12-month period specified below, the aggregate quantity specified below for one of the numbered classes of articles or for the product of a specified country or area within such numbered class has been entered, no article in such class or the product of such country or area may be entered during the remainder of such period:		
		Cotton, not carded, not combed, and not otherwise processed, the product of any country or area including the United States:		
955.01	*	Having a staple length under 1-1/8 inches (except harsh or rough cotton having a staple length under 3/4 inch), entered during the 12-month period beginning 20 September in any year:		
		Egypt and Sudan (aggregate)	*	783,816
		Peru	*	247,952
		India and Pakistan (aggregate)	*	2,003,483
		China	*	1,370,791
		Mexico	*	8,883,259
		Brazil	*	618,723
		Union of Soviet Socialist Republics	*	475,124
		Argentina	*	5,203
		Haiti	*	237
		Ecuador	*	9,333
		Honduras	*	752
		Paraguay	*	871
		Colombia	*	124
		Iraq	*	195
		British East Africa	*	2,240
		Indonesia and Netherlands New Guinea (aggregate)	*	71,388
		British West Indies (except Barbados, Bermuda, Jamaica, Trinidad and Tobago)	*	
		Nigeria	*	21,321
		British West Africa (except Nigeria and Ghana)	*	5,377
		Other, including the United States:	*	16,004
		Having a staple length 1-1/8 inches or more but under 1-3/8 inches, entered during the 12-month period beginning 1 August in any year:		
955.02	*	Harsh or rough cotton (except cotton of perished staple, grabbots, of and cotton pickings), white in colour and having a staple length of 1-5/32 inches or more.	*	1,500,000

\* See Appendix statistical headnote 2

Item	Stat. suffix	Articles	Units of quantity	Quota quantity (in pounds)	
955.03	*	Whenever, in any 12-month period, etc. (cont'd): Cotton, not carded, not combed, etc. (cont'd): Having a staple length 1-1/8 inches or more, etc. (cont'd): Other	*	4,565,642	
955.04	*	Having a staple length 1-3/8 inches or more, entered during the 12-month period beginning 1 August in any year.	*	39,590,778	
955.05	*	Card strips made from cotton having a staple length under 1-3/16 inches, and cotton cumber waste, lap waste, sliver waste, and roving waste, all the foregoing, whether or not advanced, the product of any country or area including the United States, entered during the 12-month period beginning 20 September in any year:			
See headnote 3(b) of this part					
			(A) Minimum quota for certain cumber waste	(B) Unreserved quota	(C) Total quota
		United Kingdom		1,441,152	4,323,457
		Canada		239,690	239,690
		France		75,807	227,420
		India and Pakistan (aggregate)		69,627	69,627
		Netherlands		22,747	68,240
		Switzerland		14,796	44,388
		Belgium		12,853	38,559
		Japan		341,535	341,535
		China		17,322	17,322
		Egypt		8,135	8,135
		Cuba		6,544	6,544
		Germany		25,443	76,329
		Italy		7,088	21,263
		Other, including the United States		None	None
955.06	*	Fibres of cotton processed but not ????, entered during the 12-month period beginning 11 September in any year.	*		
				Quota quantity (in pounds)	
				1,000	

\* See Appendix statistical headnote 2  
\*\* See Appendix statistical headnote 1

Item	Stat. suffix	Articles	Units of quantity	Rates of duty (Section 22 fees)
		Whenever, in the respective 12-month period, etc. (cont'd): Sugars, syrups and molasses derived from sugar cane or sugar beets, except those entered pursuant to a licence issued by the Secretary of Agriculture in accordance with headnote 4(a): Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:		
956.05	**	Not to be further refined or improved in quality	**	An amount determined and adjusted in accordance with headnote 4(c), but not in excess of 50 per cent ad valorem.
		To be further refined or improved in quality	**	An amount determined and adjusted in accordance with headnote 4(c), but not in excess of 50 per cent ad valorem.
957.15	**	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6 per cent or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1.	**	An amount determined and adjusted in accordance with headnote 4(c) per pound of total sugars, but not in excess of 50 per cent ad valorem

\* See Appendix statistical headnote 2

\*\* See Appendix statistical headnote 1

Item	Stat. suffix	Articles	Units of quantity	Quota quantity
958.10	*	Blended syrups provided for in TSUS item 155.75, containing sugars derived from sugar cane or sugar beets, capable of being further processed or mixed with similar or other ingredients and not prepared for marketing to the retail consumers in the identical form and package in which imported.	*	None
958.15	*	Articles containing over 65 per cent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported; all the foregoing articles provided for in TSUS items 155.75, 156.45, 183.01, and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States.	*	None
Whenever, in any 12-month period beginning 1 October in any year, the respective aggregate quantity specified below for one of the numbered classes or articles has been entered, no article in such class may be entered during the remainder of such period:				
Articles containing over 10 per cent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, except (a) articles not principally of crystalline structure or not in dry amorphous form that are prepared for marketing to the retail consumer in the identical form and package in which imported, or (b) articles within the scope of TSUS items 958.10, 958.15 or other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States:				
958.16	*	Provided for in TSUS item 156.45	*	3,000 short tons
958.17	*	Provided for in TSUS item 183.01	*	7,000 short tons
958.18	*	Provided for in TSUS item 183.05, except cake decorations and similar products to be used in the same condition as imported without any further processing other than the direct application to individual pastries or confections; finely ground or masticated coconut meat or juice thereof mixed with those sugars; and minced seafood preparations within the scope of item 183.05 containing 20 per cent or less by dry weight of those sugars.	*	84,000 short tons

\* See Appendix statistical headnote 1

Imports of Cheese and Other Quota Dairy Products, Subject to Licensing Requirements

Appendix number	Commodity description and country of origin	Annual quota	(in pounds)			
			Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.01	Dried buttermilk/whey					
	Canada	355,300	0	352,130	0	0
	New Zealand	140,700	140,654	140,378	140,654	140,378
	Commodity total	496,000	140,654	492,508	140,654	140,378
950.02	Dried skim milk					
	Australia	1,322,940	1,285,337	1,322,540	396,608	363,759
	Canada	484,060	403,055	483,910	0	0
	Commodity total	1,807,000	1,769,192	1,806,450	396,608	363,759
950.03	Dried whole milk					
	New Zealand	7,000	7,000	6,504	0	6,504
	Commodity total	7,000	7,000	6,504	0	6,504
950.04	Dried cream					
	Other countries total	500	0	0	0	0
	Commodity total	500	0	0	0	0
950.05	Butter					
	New Zealand	332,000	330,396	317,631	13,240	35,240
	EEC 12					
	Denmark		28,325	43,018	5,511	2,438
	Germany, Fed. Rep. of		61,013	67,373	6,203	24,560
	France		85,771	42,000	17,489	1,378
	Italy		0	0	0	0
Portugal		2,992	5,997	0	0	
United Kingdom		28,030	47,825	10,700	2,700	

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.05 (cont'd)	EEC countries total	212,000	206,131	207,378	39,983	31,076
	Other countries					
	Argentina		35,990	0	0	0
	Finland		2,293	46,481	2,293	11,080
	Norway		86,305	82,799	0	5,291
	Sweden		34,005	10,527	0	0
	Uruguay		0	16,424	0	0
	Other countries total	163,000	158,593	156,231	2,293	17,171
	Commodity total	707,000	695,120	681,240	55,516	83,495
	950.07	Blue mold				
Argentina		4,409	0	0	0	0
EEC 12						
Denmark			4,170,746	3,785,359	515,825	822,795
Germany, Fed. Rep. of			500,679	689,225	40,345	87,076
France			63,557	59,326	5,877	7,012
Ireland			0	536	0	0
Italy			202,962	295,185	21,625	29,066
Netherlands			19,340	32,430	19,340	0
United Kingdom			15,891	3,255	25	0
EEC countries total		5,465,203	5,053,175	4,865,316	603,037	946,749
Commodity total		5,469,612	5,053,175	4,865,316	603,037	946,749
950.08A		Cheddar				
	Australia	2,645,520	2,621,691	2,640,751	17,549	425,464
	New Zealand	6,834,260	6,585,298	6,823,537	560,150	405,914
	EEC 12					
Bel/Luxembourg	100,512	100,512	0	0	0	



Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987	
950.08A (cont'd)	Denmark	80	0	0	0	0	
	Germany, Fed. Rep. of	2,375	6,880	6,880	0	6,352	
	France	0	0	0	0	0	
	Ireland	0	33	0	0	0	
	Netherlands	10,050	0	0	0	0	
	Portugal	1,500	90,990	90,990	0	90,990	
	United Kingdom	430,357	316,781	316,781	63,251	14,174	
	EEC countries total	579,809	414,684	414,684	63,251	111,516	
	Other countries						
	Austria	10,237	8,700	8,700	10,237	8,700	
	Brazzaville	6,971	0	0	0	0	
	Israel	0	40,627	40,627	0	40,627	
	Romania	204,346	256,143	256,143	204,346	256,143	
	South Africa	56,403	0	0	0	0	
Other countries total	308,399	277,957	305,470	214,583	305,470		
Commodity total	10,367,988	10,029,820	10,184,442	855,533	1,248,364		
950.08B	American-ot-chd						
	Australia	2,204,600	2,180,576	2,170,157	23,920	472,226	
	New Zealand	4,409,200	4,408,783	4,406,975	597,086	118,961	
	EEC 12						
	Denmark	42,990	89,555	89,555	0	0	
	Germany, Fed. Rep. of	436,025	20,836	20,836	456,025	0	
	Netherlands	0	23,091	23,091	0	0	
	Portugal	58,000	277,100	277,100	0	277,100	
	United Kingdom	0	1,196	1,196	0	0	
	EEC countries total	559,968	411,778	411,778	436,025	277,100	
	Other countries						
	Canada	0	59,023	59,023	0	0	
	Israel	0	266,078	266,078	0	42,286	
	Romania	276,273	31,785	31,785	276,273	31,785	

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.08B	Other countries total	371,598	276,273	356,886	276,273	74,071
	Commodity total	7,545,366	7,402,647	7,345,796	1,333,304	942,358
950.09A	Edam and Gouda					
	Argentina	275,575	265,482	264,782	0	69,516
	Sweden	90,388	90,357	90,308	0	906
	EEC 12					
	Denmark		1,077	1,323	0	0
	Germany, Fed. Rep. of		51	1,186	0	1,164
	France		0	0	0	0
	Netherlands		8,591,446	8,349,037	879,847	1,410,408
	Portugal		18,571	38,046	7,334	0
	EEC countries total	8,342,650	8,611,145	8,389,592	887,181	1,411,572
	Commodity total	9,208,613	8,966,984	8,744,682	887,181	1,481,994
950.09B	Processed Edam and Gouda					
	Norway	368,168	363,529	366,642	17,040	178,920
	EEC 12					
	Germany, Fed. Rep. of		46,159	451,166	0	0
	Netherlands		1,443,551	862,100	550,870	92,849
	Portugal		1,008,519	1,309,972	402,152	270,100
	EEC countries total	2,727,090	2,498,229	2,623,238	953,022	362,949
	Other countries					
	New Zealand		5,115	0	5,115	0
	Romania		34,340	0	34,340	0
	Sweden		10,380	0	0	0
	Uruguay		5,134	15,591	0	15,591
	Other countries total	55,115	54,969	15,591	39,455	15,591

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.09B (cont'd)	Commodity total	3,150,373	2,916,727	3,005,471	1,009,517	557,460
950 10	Italian-type (IOL)					
	Argentina	8,487,710	6,734,570	7,137,240	359,527	1,695,662
	Uruguay	551,150	547,846	550,935	52,911	0
	EEC 12					
	Denmark		0	749,791	0	87,554
	Germany, Fed. Rep. of		0	45,616	0	0
	France		3,882	3,837	0	14
	Ireland		0	1,317,307	0	126,629
	Italy		3,643,193	4,525,805	721,743	672,508
	Netherlands		5,042	0	0	0
	EEC countries total	7,352,340	3,652,117	7,142,356	721,743	886,705
	Commodity total	16,391,200	10,934,533	14,630,531	1,134,181	2,582,367
950.10A	Italian-type (NIOL)					
	Argentina	1,417,557	1,364,265	1,366,403	197,595	135,571
	EEC 12					
	Denmark		31,978	42	0	0
	France		5,151	1,559	0	0
	Italy		63,467	85,999	33,033	59,490
	Portugal		0	0	0	0
	EEC countries total	103,616	100,596	87,600	33,033	59,490
	Other countries					
	New Zealand		28,483	11,419	0	5,731
	Other countries total	28,659	28,483	11,419	0	5,731
	Commodity total	1,549,832	1,493,344	1,465,422	230,628	200,792

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.10B	Swiss/Emmenthaler					
	Argentina	176,368	5,198	0	0	0
	Australia	1,102,300	1,097,399	1,102,277	101,789	101,662
	Austria	13,844,888	13,298,680	12,923,253	1,901,691	1,954,870
	Canada	154,322	39,933	154,179	0	0
	Finland	18,077,720	18,101,344	18,032,837	1,655,108	2,843,856
	Iceland	661,380	661,377	567,477	9,610	39,307
	Israel	59,524	59,505	49,907	58,391	11,570
	Norway	15,174,261	15,097,306	15,180,915	3,071,035	1,482,593
	Switzerland	7,561,778	6,154,602	4,968,715	872,859	898,229
	EEC 12					
	Bel/Luxembourg		7,492	3,028	0	0
	Denmark		2,919,764	1,435,572	722,060	316,392
	Germany, Fed. Rep. of		6,905,990	1,778,384	1,781,558	11,167
	France		592,975	125,842	266,837	7,828
	Italy		1,465	0	0	0
	Netherlands		795,544	583,511	159,974	131,883
	Portugal		0	1,425,860	0	138,120
	EEC countries total	13,227,600	11,223,230	5,352,197	2,930,449	605,390
	Other countries					
	Hungary		87,186	101,303	37,694	35,160
	New Zealand		11,949	0	11,949	0
	Uruguay		0	11,916	0	9,039
	Yugoslavia		86,363	74,415	43	0
	Other countries total	187,999	185,498	187,634	49,686	44,199
	Commodity total	70,228,140	65,924,072	58,519,391	10,650,618	7,931,676
950.10C	Gruyère, processed					
	Austria	2,028,232	1,902,691	1,815,851	189,140	315,989
	Finland	2,204,600	2,200,800	2,193,884	32,440	61,216
	Switzerland	4,078,497	2,951,187	2,074,719	425,350	289,433

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.10C (cont'd)	EEC 12					
	Denmark		495,980	405,860	46,297	6,865
	Germany, Fed. Rep. of		2,867,988	1,836,802	393,260	143,722
	France		678,710	502,431	141,654	32,814
	Italy		0	0	0	0
	Netherlands		1,268,703	762,685	18,944	109,329
	Portugal		2,030,005	4,061,055	205,300	1,259,402
	Spain		25	9,520	25	0
	EEC countries total	7,991,674	7,341,411	7,579,153	805,480	1,552,132
	Other countries					
	Hungary		68,470	32,280	13,420	0
	New Zealand		40,256	11,464	40,256	0
	Norway		53,830	53,820	0	13,440
	Sweden		13,350	0	0	0
	Uruguay		0	13,369	0	13,369
	Other countries total	175,999	175,906	110,933	53,676	26,809
	Commodity total	16,479,002	14,571,995	13,774,540	1,506,086	2,245,579
950.10D	Other cheese - NSPF					
	Argentina	220,460	6,201	16,257	0	0
	Australia	2,314,830	2,303,505	2,283,059	566,372	222,622
	Austria	1,432,990	1,371,244	1,411,237	240,831	199,048
	Canada	2,515,448	2,464,650	2,578,118	667,166	445,566
	Finland	2,865,980	2,822,003	2,065,978	609,885	139,170
	Iceland	712,085	711,027	621,327	94,553	82,026
	Israel	1,483,695	1,386,052	1,357,091	264,818	273,656
	New Zealand	24,960,481	24,256,295	24,918,302	523,736	740,004
	Norway	330,690	328,780	330,188	7,096	13,724
	Poland	2,063,999	2,026,545	2,168,907	368,884	79,366
	Sweden	2,334,671	2,332,179	2,307,302	302,859	570,832
	Switzerland	2,689,594	2,525,521	2,320,015	431,354	344,279
	EEC 12					
	Bel/Luxembourg		5,045,657	830,871	111,611	45,762
	Denmark		17,969,031	16,184,793	2,135,818	2,275,460
	Germany, Fed. Rep. of		7,716,868	8,815,675	1,081,930	298,461

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987	
950.10D (cont'd)	France		3,783,550	3,005,386	454,298	281,765	
	Greece		41,859	0	0	0	
	Ireland		253,485	714,101	81,934	262,202	
	Italy		1,249,181	1,280,883	121,005	126,435	
	Netherlands		2,441,232	3,560,014	643,192	146,700	
	Portugal		1,268,294	4,579,642	546,585	1,375,593	
	Spain		3,268	16,374	0	3,393	
	United Kingdom		2,832,171	3,507,846	540,821	547,361	
	EEC countries sub-total		44,319,072	42,495,585	5,717,194	5,363,132	
	Portugal		778,223	0	0	36,439	
	EEC countries total		45,097,295	42,848,822	5,717,194	5,399,571	
	Other countries						
	El Salvador			12,533	10,897	0	0
	Hungary			368,526	426,893	56,399	4,511
Other countries total		444,525	381,059	437,790	56,399	4,511	
Commodity total		89,466,743	85,520,517	86,464,473	9,851,147	8,514,375	
950.10E	Other cheese, low fat						
	Australia		551,150	549,341	327,160	218,257	
	Israel		110,230	110,230	0	0	
	New Zealand		2,204,600	2,204,569	0	704,313	
	Poland		585,805	382,830	0	32,266	
	Sweden		551,150	550,992	11,667	11,170	
	EEC 12						
	Bel/Luxembourg						
	Denmark						
	Germany, Fed. Rep. of						
	Ireland						
	Netherlands						
	Portugal						
	United Kingdom						
EEC countries total		8,810,400	7,195,755	479,486	459,047		

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports	December 1986	December 1987
950.10E (cont'd)	Commodity total	12,621,335	10,996,371	11,181,315	818,313	1,425,053
950.11	Malted milk					
	Other countries total	6,000	0	0	0	0
	Commodity total	6,000	0	0	0	0
	<b>GRAND TOTAL CHEESE</b>	242,478,204	223,810,185	220,381,379	28,879,545	28,126,767

IMPORTS UNDER QUOTA, NOT SUBJECT TO LICENSING REQUIREMENTS  
(Administered on a first-come, first-served basis  
by the United States Customs Service)

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports
949.80	Milk and cream, fluid or frozen, fresh or sour			
	<u>New Zealand</u>	<u>1,500,000 gal.</u>	<u>1,496,646</u>	<u>1,499,989</u>
	Total	1,500,000 gal.	1,496,646	1,499,989
949.90	Milk and cream, condensed in airtight containers			
	Australia	202,000 lb.	201,652	68,542
	Canada	2,192,000	2,191,992	2,163,620
	Denmark	1,334,000	1,334,000	1,333,997
	Netherlands	338,000	338,000	337,912
	Other countries	8,000	420	90
	In other than airtight containers			
	<u>Canada</u>	<u>5,000</u>	<u>0</u>	<u>0</u>
	Total	4,079,000 lb.	4,066,064	3,904,161
	Milk and cream, evaporated in airtight containers			
	Canada	70,000 lb.	95	0
	Denmark	11,000	0	0
	Netherlands	1,209,000	1,209,000	1,208,997
	<u>Germany</u>	<u>22,000</u>	<u>0</u>	<u>0</u>
	Total	1,312,000 lb.	1,209,095	1,208,997



Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports
950.06	Butter substitutes containing over 45% of butterfat and butter oil			
	<u>Global</u>	<u>1,200,000 lb.</u>	<u>1,200,000</u>	<u>1,197,943</u>
	Total	1,200,000 lb.	1,200,000	1,197,943
950.08A	Natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months			
	<u>Canada</u>	<u>1,837,351 lb.</u>	<u>1,300,762</u>	<u>1,704,558</u>
	Total	1,837,351 lb.	1,300,762	1,704,558
950.15	Chocolate containing over 5.5% butterfat (except for retail)			
	Australia	4,409,200 lb.	246,915	4,008,848
	Ireland	9,450,000	9,011,862	9,010,849
	Netherlands	100,000	0	40,067
	United Kingdom	7,450,000	6,720,074	7,446,473
	<u>New Zealand</u>	<u>2</u>	<u>0</u>	<u>0</u>
	Total	21,409,202 lb.	15,978,851	20,506,237

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports
950.16	Chocolate containing 5.5% or less butterfat (except for retail)			
	Ireland	3,750,000 lb.	760,000	1,627,013
	United Kingdom	930,000	0	833,906
	<u>New Zealand</u>	<u>2</u>	<u>0</u>	<u>0</u>
	Total	4,680,002 lb.	760,000	2,460,919
950.17	Animal feeds containing milk or milk derivatives			
	Australia	125,000 lb.	125,000	124,954
	Ireland	12,060,000	10,793,263	11,409,181
	United Kingdom	185,000	185,000	184,050
	<u>New Zealand</u>	<u>3,930,000</u>	<u>3,748,215</u>	<u>3,929,931</u>
	Total	16,300,000 lb.	14,851,478	15,648,116
950.18	Ice cream			
	Belgium	243,650 gal.	0	0
	Denmark	3,450	12	154
	Netherlands	27,600	0	0
	Jamaica	950	0	0
	<u>New Zealand</u>	<u>155,680</u>	<u>6,213</u>	<u>9,246</u>
Total	431,330 gal.	6,225	9,400	

Appendix number	Commodity description and country of origin	Annual quota	Jan. - Dec. 1986 imports	Jan. - Dec. 1987 imports
950.23	Articles containing over 5.5% but not over 45% by weight of butterfat			
	Australia	2,240,000 lb.	2,240,000	2,240,000
	<u>Belgium and Denmark (aggregate)</u>	<u>340,000</u>	<u>340,000</u>	<u>340,000</u>
	Total	2,580,000 lb.	2,580,000	2,580,000

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<sup>1</sup>Individual EC country quotas were abolished following the Multilateral Trade Negotiations Agreement in 1979.

<sup>2</sup>A port of entry adjustment was made which increased or decreased the year-to-date import figure from that reported in the previous month.

<sup>3</sup>Revision from previously reported data

<sup>4</sup>Evaporated milk and cream in other than airtight containers are not admissible.

<sup>5</sup>Total exceeded due to country of origin adjustment

Note: IOL - In original loaves  
NIOL - Not in original loaves  
NSPF - Not specifically provided for  
OT-CHD - Other than Cheddar

Source: United States Customs Service, not comparable to United States Census data.

Import Group, FAS, USDA

For further information, contact the United States Department of Agriculture, Foreign Agricultural Service, Dairy, Livestock and Poultry Division, Room 6616-South Agricultural Building, Washington, D.C. 20250-1000, telephone (202) 447-4455.

Monthly United States Meat and Dairy Imports circulars are issued twelve times a year, and are usually released no later than the 15th of each month.

Table 7

United States Sugar Supply and Use, Fiscal Years

Description	Fiscal year Preliminary forecast		
	1985/86	1986/87	1987/88
	1,000 short tons, raw value		
Beginning stocks <sup>1</sup>	1,759	1,652	1,471
Total production	6,019	6,700	7,000
Beet sugar	2,989	3,400	3,600
Cane sugar	3,030	3,300	3,400
Total offshore receipts	2,378	1,886	-
Quota sugar	1,850	750	-
Quota shortfall	0	0	-
Quota transfer	0	466	250
Quota-exempt for re-export	467	600	600
Quota-exempt for polyhydric alcohol	29	35	35
Total foreign	2,345	1,851	-
Puerto Rico	32	35	35
Total supply	10,156	10,277	-
Total exports	507	555	555
Quota-exempt	463	500	500
Puerto Rico	55	55	55
Export adjustment	-11	0	0
CCC disposal	127	177	0
Polyhydric alcohol	29	35	35
Refining loss <sub>2</sub> adjust.	50	50	50
Stat. adjust. <sup>2</sup>	-8	0	0
Total deliveries	7,799	7,950	8,100
Total use	8,504	8,767	8,740
Ending stocks <sup>1</sup>	1,652	1,471	-
	Million		
Population	241.0	243.3	245.6
	Pounds, refined		
Per capita sugar deliveries	60.5	61.1	61.6
	Per cent		
Ending stocks/total use	19.4	15.3	-

<sup>1</sup>Stocks in hands of United States primary distributors and CCC.

<sup>2</sup>Calculated as a residual. Largely consists of invisible stocks, change of wholesalers, retailers, and industrial users.

Source: Data are from KASS, Sugar Market Statistics. Imports based on customs data for quota-exempt sugar; exports based on census data. Estimates are from Interagency Estimates Committee.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1987)

APPENDIX TO THE TARIFF SCHEDULES  
Part 3 - Additional Import Restrictions Proclaimed Pursuant to  
Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. suffix	Articles	Units of quantity	Minimum quota for certain cumber waste (A)	Unreserved quota (B)	Total quota (C)	Quota quantity (in pounds)
955.05	*	Card strips made from cotton having a staple length under 1 3/16 inches, and cotton cumber waste, sliver waste, and roving waste, all the foregoing, whether or not advanced, the product of any country or area including the United States, entered during the 12-month period beginning September 20 in any year:					
		Whenever, in the respective 12-month period, etc. (cont'd):					
		United Kingdom	*	2,882,305	1,441,152	4,323,437	
		Canada	*	None	239,690	239,690	
		France	*	151,613	75,807	727,420	
		India and Pakistan (aggregate)	*	None	69,627	69,627	
		Netherlands	*	45,693	22,767	68,260	
		Switzerland	*	29,592	16,796	66,388	
		Belgium	*	25,706	12,853	38,559	
		Japan	*	None	361,535	361,535	
		China	*	None	17,322	17,322	
		Egypt	*	None	8,135	8,135	
		Cuba	*	None	6,544	6,544	
		Germany	*	50,886	25,663	76,329	
		Italy	*	14,173	7,088	21,263	
		Other, including the United States	*	None	None	None	
955.06	*	Fibres of cotton processed but not sown, entered during the 12-month period beginning 11 September in any year	*				
							Quota quantity (in pounds)
							1,000

\* See Appendix statistical headnote 1



Item	Stat. Suffix	Articles	Units of quantity	Quota quantity (in pounds)
				Rates of duty (Section 22 fees)
956.05	**	Sugars, syrups and molasses derived from sugar cane or sugar beets, except those entered pursuant to a licence issued by the Secretary of Agriculture in accordance with headnote 4(a):  Principally of crystalline structure or in dry amorphous form, provided for in item 155.20, part 10A, schedule 1:  Not to be further refined or improved in quality	**	An amount determined and adjusted in accordance with headnote 4(c), but in excess of 50% ad valorem
956.15	**	To be further refined or improved in quality	**	An amount determined and adjusted in accordance with headnote 4(c), but not in excess of 50% ad valorem
957.15	**	Not principally of crystalline structure and not in dry amorphous form, containing soluble non-sugar solids (excluding any foreign substance that may have been added or developed in the product) equal to 6% or less by weight of the total soluble solids, provided for in item 155.30, part 10A, schedule 1	**	An amount determined and adjusted in accordance with headnote 4(c) per pound of total sugars, but not in excess of 50% ad valorem
958.10	*	Blended syrups provided for in TSUS item 155.75, containing sugars derived from sugar cane or sugar beets, capable of being further processed or mixed with similar or other ingredients and not prepared for marketing to the retail consumers in the identical form and package in which imported	*	None

\* See Appendix statistical headnote 1

\*\* See Appendix statistical headnote 2



Item	Stat. Suffix	Articles	Units of quantity	Quota quantity (in pounds)
958.15	*	<p>Articles containing over 65 per cent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, with capable of being further processed or mixed with similar or other ingredients, and not prepared for marketing to the retail consumers in the identical form and package in which imported: all the foregoing articles provided for in TSUS items 155.75, 156.43, 183.01, and 183.05, except articles within the scope of other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States</p> <p>Whenever, in any 12-month period beginning 1 October in any year, the respective aggregate quantity specified below for one of the numbered classes of articles has been entered, no article in such class may be entered during the remainder of such period:</p>	*	None
		<p>Articles containing over 10 per cent by dry weight of sugars derived from sugar cane or sugar beets, whether or not mixed with other ingredients, except (a) articles not principally of crystalline structure or not in dry amorphous form that are prepared for marketing to the retail consumer in the identical form and package in which imported, or (t) articles within the scope of TSUS items 958.10, 958.15 or other import restrictions provided for in part 3 of the Appendix to the Tariff Schedules of the United States:</p>		

\* See Appendix statistical headnote 1

Item	Stat. Suffix	Articles	Units of quantity	Quota quantity (in pounds)
958.16	*	Provided for in TSUS item 156.45	*	3,000 short tons
958.17	*	Provided for in TSUS item 183.01	*	2,000 short tons
958.18	*	Provided for in TSUS item 183.05, except cake decorations and similar products to be used in the same condition as imported without any further processing other than the direct application to individual pastries or confections; finely ground or masticated coconut meat or juice thereof mixed with those sugars; and minced seafood preparations within the scope of item 183.05 containing 20 per cent or less by dry weight of those sugars	*	84,000 short tons

\* See Appendix statistical headnote 1

UNITED STATES DEPARTMENT OF AGRICULTURE  
SELLS SURPLUS SUGAR TO CHINA

WASHINGTON, 12 August - Under Secretary of Agriculture, Danial G. Amstutz, today announced that the Commodity Credit Corporation has sold 145,850 metric tons of CCC-owned surplus raw cane sugar to the People's Republic of China.

Amstutz said the sugar, valued at \$15.3 million, has been sold to the National Cereals, Oils and Foodstuffs Import and Export Corporation of China (Ceroilfood). It is expected that all of the raw sugar in CCC's inventory will be shipped against the sale.

The sugar was sold free-on-board vessel at United States port of export and will be delivered during January-March 1987. No credit arrangements are involved in this sale, Amstutz said. The sugar comes from the 1984/85 crop and was acquired by CCC under its domestic price support programme.

The sale was negotiated in Beijing between United States Department of Agriculture representatives and Ceroilfood representatives.

ANNEX B

Written Questions from the European Economic Community  
and Responses from the United States

The United States authorities have supplied the following replies to the written questions from the EEC which were circulated to members of the Working Party as Spec(88)45 of 20 September 1988.

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Question 1: In the section headed "Steps being taken to balance agricultural supply with demand" it is stated with regard to dairy products that "... the Food Security Act of 1985 provided for reductions in milk support prices".

Q: Does this mean that the drop in "milk support prices" is in itself a significant element in the efforts made to adjust the supply of dairy products?

- A: Yes, the support price reductions authorized by the Food Security Act of 1985 would have gradually balanced the supply and demand for dairy products in the United States without the additional authorities provided. The authorized reductions which could have accumulated to \$2.00 per hundredweight of milk were in addition to the \$1.50 reduction in the support price which occurred in 1983-85.

The additional elements of the 1985 Act - assessments on dairy farmers and the Dairy Termination Programme - supplemented the price support cuts and brought supply into alignment with demand more quickly than price cuts alone.

In response to lower milk support prices, market prices for dairy products have risen at a slower rate than the prices of other foods and all consumer goods; and consumers have responded by increasing purchases by more than 11 per cent since 1983. Some of this increase in consumption must also be attributed to a national advertising and promotion programme funded and operated by United States dairy farmers.

Q: Should not the trend in the feed grain support price also be taken into account? Is it not the combined movement of these two parameters which influenced milk supply?

- A: The cost of feed is a significant cost in the production of milk. The trend in feed support prices, however, must be considered along with the other factors that impact on the domestic market price of feed because this is the price faced by dairy farmers. As an example, this past summer the United States Congress, recognizing that the drought would raise feed prices, agreed to raise the support price for milk by \$0.50 per hundredweight for three months (April-June 1989) to help dairy farmers cope with possible higher feed prices.

Q: What has been the trend of the milk/feed price ratio?

- A: First, it must be noted that comparing published feed prices with milk prices is not a valid comparison unless milk prices are adjusted to reflect mandatory assessments on dairy farmers as authorized by several agriculture and budgetary laws. These assessments vary, and totalled as much as \$1.00 per hundredweight since first authorized in 1982. As a result, the "effective" milk/feed price ratio which actually influenced dairy farmer decisions was not as favourable to dairy farmers as published.

Market prices of feed grains fed to dairy cows dropped steadily from 1984 through the third quarter of 1987 reflecting in part changes in the support levels for feed grains. Although the milk price support level also was declining during this period, there were periods when market conditions raised milk prices significantly over the support level. For example, as the Milk Diversion Programme (January 1984-March 1985) reduced market supplies of milk, competition actually increased milk prices nearly \$0.75 while the support level was reduced \$1.00. Similarly, the Dairy Termination Programme (April 1986-September 1987) also reduced supplies to the point where market demand took over and raised market prices for milk. Despite a \$0.50 reduction in the support price and an assessment on producers that ranged up to \$0.52 per hundredweight, the market actually increased the effective price to dairy farmers.

To summarize then, although consideration is given to feed prices when establishing the dairy support price, the milk support price does not constrain market prices which can rise as a result of tightening supply and demand conditions.

Q: Is a rise in this [M/F] ratio in 1986/87 not evidence of the ineffectiveness of United States measures to control milk supply?

- A: On the contrary, if the government had employed more stringent economic measures than provided for in the 1985 Act, or if to meet some social objective a base-quota programme had been instituted, it is possible that our Government's commitment to the American people to assure them an adequate supply of dairy products would not have been met in 1988.

By mid-1987, the full impact of the voluntary Dairy Termination Programme was being felt by the industry. Also, commercial use of milk and dairy products was expanding much more than analysts had projected. As a result, competition for farm milk by dairy processors heightened and farm milk prices rose. During the fourth quarter of 1987, manufacturing milk prices averaged \$0.86 per hundredweight (or nearly 8 per cent) above the support level. Government stocks were available at that time and kept milk prices from rising further.

So far in 1988, increases in demand have continued to out-pace increases in milk production and Government purchases of products other than butter have virtually ceased. As market conditions have continued to tighten, milk prices have risen and the Government has no stocks of cheese or non-fat dry milk to limit the rise.

Question 2: With regard to support measures for peanuts, a distinction is drawn between quota peanuts, which receive full support, and non-quota peanuts. If such a distinction is made on the domestic market, what is the justification for the fact that both types of peanuts are shielded from imports by the waiver?

- A: Quota and additional (non-quota) peanuts are supported at substantially different levels. For the 1988-crop, quota peanuts are supported at \$615.27 per ton and additional (non-quota) peanuts are supported at \$149.75 per ton. The legislation intends for quota peanuts to move into the domestic edible market and additional peanuts to move into the export and crushing markets. However, the legislation also provides for the purchase of additional peanuts from loan for domestic edible use at no less than the quota support level, plus cost. Therefore, all peanuts moving into the United States domestic edible market must be purchased at a minimum of the higher quota support level. The Section 22 peanut import quota limits the amount of lower-priced foreign peanuts moving into the United States domestic edible market.

Question 3: The Statement "The new legislation also contains a number of provisions designed to make United States cotton available to world markets at competitive prices" at the bottom of page 2 appears to be a reference to "marketing loans".

Q: Is the increase of United States exports the primary method of adjusting supply and demand for cotton?

- A: No. Several provisions contained in The Food Security Act of 1985 (the 1985 Act), which amended the Agricultural Act of 1949 (the 1949 Act), can be utilized to more closely balance the United States upland cotton supply with demand.

The 1949 Act provides that if the Secretary of Agriculture determines that the total supply of upland cotton, in the absence of an acreage reduction programme (ARP) will be excessive, taking into account the need for an adequate carry over to maintain reasonable and stable supplies and prices and to meet a national emergency, the Secretary may provide for an upland cotton ARP. The maximum ARP requirement allowed under the 1949 Act is 25 per cent which was the level in effect for both the 1986 and 1987 crops of upland cotton. In addition, the 1949 Act provides that the Secretary may make land diversion payments to producers of upland cotton if the Secretary determines that such land diversion payments are necessary to assist in adjusting the total national acreage of upland cotton to desirable

goals. Finally, the long-term conservation reserve programme (CRP) authorized by the 1985 Act was designed to remove from production for ten years highly erodible land that might otherwise be planted to programme crops such as upland cotton. Thus far, over 1 million acres of upland cotton base have entered the CRP.

Q: Do the cotton market loan provisions apply only to production for export? If products intended for the United States market can also benefit from them, what have been the consequences for cotton price trends in the United States?

- A: No. The marketing loan provisions apply to United States cotton sold for both domestic use and export. In 1985, before enactment of the 1985 Act, United States domestic mill use of upland cotton totalled 6.3 million bales. In contrast, domestic mill use during marketing years 1986 and 1987 totalled nearly 7.4 and 7.6 million bales, respectively. Domestic cotton prices have generally reflected trends in the world cotton price.

Question 4: The table on page 4 gives data on CCC stocks, in particular for milk and sugar.

Q: What has become of the amounts stocked in the past, in 1983 or 1984?

Q: Could the United States provide a breakdown of CCC uses of these stocks?

- A: The United States acquired Government owned sugar stocks only in 1985. These stocks, which totalled approximately 430,000 tons, were sold for ethanol production (120,000 tons raw cane), to the People's Republic of China (180,000 tons raw cane), and for unrestricted use (130,000 tons refined beet).

The Attachment to this document contains tables which provide the answer to the EC's question for dairy products:

Question 5: It is stated (fifth paragraph) that "The 1985 Act continues the annual \$50,000 limit on total combined deficiency and diversion payments". According to a variety of sources, cotton planters receive sums well in excess of this \$50,000 limit. Is this true, and if so, what are the reasons?

- A: The Food Security Act of 1985, as amended, provides that the total amount of deficiency and diversion payments that a person shall be entitled to receive under one or more of the annual programmes for wheat, feed grains, upland cotton, extra long staple cotton and rice is limited to \$50,000. In addition, the total of the following payments, combined with the total deficiency and diversion payments is limited annually to \$250,000 per person: (1) disaster payments; (2) any gain realized by repaying a loan at a lower level than the original loan level; (3) any deficiency payment for wheat or feed

grains attributable to a reduction in the statutory loan level; (4) any loan deficiency payment; (5) any inventory reduction payment; and (6) any payment representing compensation for resource adjustment (other than diversion payments) or public access for recreation.

The term "person" is defined by statute and by regulation. New regulations effective on 1 August 1988, are used to determine whether certain individuals or legal entities are to be treated as one person or as separate persons for the purpose of applying the payment limitation provisions. Under the new regulations an individual may not receive a payment under a programme either directly or indirectly from more than three permitted entities. Thus, under the existing regulations and statutes, a cotton producer may indirectly receive benefits in excess of \$50,000, but not more than \$100,000 over the per person limitation, if that producer is involved in more than one legal entity.

Question 6: Could the United States provide information on the effects of the subsidies authorized by the Bureau of Reclamation, in particular as regards changes in the area planted to cotton?

- A: Subsidized water, provided by the Bureau of Reclamation (BOR) has had little impact on the area on which cotton is grown in recent years. The effects were greater when the projects were first completed, most recently in central California in the mid-1970s. In recent years, commodity policies, such as the PIK programme of 1983 and ARP requirements of the 1949 Act, have had a much more significant impact on cotton acreage. The water subsidies consist of the difference between the cost of providing water (primarily capital costs of building dams, reservoirs, canals and pipelines) and the payments made by farmers for use of that water.

Less than 10 per cent of United States cotton acreage, accounting for about 16 per cent of United States cotton production, benefits from BOR water subsidies. This acreage has actually decreased since 1979 from 1.1 million acres to 724,000 acres in 1986, the most recent year for which data are available. Production on this acreage has also declined from 2.2 million bales in 1979 to 1.6 million in 1986.

Question 7: Page 8: with regard to peanuts the United States document does not disguise the fact that limits on production were eliminated in 1985 ("acreage allotments were suspended").

Q: What measures are now actually applied for the limitation of production of peanuts in the United States.

- A: United States peanut production is not limited; however, marketing of peanuts for domestic edible use is limited by the national poundage quota and the quota price support level. The Agricultural Adjustment Act of 1938 requires that the national poundage quota be set for each marketing year at the estimated domestic edible, seed and related use.



Additional peanuts may be grown for crushing or export, or placed under a loan, but the support level for such peanuts is significantly lower than that for poundage quota peanuts. No limits are placed on production of additional peanuts, but the lower support level tends to discourage excess production.

Q: In the absence of effective production limitation measures, what is the justification for maintaining quantitative import restrictions?

- A: Under the Section 22 Statute, import restrictions must be kept in place if their removal would result in material interference in the operation of the support programme involved. Reducing or eliminating the quantitative import restrictions on peanuts could displace United States quota peanuts in the domestic edible market, and the Commodity Credit Corporation could lose as much as \$500 for each short ton of quota peanuts pledged as collateral for a price support loan.

Question 8: On page 13 the United States notes that milk production has increased.

Q: How does the United States justify this increase?

- A: Given the tight supply and demand conditions in the United States in 1988, it is fortunate that a moderate policy was selected to correct the supply-demand imbalance. Had resources been drawn out of milk production more rapidly in 1986 and 1987, United States consumers would be paying much higher prices now in 1988. If consumer demand and price levels call for additional supplies, milk production must be allowed to expand.

Q: Is it not due to the "voluntary" nature of the supply reduction measures introduced?

- A: No. Not all offers to participate in the Dairy Termination Programme (DTP) were accepted. Additional resources could have been removed under that Programme if desired. It now appears that the production resources removed by way of DTP and those that left dairying in response to the lower support price was just about right considering the continuing increases we have seen in commercial consumption.

There are indications that the resources that left dairying during the past two years were less efficient, leaving us with a very efficient and healthy dairy production industry. Such efficiency could not have been achieved with an involuntary programme.

Q: In these circumstances, is it possible to speak of effective production limitation measures for milk in the United States?

- A: Yes, in terms of the balance of supply and demand in the United States market, our measures have been very effective. It must be remembered that the United States, unlike the EC, does not have

substantial surplus dairy production. Thus an increase in United States production, on the scale cited in our report, does not necessarily result in an increase in stocks or exports as it would in the EC.

Question 9: It is recalled that the United States is not self-sufficient in sugar.

Q: What has been the trend in the rate of self-sufficiency for sugar?

- A: The United States has become more self-sufficient. Currently the United States produces 87.5 per cent of its sugar requirements and 95 per cent of its sweetener requirements.

Q: What are the measures taken to adjust sugar supply and demand and do these measures also concern sweetening products which compete directly with sugar?

- A: There are no measures in place to adjust domestic supply or demand for sugar or other sweeteners in the United States, other than the maintenance of the existing support prices. Such measures have not been considered necessary, since there are no surplus stocks of sugar in the United States.

Question 10: With regard to sugar-containing articles, could the United States specify how the quotas - introduced in 1985 for some products - have been managed. In particular, at what times have the import quotas of interest countries been exhausted?

- A: The quotas for certain sugar containing products, in particular TSUS items 156.45 (3,000 short tons), 183.01 (7,000 short tons), and 183.05 (84,000 short tons), were established by presidential proclamation to maintain the integrity of the domestic price support operations by bringing under control imports of certain dry mixtures. These quotas were established on a fiscal year basis and are filled early in the quota period.