GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6975
20 February 1992

Limited Distribution

Original: English

UNITED STATES AGRICULTURAL ADJUSTMENT ACT

Thirty-Third and Thirty-Fourth Annual Reports by the United States Government under the Decision of 5 March 1955

The following reports, dated 6 January 1992, have been received from the representative of the United States. The reports cover the periods October 1989-September 1990 and October 1990-November 1991 respectively.

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

Introduction

This report is submitted in accordance with the decision of 5 March 1955, waiving United States obligations under Articles II and XI of the GATT to the extent necessary to prevent their conflict with actions the United States Government is required to take under Section 22 of the Agricultural Adjustment Act, as amended (see BISD, Third Supplement, page 32 and 35). The report reviews recent developments, the reasons why restrictions continue to be applied and steps taken to balance supply with demand. It also summarizes support programmes and supply situations for commodities subject to Section 22 controls. This report covers the period October 1989 through September 1990. (The "Food, Agriculture, Conservation and Trade Act of 1990", which is applicable to farm programmes in 1991-95, was signed by the President on 28 November 1990 and will modify provisions of the 1985 Act).

Recent developments

Most import restrictions imposed under the authority of Section 22 continued in effect without change. Quantitative import restrictions established pursuant to Section 22 authority, through Presidential proclamations of previous years, are in effect for: cotton of specified staple lengths; certain cotton waste and certain cotton products; peanuts; certain dairy products; and certain sugar-containing articles. An import fee is imposed on refined sugar. Section 22 requires the President to impose fees or quantitative limitations on the importation of any articles which are necessary to prevent such articles from being

imported into the United States "under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with," any programme undertaken by the Department of Agriculture with respect to such articles or products thereof, or to reduce substantially the amount of any product processed in the United States under such programmes.

Only one Presidential Proclamation related to Section 22 authority became effective during the period covered by this report. This was:

No. 6151 of 28 June 1990, which modified import restrictions for certain agricultural products. Section 1204(a) of the Omnibus Trade and Competitiveness Act of 1988 (the 1988 Act) enacted the Harmonized Tariff Schedule (HTS) effective 1 January 1989. Section 1211(c) of the 1988 Act authorized the President to proclaim changes to the HTS if he determined that conversion from the tariff schedules of the United States to the HTS resulted in unforeseen changes under which articles previously subject to Section 22 import restrictions were excluded from such restrictions, or articles not previously subject to Section 22 import restrictions were included in such restrictions. Changes in the coverage of these import restrictions were corrected by Proclamation 6151 (attached) which modified the HTS for the products cited in the Annex to Proclamation 6151.

Steps being taken to balance agricultural supply with demand

The Food Security Act of 1985 provided for gradual reductions in milk support prices, with further reductions possible under certain circumstances to encourage consumption and discourage high-cost producers. As a further disincentive to excess supply, producers were assessed a fee on all milk produced and marketed, through 30 September 1986, to help finance the dairy herd buyout. In response to the effects of the 1988 drought, the Disaster Assistance Act of 1988 rescinded the possibility of a 50 cent per cwt. Increase in the support price, effective 1 April 1989 through 30 June 1989. The support price reverted to its pre-April level on 1 July 1989. The support price was reduced from US$10.60 per cwt. to US$10.10 in accordance with the Omnibus Budget Reconciliation Act of 1989.

For peanuts, the steps to bring production into line with demand, which were first implemented in 1978 are continuing. The quantity of peanuts eligible for the higher domestic edible use price support are limited by a national poundage quota. Additional peanuts are supported at a much lower price set to avoid any net cost to the government. Additional peanuts placed under loan may be sold for edible use under a procedure which permits immediate loan redemption at the domestic edible use support price. The national poundage quota was set at 1,560 million short tons for the 1990 crop based on estimated domestic edible, seed and related use for the 1990/91 marketing year.

In the case of upland cotton, the Food Security Act of 1985 gives the Secretary the authority to require of programme participants an acreage reduction of up to 25 per cent and to implement an additional paid land diversion. The legislation provides for gradual target price reductions for the 1987-1990 crops of upland cotton. It also contains a number of provisions designed to make United States cotton available to world markets at competitive prices.

Loan and Deficiency Payments Rates - 1988-1990

Commodity	Unit	Support price dollars per unit		
		1988	1989	1990
Cotton, upland				
Loan Rate[1]	lb.	.5180	.5000	.5027
Deficiency payment rate[2]	lb.	.1940	.1310	[3]
Cotton, extra long staple				
Loan rate	lb.	.8092	.8177	.8177
Deficiency payment rate	lb.	0	.0040	[3]
Peanuts				
Quota loan	lb.	.3076	.3079	.3157
Additional loan	lb.	.0749	.0749	.0749
Dairy products				
Mfg. milk[4]	cwt.	10.60 (Jan.- Dec.)	10.60 (Jan.- Mar.) 11.10 (Apr.- June) 10.60 (Jul. - Dec.)	10.10 (Jan.- Dec.)
Raw cane sugar loan rate[5]	lb.	.18	.18	.18[6]
Refined beet sugar loan rate[5]	lb.	.2137	.2154	.2194[6]

[1]Basis strict low middling 1-1/16", net weight, micronaire 3.5 through 4.9, at average location.

[2]Deficiency payments are calculated based on the difference between the target price and the average market price received by farmers for the calendar year, not to exceed the difference between the target price and the loan rate. Deficiency payments are made only to producers who participate in the acreage reduction programme.

[3]Has not been determined. Advance deficiency payments were issued under the 1990 upland cotton programme based on a projected final deficiency payment rate of $0.1050. No advance payments were made for 1990-crop ELS cotton. The 1990-crop final deficiency payment rate for upland cotton will be determined in February 1991. For ELS cotton, it will be determined in May 1991.

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

[5]National weighted average loan rate.

[6]1990 sugar loan rates do not reflect a 1.4 per cent reduction as required by GHR.

Production, Consumption, Trade and CCC Acquisition and Stock Data, 1986-1990

Commodity and production year	Production	Imports	Domestic consumption	Exports	CCC acquisition	CCC stocks
			(Million lb.)			
Cotton[a]	(August-July)					
1986-87	4,671	1	3,577	3,208	9[b]	37[c]
1987-88	7,085	1	3,656	3,159	64[b]	1[c]
1988-89	7,397	2	3,735	2,951	31[b]	24[c]
1989-90	5,854	1	4,022	3,693	0[b]	13[c]
1990-91[d]	6,984	10	3,936	3,264	0[b]	0[c]
Milk[e]	(January-December)					
1986	144,800	2,733	141,323[f]	1,379	10,600[g]	6,621[h]
1987	142,462	2,490	141,029[f]	1,369	6,700[g]	1,648[h]
1988	145,527	2,400	136,800[f]	1,533	8,900[g]	2,952[h]
1989	145,342	2,498	135,800[f]	3,115	9,000[g]	3,232[h]
Peanuts[i]	(August-July)					
1986-87	3,701	2	2,878	663	102	0
1987-88	3,620	2	3,170	618	186	0
1988-89	3,981	2	3,285	688	491	0
1989-90	4,342	2	3,166	975	268	0
Sugar	(October-September)					
1986-87	13,770	3,558	16,092	1,198	0	0
1987-88	14,292	2,582	16,386	880	0	0
1988-89	13,424	3,998	16,452	1,032	0	0
1989-90	13,202	4,990	16,750	1,100	0	0
1990-91	13,090	4,880	16,950	900	0	0

[a]Upland and extra long-staple. To convert to United States bales, divide by 480 lb., the average weight of a bale of cotton.

[b]Upland and ELS cotton loans are made for a period of ten months. Upland cotton loans may be extended for another eight months under certain price conditions. These figures represent total forfeitures of cotton produced during the respective marketing year, as of October 1990.

[c]As of July respective marketing year.

[d]Estimated as of October 1990.

[e]Milk equivalent, fat basis.

[f]Does not include milk fed to calves.

[g]Net acquisitions: CCC purchases minus sales for unrestricted use.

[h]Changes in stocks equal CCC purchases minus donations and restricted and unrestricted use sales.

[i]For peanuts, domestic consumption includes food use, seed, crush and loss.

COTTON AND COTTON PRODUCTS

Quotas

Import quotas continue for upland cotton, certain staple lengths of cotton, cotton waste and cotton products. The United States maintains cotton price support, production adjustment and related surplus disposal programmes. Import quotas on cotton, cotton waste and certain cotton products are necessary in order to prevent material interference with these programmes for cotton.

During the reporting period, the United States International Trade Commission concluded its investigation on cotton comber waste and submitted its report to the President in January 1990. The investigation was notified in L/6574. (On 13 November 1990 the President issued a proclamation indefinitely suspending the import quota on all cotton comber waste.)

Support programmes

Upland cotton. The Food Security Act of 1985 provides a five-year programme covering the 1986-90 crops of wheat, feedgrains, rice, sugar and upland cotton. The upland cotton programme is part of a comprehensive farm programme designed to encourage agricultural production to meet domestic and foreign demand while protecting farm income. Although the 1985 Act provides for an upland cotton programme that in many respects resembles earlier programmes. Several changes were introduced that are intended to help restore the competitive position of United States cotton in world markets.

The 1985 Act continues the concept of guaranteed or "target" prices. The 1986-crop upland cotton target price was frozen at the 1985 level (81 cents per lb.), but gradual reductions were required in subsequent years. The 1990 upland cotton target price is 72.9 cents per lb., down slightly from the 1989 level of 73.4 cents per lb. If the weighted average price received by farmers for upland cotton during calendar year 1990 equals or exceeds 72.9 cents per lb., no deficiency payments will be made. If the average price is less than the target price, the deficiency payment rate will equal the difference between the target price and the higher of the calendar year average price or the loan level for the crop.

The 1985 Act continues the annual US$50,000 limit on total combined deficiency and diversion payments. Beginning with the 1987 crop, total payments made under certain other programme provisions to any one person participating in the upland cotton, extra long staple cotton, rice, wheat and feedgrains programmes cannot exceed US$250,000, inclusive of the US$50,000 limit on deficiency and diversion payments.

The 1985 Act contains provisions designed to make United States cotton more competitive in world markets. If the prevailing adjusted world price (AWP) for upland cotton (as calculated by USDA using a prescribed formula)

is below the loan level for the crop, the Secretary of Agriculture must implement one of the two plans (Plan A or Plan B) to lower the loan repayment rate. USDA implemented Plan A in 1986. The loan repayment rate was set at 80 per cent of the loan rate. Negotiable marketing certificates were issued to participating first handlers of cotton whenever the AWP was below the loan repayment rate. The payments were made to assure that United States cotton was made available to the world market at competitive prices. Inventory protection payments were also made in order to make raw cotton in the inventory of 1 August 1986 available on the same basis.

Plan B was in effect for 1987 through 1989 and is currently in effect for 1990. Under Plan B for 1990, the loan repayment rate is the lower of the loan rate or the AWP in effect for the week in which the loan redemption occurs, adjusted for quality and location. However, the AWP for any quality cannot be less than 05 cents per lb. During the initial ten-month loan period, when loan collateral is redeemed with cash and the AWP is below the loan rate, CCC will not require payment of any interest and will pay all of the warehouse charges. When the AWP is above the loan rate, CCC will not require the payment of that portion of the interest and will pay that portion of the warehouse charges necessary to permit the loan collateral to be redeemed with cash at the AWP. During the eight-month loan extension, producers will be required to pay interest and warehouse storage changes on cash loan repayments regardless of the level of AWP. If the loan collateral is forfeited to the CCC, the producer must pay CCC eight months of storage charges plus a handling charge of US$1.00 per bale on the forfeited cotton.

A discretionary provision contained in the 1985 Act authorizes payments to producers who, although eligible to obtain loans, agree to forego obtaining loans. These loan deficiency payments equal the difference between the loan rate and the loan repayment rate times the quantity of upland cotton eligible to be placed under loan (not to exceed the upland cotton farm programme acreage times the farm programme payment yield). The cash portion of any loan deficiency payment is subject to the US$250,000 payment limit. This provision was authorized for the 1986 through 1990 upland cotton programmes. For 1990, any loan deficiency payments will be paid in cash.

Acreage reduction requirements for the 1986 and 1987 crops were set at 25 per cent, the maximum allowed under the 1985 Act. To be eligible for price support loans and deficiency payments, producers could not plant more than 75 per cent of their farm acreage base to upland cotton. The acreage reduction requirements for 1988 and 1989 were 12.5 per cent and 25 per cent, respectively. For the 1990 marketing year, a 12.5 per cent acreage reduction requirement is in effect. No paid land diversion programme was offered from 1986 through 1990.

Extra long staple cotton. New legislation enacted in 1983 changed the programme for extra long staple (ELS) cotton from an acreage allotment and marketing quota system to a programme similar to that in effect for upland cotton, wheat, rice and feedgrains. The Food Security Act of 1985 changed the formula for calculating the ELS cotton loan rate. Instead of being

based on the upland cotton loan rate as in the past, the ELS cotton loan rate is equal to 85 per cent of the simple average price received by farmers for ELS cotton in the five-year period ending 31 July in the year the loan level is announced, dropping the highest and lowest years. The 1986 crop ELS cotton loan rate was 85.40 cents per lb. and the target price was 102.48 cents per lb.. A 10 per cent acreage reduction programme was in effect for the 1986 and 1988 ELS cotton crops. Fifteen per cent was required for the 1987 season. For 1990, the loan rate is 81.77 cents per lb. and the target price is 98.10 cents per lb.. A 5 per cent acreage reduction programme is in effect for the 1990 crop of ELS cotton.

Programme activity

(i) Upland cotton. Cotton loans mature ten months from the first day of the month in which the loan is made. However, the Food Security Act of 1985 provides that non-recourse loans for upland cotton shall, upon request of the producer during the tenth month of the loan period, be available for an additional term of eight months, except when the average price of Strict Low Middling 1-1/16 inch cotton (micronaire 3.5 through 4.9) in the designated spot market for the preceding month exceeds 130 per cent of the average spot price for the preceding thirty-six months.

During the 1989/90 season, about 3.7 million bales of upland cotton were placed under loan.

Supply situation - 1989 crop

(i) Upland Cotton. The carryover on 1 August 1989 totalled 7.0 million bales. Production in 1989 declined to 11.5 million bales as compared with about 15.1 million in the previous year. The total supply in 1989-90 approximated 18.5 million bales or 2.3 million below a year earlier. Disappearance (domestic consumption and exports) increased in 1989 to 15.9 million bales from the previous year's level of 13.6 million bales. The 1 August 1990 carryover was 2.8 million bales. The average United States yield for the 1989 crop of upland cotton was 602 lb./harvested acre, down about 2 per cent from the previous year's level of 615 lb.

(ii) Extra long staple cotton. The carryover on 1 August 1989 totalled about 66,000 bales. Production in 1989 more than doubled, totalling 692,000 bales as compared with 334,000 a year earlier. The total supply in 1989 reached 758,000 bales compared to 387,000 bales the previous year. Disappearance (domestic consumption and exports) totalled about 528,000 bales, 192,000 more than in 1988; about 23,000 bales were unaccounted for. The net result was a carryover on 1 August 1990, estimated at about 207,000 bales, 141,000 bales above a year earlier. The yield for 1989 rose from last year's 848 lb. per harvested acre to 893 lb.

Steps taken to balance supply and demand

In addition to production adjustment programmes, additional Government programmes designed to attain a better balance in the supply and demand position include continued emphasis on research and market promotion programmes designed to increase cotton utilization throughout the world. These programmmes remain basically the same as previously reported.

Peanuts

Quotas

The annual import quota of 1,709,000 lb. (shelled basis) remains in effect to prevent material interference with United States programmes and operations relating to peanuts.

Support programmes

The Food Security Act of 1985 further modified the peanut price support programme for the 1986 through 1990 crops, continuing steps begun under the Food and Agriculture Act of 1977 to bring peanut production for domestic edible use in balance with market needs. The 1985 Act continued the two-tier price support programme.

Poundage quotas were retained and acreage allotments were suspended. This programme allows any farmer in the United States to grow and market peanuts for export or crush whether the farm has a poundage quota or not.

Peanuts marketed under the poundage quota are eligible for domestic edible use and are supported at a higher rate. Price support for 1990-crop quota peanuts is set at US$631.47 per ton, up US$15.60 from 1989. Current legislation requires the quota support for the 1986 through 1990 crops to reflect annual increases in production costs, excluding any change in the cost of land. But, it limits the increase to 6 per cent for each annual adjustment.

The national poundage quota must be set at estimated domestic edible, seed, and related uses, but no less than 1.1 million tons. The 1990 poundage quota was set at 1,560 million tons, up 8.3 per cent from the quota for 1989.

Additional or non-quota peanuts may be grown by anyone, both quota holders and non-quota holders. Legislation requires these peanuts to be contracted for export, crush, or both, or that they be placed under loan. Contracts (price and quantity agreements between buyers and sellers) for growing additional peanuts must be submitted to the Department of Agriculture or, if so designated, to the area associations before 1 August. Additional peanuts placed under loan may be sold for domestic edible use, but the cost of the loan redemption may be no lower than the quota price support level plus the cost incurred by CCC.

The support price for additional peanuts will be set to avoid any net cost to the Government. The demand for peanut oil and meal, expected prices for other vegetable oils and protein meals, and the demand for peanuts in foreign markets is also considered in establishing the support price for additional peanuts. For 1990, the support level was set at US$149.75 per ton, unchanged from the level for 1990.

Programme activity

During the 1989-90 marketing year (August-July), 407 million lb. of farmers' stock peanuts were placed under loan, of which approximately 106 million lb. were redeemed or bought back for domestic edible use. For the 1988-89 marketing year, 767 million lb. of peanuts were placed under loan, with about 276 million lb. redeemed or bought back for domestic edible use.

Supply situation

Growers harvested 1,645,000 acres of peanuts in 1989, 1 per cent above 1988. Supplies in the 1989/90 marketing year were virtually unchanged from 1988/89. Growers received an average of US$538 per ton for all peanuts produced, unchanged from the 1988/89 average level.

Annual data on peanut production, consumption, exports, stocks and acquisitions under the price support programme since the 1970 marketing year are shown on the following page.

The total supply of peanuts in the United States for 1989/90 marketing year was about 4,254 million lb., compared with an average supply of 4,910 million lb. for the five years 1984-88.

Steps taken to balance supply and demand

The Agriculture and Food Act of 1981 which was effective for the 1982 through the 1985 peanut crops provided methods for achieving a balance between supply and demand. This legislation took two principal approaches:

(1) setting the national lb.age quota at the estimated level of domestic edible, seed and related uses; and,

(2) disposal of quota peanuts acquired by the CCC under the price support programmes by sales for crushing into oil and meal. In addition, peanut products have been purchased under related programmes and utilized in domestic distribution programmes. The Food Security Act of 1985, effective for the 1986 through 1990 crops, continues this programme.

CCC net realized losses on the peanut programme were about US$13.3 million for FY 1989 compared to US$6 million for the FY 1988.

Peanut Production, Consumption, Exports, Stocks and Acquisitions
Marketing Years 1970-1989

Year beginning 1 August	Prod. 1	Imports	Domestic consumption, and exports[2]	Stocks end of year	Acquisitions under price support[3]
			(Million lb.)		
1970	2,979	2	2,881	453	1,033
1971	3,005	2	3,063	392	1,204
1972	3,275	2	3,240	429	1,158
1973	3,474	1	3,351	553	858
1974	3,668	1	3,138	1,084	410
1975	3,857	1	3,886	1,060	1,170
1976	3,739	1	4,192	608	1,235
1977	3,715	1	3,743	581	305
1978	3,952	1	3,948	586	309
1979	3,968	1	3,927	628	436
1980	3,303	401	2,919	413	235
1981	2,982	2	3,640	757	298
1982	3,440	2	3,335	864	175
1983	3,296	2	3,551	611	111
1984	4,406	2	3,595	1,424	330
1985	4,123	2	4,704	845	684
1986	3,701	2	3,541	1,003	102
1987	3,620	2	3,788	833	186
1988	3,981	2	3,973	830	491
1989	3,990	2	4,141	694	307

[1]Data are net weight values.

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

[3]Included in domestic consumption and exports (may include diversions of previous crop).

Dairy products

Quotas

As in past years, the Trade Agreements Act of 1979 limits imports of dairy products (mainly cheese) to 110,000 metric tons per annum. Quotas on dairy products were imposed during the early 1950s as a means to prevent material interference with the domestic price support programme for milk.

Import licences are issued to eligible applicants to allocate country quotas in a fair and equitable manner and to ensure that the total quota for dairy products is not exceeded. The on-line computer, which became operational during mid-1979, provides rapid, error-free responses to requests made by licensed importers regarding quota entries. Additionally, an on-going programme is in place to keep importers, importer associations, United States custom service officials, trade members, foreign embassies and foreign producers advised and up-to-date on pending changes to the quota system.

For 1990, several country of origin adjustments were affected when it became evident that quota items could not be supplied in sufficient quantity by the named country or origin to fill these quotas. Adjustments for 1990 include: sweetened condensed milk from Denmark (9904.10.06); Swiss-Emmenthaler cheese from Iceland (9904.10.48); Swiss-Ementhaler, Gruyère processed and other cheese not specifically provided for (NSPF) from Finland (9904.10.48, 9904.10.51 and 9904.10.54); lowfat cheese from New Zealand, (9904.10.57); lowfat cheese from Australia, (9904.10.57); Processed Edam and Gouda cheese from Norway, (9904.10.39); Gruyère cheese from other countries, (9904.10.51); and Swiss-Emmenthaler and other cheese not specifically provided for (NSPF) from Argentina (9904.10.48 and 9904.10.54).

Utilization rates for quota cheeses which have fallen since 1986 began to recover in 1989. The recovery in utilization rates can be attributed to a strong United States market for cheese and cheese products and falling world prices.

Other activity during this reporting period related to a Section 22 request by the Government of Canada that the import quota restriction on ice-cream be globalized and eliminated. The International Trade Commission initiated an investigation which was concluded in August 1989. The ITC issued a report to the President which is under review.

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

Support programme

The milk price support programme, which is operated pursuant to the Agricultural Act of 1949 (1949 Act), as amended, requires that the price of milk to producers be supported at such level, between 75 and 90 per cent of parity, as will assure an adequate supply of milk, reflect changes in the cost of production and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. However, since 21 October 1981, the support price has been established by legislation at specific price levels, rather than parity levels. The support price of US$10.60 per cwt., effective 1 October 1989, was 45.0 per cent of parity on that date and the support price of US$10.10 per cwt., effective 1 January 1990, was 42.9 per cent of parity.

The price of milk is supported by the CCC through purchases of butter, cheese, and non-fat dry milk at prices calculated to enable plant operators to pay dairy farmers, on the average, a price equal to the support level. The effectiveness of the programme depends on competition by manufacturers for available supplies of milk so that the average price received by farmers will equal the announced support price. At times of significant price support purchases, the purchase prices for these products tend to become the floor for the market prices of such products. Since most of the fluid milk prices are based on prices paid for manufacturing milk, the price support programmes undergirds all milk and dairy product prices.

Programme activity

In carrying out the price support and related programmes in the 1989-90 marketing year (MY), USDA removed from the market, 5.9 per cent of milkfat and 0.2 per cent of solids-not-fat milk equivalent marketed by farmers. Removals of milkfat included 14.0 million lb. butter exported under the Dairy Export Incentive Programme.

During MY 1989-90 net price support purchases of dairy products totalled 370.2 million lb. of butter and 18.0 million lb. of non-fat dry milk. To meet domestic feeding programme needs, an additional 10.0 million lb. of instant fortified non-fat dry milk were purchased on a competitive bid basis under the authority of Section 709 of the Food and Agriculture Act of 1965 for domestic programme use. USDA also purchased 18.7 million lb. of Mozzarella cheese at market prices on a competitive bid basis. In addition, USDA purchased 31.8 million lb. of evaporated milk, 5.1 million lb. of concentrated liquid infant formula and 490,000 lb. of powdered infant formula under Section 4(a) authority for distribution to needy persons. USDA's purchases, milkfat basis, for MY 1989-90 were about 5.5 per cent of total marketings by farmers, compared with 6.4 per cent in MY 1988-89.

The expenditures under the Special Milk Programme (see page 15) were approximately US$18.5 million in Fiscal Year (FY) 1989. This is the latest year for which expenditure figures are available. Approximately US$18.7 million was spent in FY 1988.

Supply situation

Milk production totalled 147.2 billion lb. in MY 1989-90, 1.8 per cent above a year earlier. Cow numbers decreased 0.3 per cent and production per cow increased 2.0 per cent in MY 1989-90.

Steps taken to balance supply and demand

The Food Security Act of 1985 (1985 Act), contained several provisions intended to reduce and discourage the production of excess milk. The 1985 Act amended the 1949 Act by continuing the US$11.60 per cwt. support price through calendar year 1986. It established a support price of US$11.35 per cwt. during the period 1 January through 30 September 1987 and US$11.10 per

cwt. for the period 1 October 1987 through 31 December 1990. However, on 1 January of 1988, 1989 and 1990, the Secretary was required:

(1) to reduce the support price 50 cents per cwt. from that in effect on that date if CCC purchases during that calendar year were projected to exceed 5.0 billion lb. milk equivalent; or,

(2) to increase the support price 50 cents per cwt. If CCC purchases were projected at 2.5 billion lb. or less, milk equivalent.

The 1985 Act required the Secretary to establish and carry out a milk production termination programme (whole-herd buyout programme) for the period 1 April 1986, through 30 September 1987. Under the buyout programme, CCC accepted bids from 13,988 dairy farmers who marketed 12.3 billion lb. of milk in calendar year 1985. The accepted bids ranged from US$3.40 to US$22.50 per cwt. and averaged US$14.88. CCC is expected to pay out US$1.8 billion during the five years of the programme. The Secretary also has the option to establish a milk diversion payment or milk production termination programme for any of the calendar years 1988, 1989 or 1990, as necessary, to avoid burdensome excess supplies of milk or milk products.

Other provisions of the 1985 Act included: a 40 cent per cwt. producer assessment on all milk produced and marketed in the forty-eight contiguous States from 1 April through 31 December 1986, and a 25 cent per cwt. assessment for all milk marketed from 1 January through 30 September 1987. These assessments were used to offset part of the cost of the whole herd buyout programme.

The 1985 Act also required the Secretary to provide, on a bid basis, at least one million lb. of non-fat dry milk annually for casein manufacturing. Under this programme, despite the issuance of several invitations and amendments, only about 285,000 lb. of non-fat dry milk were converted to casein from the initiation of offers in April 1986 through September 1987. There have been no additional offers.

The Disaster Assistance Act of 1988 further amended the 1949 Act by rescinding the 50 cent per cwt. price support decrease on 1 January 1989, and providing for a temporary increase in the support price - 50 cents per cwt., effective 1 April 1989 through 30 June 1989.

Public Law 101-7 (signed by the President on 29 March 1989) further amended the 1949 Act by directing that the Secretary of Agriculture, in carrying out the temporary 50 cents per cwt. increase provided for in the 1988 Act, shall provide that at least 75 per cent of such price support increase be reflected in the purchase price for non-fat dry milk and that not more than 25 per cent of such price support increase be reflected in the purchase price for butter. The 1989 Act also provided that, in implementing the 50 cents per cwt. decrease scheduled to occur on 1 July 1989. The Secretary shall allocate the decrease between the two purchase prices in such manner as will result in the lowest level of expenditures to the Government.

Accordingly, in allocating the purchase price increase effective 1 April 1989, the price support increase was applied 100 per cent to the purchase price for non-fat dry milk. In allocating the price support decrease effective 1 July 1989, 100 per cent was applied to the purchase price for butter.

Effective 1 January 1990, the support price was reduced from US$10.60 to US$10.10 per cwt. in accordance with the Omnibus Budget Reconciliation Act of 1989. This Act provides that the Secretary may reduce the milk support price by not more that 50 cents per cwt. If the purchases of surplus milk and dairy products during calendar year 1990 are estimated to exceed 5 billion lb., milk equivalent.

Effective 21 April 1990, the support purchase prices for butter and non-fat dry milk were revised administratively to increase the price for non-fat dry milk by 6 cents per lb. to 85 cents and reduce the butter price by 11 cents to 98.25 cents per lb.. These revisions were made to better reflect the market value for fat and non-fat components of milk in order to provide for greater commercial use of butter and reduce government purchases.

The Act further provides that the Secretary may offer to purchase butter for not more that US$1.10 per lb., except that the Secretary may allocate the rate of price support between the purchase price for non-fat dry milk and butter in such other manner as he may determine will result in the lowest level of expenditures by CCC. Therefore, to reflect current market conditions better, all of the decrease in the support price for milk used in manufacturing butter and non-fat dry milk was allocated to the purchase price of butter.

A number of domestic and foreign feeding programmes are used to expand the utilization of dairy products. These programmes serve as adjuncts to the price support programme in seeking to attain a better balance between supply and demand. They include:

(a) the Special Milk Programme designed to increase the consumption of fluid milk among children by reimbursing State agencies and private institutions for the milk served;

(b) CCC purchases (under the authority of the price support programme) of butter, cheese, and non-fat dry milk in special forms and in consumer-size packages on competitive bids or at announced prices for use in food sales and donation programmes;

(c) CCC purchases of evaporated milk and milk-based infant formula;

(d) the school lunch programme;

(e) distribution to institutions and welfare programmes;

(f) special distribution of surplus commodities to the needy;

(g) foreign donation programmes for welfare and emergency assistance under Public Law 480, Title II; and

(h) donations of surplus dairy products to needy persons in the United States and overseas. The Food Security Act of 1985 also mandated export sales of dairy products subject to certain institutional market criteria or restraints. Increased consumption of dairy products also resulted from the food stamp programme and from participation in the women-infants-children (WIC) programme under which disadvantaged groups receive financial assistance for increased food purchases.

The Agriculture and Food Act of 1981, as amended by the Temporary Emergency Food Assistance Act of 1983 (P.L. 98-8), authorized the domestic donation of surplus dairy products to needy persons. Under this authority, 2,615 million lb. of cheese, 761 million lb. of butter and 499 million lb. of non-fat dry milk have been released to States for distribution to needy households from December 1981 through September 1989. The 1985 Act also directed USDA to use all available authorities to the fullest practicable extent to reduce Government inventories of dairy products, including exportation at not less than world market prices.

Approximately 5.4 billion half-pints of milk were served during FY 1989 under the School Lunch and other Child Nutrition Programmes, about the same amount as in FY 1988. In addition, for FY 1989, 189 million half-pints of milk were served in schools, summer camps and child-care institutions under the Special Milk Programme compared with 195 million half-pints in FY 1988. No data is yet available for FY 1990.

Outlook

As of 30 September 1990, the uncommitted inventory of butter was 342 million lb. and 13.8 million lb. of non-fat dry milk. This compares with 191 million lb. of butter as of 30 September 1988.

The table on the following page summarizes USDA market removals from MY 1976 through 1989.

Milk Production and Market Removals, by Marketing Year*
1976-1990

Year	Milk production	USDA Market Removals				Milk equivalent of removals[1]	Per cent removal of milk production
		Butter	Cheese	Non-fat dry milk	Evaporated milk		
	Bil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Per cent
1976-77	122.2	248.4	173.4	491.0	15.9	6,876	5.6
1977-78	121.7	134.6	41.6	338.9	17.4	3,229	2.7
1978-79	122.5	46.2	12.1	202.1	17.4	1,111	.9
1979-80	127.3	233.0	335.6	592.2	15.4	8,160	6.4
1980-81	131.7	356.5	532.1	787.0	20.2	12,661	9.6
1981-82	134.7	381.9	598.6	954.3	19.5	13,841	10.2
1982-83	138.8	410.3	239.4	1,041.2	22.4	16,627	12.0
1983-84	136.8	229.8	542.0	767.8	23.7	10,350	7.6
1984-85	140.5	292.3	550.8	828.6	24.2	11,530	8.2
1985-86	146.3	331.9	550.7	945.1	24.2	12,295	8.5
1986-87	142.0	143.4	236.7	555.9	28.2	5,361	3.8
1987-88	144.7	320.2	306.3	364.8	23.8	9,689	6.7
1988-89	145.6	420.3	45.7	-	25.7	9,187	6.3
1989-90	147.2	370.2	18.7[2]	28.1[3]	31.8	7,998[4]	5.4

[1]Milk equivalent, fat solids basis, is derived by adding the following: pounds of butter times conversion factor of 20.65; lb.s of cheese times conversion factor of 9.88, and lb.s of evaporated milk times conversion factor of 2.15.

[2]Mozzarella cheese purchased on a competitive bid basis - not included in total milk equivalent.

[3]Includes 10.0 million lb. of instant, fortified NDM purchased under the authority of Section 709 of the Food and Agriculture Act of 1965.

[4]Includes approximately 14.0 million lb. of butter equivalent exported under DEIP.

*The marketing year is 1 October through 30 September.

Sugar and sugar-containing articles

Measures taken under Section 22

The 1 cent per lb. (2.2 cents per kg.) fee on refined sugar and the quotas for sugar containing articles, totalling 94,000 short tons (approximately 85,000 metric tons) remain in effect. These measures are necessary to prevent material interference with the price support programme for sugar administered by the United States Department of Agriculture under the authority of the Food Security Act of 1985.

A GATT panel examining the Section 22 waiver granted to the United States with respect to United States import restrictions imposed on sugar containing products completed its work in January 1990. The panel found that the United States was operating Section 22 within the terms and conditions set forth in the 1955 GATT waiver. (The report was adopted at the November GATT Council meeting.)

Other import controls

As a result of the June 1989 GATT panel findings and recommendations with respect to the absolute quota for sugar administered under Additional United States Note 3, chapter 17 of the HTS, the United States quota system was converted to a tariff-rate quota by Presidential Proclamation 6179 of 13 September 1990 and became effective on 1 October. The tariff-rate quota is operated under domestic authority which is independent of Section 22. On 14 September 1990 the 1990/91 tonnage of sugar subject to the first tier (low tariff) of 625 cents/lb. under the tariff-rate quota was established at 1,725,000 metric tons. Imports from Caribbean Basin Initiative (CBI) beneficiary countries and GSP beneficiary countries remain duty free. Imports of sugar above the first tier tonnage are subject to the second tier (high tariff) of 16 cents/lb. Additional sugar is allowed low tariff entry in the the United States (or duty free if it is of CBI of GSP country origin) under the condition that it be re-exported in either refined or further processed form.

Support programmes

The Food Security Act of 1985 established a support programme for domestically grown sugar cane and sugar beets for the 1986 through 1990 crops. Support is provided through a programme of non-recourse loans at such levels as the Secretary of Agriculture determines appropriate, but not less than 18 cents per lb. for raw cane sugar. Beet sugar shall be supported through non-recourse loans at such levels as the Secretary determines is fair and reasonable in relation to the loan level for raw sugar cane. The raw cane sugar and refined beet sugar loan levels for the 1990 crop are established at 18.0 and 21.94 cents per lb., respectively.

Steps taken to balance supply and demand

The United States is a net importer of sugar, although imports are regulated as described above. Domestic consumption of sugar in the United States has increased steadily during the past few years from 7.7 million short tons in 1985/86 to a forecast 8.4 million short tons in 1990/91.

ATTACHMENT

Proclamation 6151 of 28 June 1990

Modification of Import Restrictions for Certain Agricultural Products By the President of the United States of America

A Proclamation

1. Prior to 1 January 1989, the President by various proclamations had imposed fees or quantitative limitations on the importation of certain agricultural commodities and products thereof under the authority of Section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 824) (hereinafter Section 22). Section 22 requires the President to impose fees or quantitative limitations on the importation of any article if he finds, on the basis of a recommendation by the Secretary of Agriculture and an investigation and report of findings by the United States International Trade Commission, that such fees or quantitative limitations are necessary to prevent such article from being imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with any programme or operation undertaken by the Department of Agriculture with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such programme or operation is being undertaken. Such fees and quantitative limitations imposed by the President pursuant to Section 22 were set forth in part 3 of the Appendix to the Tariff Schedules of the United States (TSUS) and are now provided for in sub-chapter IV of chapter 99 of the Harmonized Tariff Schedule of the United States (HTS).

2. In addition, by Proclamation No. 4334 of 16 November 1974 (39 Federal Register 40739), the President had established an import quota for certain sugars, syrups and molasses, to become effective on 1 January 1975, as provided for in headnote 3 to sub-part A, part 10, schedule 1 of the TSUS. Subsequent proclamations have modified such quota. In issuing Proclamation No. 4334 and such subsequent proclamations, the President acted in conformity with headnote 2 to sub-part A, part 10, schedule 1 of the TSUS (the sugar headnote). The provisions of headnotes 2 and 3 of sub-part A, part 10, schedule 1 of the TSUS are now set forth, respectively, in additional United States notes 2 and 3 to chapter 17 of the HTS. The current provision authorizes the President to modify any quota limitation established for certain sugars, syrups and molasses provided for in sub-headings 1701.11, 1701.12, 1701.91.20, 1701.99, 1702.90.30, 1702.90.40, 1806.10.40, and 2106.90.10 of the HTS if he finds that such modification is required or appropriate to give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade (GATT).

3. Section 1204(a) of the Omnibus Trade and Competitiveness Act of 1988 (the 1988 Act) (19 U.S.C. 3004(a)) enacted the HTS, effective

1 January 1989. The structure and rules of interpretation of the HTS are different from the structure and rules of interpretation of the TSUS. While every effort was made to take account of these differences in the conversion to the nomenclature and structure of the HTS of import restrictions previously imposed under the authority of Section 22 and in conformity with the sugar headnote, unforeseen changes occurred in the treatment of certain imported agricultural products with respect to these import restrictions.

4. Section 1211(c) of the 1988 Act (19 U.S.C. 3011(c)) provides that the President may proclaim changes in sub-chapter IV of chapter 99 of the HTS and in additional United States note 2 to chapter 17 of the HTS to conform them to part 3 of the Appendix to the TSUS and headnote 2 of sub-part A of part 10 of schedule 1 of the TSUS, respectively. Such changes may be proclaimed if the President determines that conversion from the TSUS to the HTS has resumed in articles previously subject to import restrictions proclaimed pursuant to Section 22 or covered by such sugar headnote, being excluded from these restrictions, or articles previously excluded from the import restrictions proclaimed pursuant to Section 22 or not previously covered by such sugar headnote, being included within such restrictions.

5. I find that the conversion of import restrictions proclaimed pursuant to Section 22 from part 3 of the Appendix to the TSUS to sub-chapter IV of chapter 99 of the HTS has resulted in certain articles previously subject to such restrictions being excluded from the restrictions and that certain other articles not previously subject to such restrictions being covered by such restrictions. Such changes in the coverage of those restrictions have occurred for the following articles: sweetened dried low fat milk classifiable in sub-heading 0402.10; sweetened dried whey classifiable in sub-heading 0404.10.40; dried yoghurt classifiable in sub-heading 0403.10; acidified milk, dried fermented milk and milk powder containing added lactic ferments or crystalline acid classifiable in sub-heading 0403.90.80; edible mixtures of animal fats and vegetable oils classifiable in sub-heading 1517.90.40; certain fish preparations classifiable in sub-headings 1604.20.05, 1605.10.05 and 1605.90.05; sugar syrups subject to Section 22 fees classifiable in heading 1702; sugar confectionery not ready for consumption classifiable in sub-heading 1704.90.80; white chocolate classifiable in sub-headings 1704.90.40; filled chocolates classifiable is sub-heading 1806.31; certain edible preparations containing cocoa classifiable in sub-headings 1806.20.80, 1806.32.40, 1806.90 and 1901.90.80; mixes and doughs classifiable in sub-heading 1901.20; mixtures of non-fat dry milk and anhydrous butterfat containing over 5.5 per cent but not over 45 per cent by weight of butterfat classifiable in sub-heading 1901.90.30; certain casein mixtures classifiable in sub-heading 1901.90.40; rusks and toasted bread classifiable in sub-heading 1905.40; mixed canned fruit classifiable in sub-heading 2006.92.90; sauces and sauce preparations classifiable in sub-heading 2103.90.80; edible ices containing cocoa classifiable in sub-heading 2105.00; and sherbet and other edible ice with a basic of milk or cream classifiable in sub-heading 2105.00. I further find that the modifications hereinafter proclaimed of the import restrictions set forth in sub-chapter IV of chapter 99 of the HTS are necessary and appropriate to conform that

sub-chapter to the fullest extent possible to part 3 of the Appendix to the TSUS.

6. I find that the conversion from headnote 2 of sub-part A of part 10 of schedule 1 of the TSUS to additional United States note 2 to chapter 17 of the HTS has resulted in an article, edible molasses classifiable in sub-heading 1702.90.40, that was not previously covered by such headnote being included in the coverage of the quota set forth in additional United States notes 3 and 4 to chapter 17 of the HTS. I further find that the modifications, hereinafter proclaimed, of additional United States note 2 to chapter 17 of the HTS and of the quota on the importation of certain sugars, syrups and molasses set forth in additional United States notes 3 and 4 to chapter 17 of the HTS are required or appropriate to give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties of the GATT and to conform such quota to the fullest extent possible to the coverage of the quota previously established in conformity with headnote 2 of sub-part A of part 10 of schedule 1 of the TSUS.

7. Section 604 of the Trade Act of 1974, as amended (19 U.S.C. 2483), authorizes the President to embody in the HTS the substance of the provisions of that Act and of other Acts affecting import treatment and of actions taken thereunder.

NOW, THEREFORE, I, GEORGE BUSH, President of the United States of America, acting under the authority vested in me by the Constitution and laws of the United States, including but not limited to Section 1211(c) of the Omnibus Trade and Competitiveness Act of 1988, additional United States Note 2 to Chapter 17 of the HTS, and Section 604 of the Trade Act of 1974 do proclaim that:

(1) The HTS is modified as provided in the Annex to this proclamation.

(2) The modifications made by this proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after 1 July 1990.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-eighth day of June, in the year of our Lord nineteen hundred and ninety, and of the Independence of the United States of America the two hundred and fourteenth.

ANNEX

Modifications to the Harmonized Tariff Schedule of the United States

1. Additional United States notes 2, 3 and 4 to chapter 17 are modified by deleting "1702.90.40" at each occurrence.

2. The article description of sub-heading 9904.10.60 is modified to read:

"Malted milk and articles of milk or cream (except (a) yoghurt that is not in dry form, (b) fermented milk other than dried fermented milk or other than dried milk with added lactic ferments, (c) mixtures of non-fat dry milk and anhydrous butterfat containing over 5.5 per cent but not over 45 per cent by weight of butterfat, and (d) ice-cream), all the foregoing provided for in sub-headings 0402.99.60, 0403.10.00, 0403.90.80, 0404.90.20, 1901.10.00, 1901.90.30, 2106.00.00 and 2202.90.20."

3. Sub-heading 9904.10.63 is modified by striking out "1806.20.80".

4. The article description of sub-heading 9904.10.66 is modified to read:

"Chocolate, provided for in sub-headings 1806.20.40, 1806.32.20 and 1806.90 and low fat chocolate crumb, provided for in sub-headings 1806.20.80 and 1806.90, containing 5.5 per cent or less by weight of butterfat (except articles for consumption at retail as candy or confection):"

5. The article description of sub-heading 9904.10.75 is modified by replacing the text following "imported;" with the following:

"all the foregoing mixtures provided for in sub-headings 0402.10, 0404.10.40, 0404.90.60, 1517.90.40, 1704.90.40, 1704.90.60, 1806.20.80, 1806.32.40, 1806.90, 1901.20, 1901.90.80 and 2106.90.05 except articles within the scope of other import restrictions provided for in this sub-chapter."

6. The superior text to sub-heading 9904.10.78 and 9904.10.81 is modified to read:

"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 (a) articles provided for in headings 0401, 0402, 0405 or 0406 or sub-headings 1901.10 or 1901.90.30 other than mixtures of non-fat dry milk and anhydrous butterfat containing not over 45 per cent by weight of butterfat classifiable for tariff purposes under sub-heading 1901.90.30; (b) dried mixtures containing less than 31 per cent by weight of butterfat and consisting of not less that 17.5 per cent by weight each of sodium caseinate, butterfat, whey solids containing over 5.5 per cent by

weight of butterfat, and dried whole milk, but not containing dried milk, dried whey or dried buttermilk any of which contains 5.5 per cent or less by weight of butterfat; and (c) articles which are not suitable for use as ingredients in the commercial production of edible articles):"

7. The article description of sub-heading 9904.10.81 is modified to read:

"Over 5.5 per cent but not over 45 per cent by weight of butterfat including mixtures of non-fat dry milk and anhydrous butterfat classifiable for tariff purposes under sub-heading 1901.90.30 and other articles classifiable for tariff purposes under sub-heading 0404.90.40, 0404.90.60, 1517.90.40, 1704.90.40, 1704.90.60, 1806.20.80, 1806.90, 1901.20, 1901.90.40, 1901.90.50, 2105.00, 2106.90.40 or 2106.90.50"

8. The superior text to sub-headings 9904.40.20 and 9904.40.40 is modified by deleting "heading 1702 or in".

9. Sub-heading 9904.50.40 is modified by deleting "1806.31", and "1986.40, 2008.92.90,".

10. The article description of sub-heading 9904.60.60 is modified to read:

"Provided for in sub-heading 1704.90.60, 1806.20.70, 1806.20.80, 1806.90, 1901.90.80, 2101.10.40, 2101.20.40, 2103.90.60 or 2106.90.50, 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 pasties or confections; finely ground or masticated coconut meat or juice thereof mixed with those sugars; and sauces and preparations therefore."

REPORT OF THE UNITED STATES GOVERNMENT TO THE CONTRACTING PARTIES ON ACTION UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT OF 1933, AS AMENDED

1991

Introduction

This report is submitted in accordance with the decision of 5 March 1955, waiving United States obligations under Articles II and XI of the GATT to the extent necessary to prevent their conflict with actions the United States Government is required to take under Section 22 of the Agricultural Adjustment Act of 1933, as amended (see BISD, third supplement, page 32 and 35). The report reviews recent developments, the reasons why restrictions continue to be applied and steps taken to balance supply with demand. It also summarizes support programmes and supply situations for commodities subject to Section 22 controls. This report covers the period October 1990 through November 1991. The Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Act), which is applicable to farm programmes for the 1991-95 period, was signed by the President on 28 November 1990 (and later amended) modifies provisions of numerous statutes, including the Agricultural Act of 1949.

Recent developments

Most import restrictions imposed under the authority of Section 22 continued in effect without change. Quantitative import restrictions established pursuant to Section 22 authority, through Presidential proclamations of previous years, are in effect for: cotton of specified staple lengths; certain cotton waste and certain cotton products; peanuts; certain dairy products; and certain sugar-containing articles. An import fee is imposed on refined sugar. Section 22 requires the President to impose fees or quantitative limitations on the importation of any articles which are necessary to prevent such articles from being imported into the United States "under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with," any programme undertaken by the Department of Agriculture with respect to such articles or products thereof, or to reduce substantially the amount of any product processed in the United States under such programmes.

During the period under review, the following two proclamations (attached) were issued:

Presidential Proclamation 6313 of 9 July 1991 temporarily increased the 775,189 annual import quota on peanuts to permit the entry of no more than 45,359,702 kg. (100 million lb.) during the quota period ending 31 July 1991 under the conditions proclaimed. Presidential Proclamation 6228 of 13 November 1990 suspended indefinitely the import quota for cotton comber waste.

LOAN AND DEFICIENCY PAYMENTS RATES: 1990-1991

Commodity	Support Price	
	1990	1991
	dollars per unit	
Cotton, upland (lb.)		
Loan rate[1]	.5027	[3].5077
Deficiency payment[2]	.0730	
Cotton, extra long staple (ELS) (lb.)		
Loan rate	.8177	[3].8299
Deficiency payment	0	
Peanuts (lb.)		
Quota loan	.3157	.3214
Additional loan	.0749	.0749
Dairy products (cwt.)		
Mfg. milk[4]	10.10	10.10
Sugar (lb./raw value)		
Raw cane sugar loan rate[5]	.18	.18
Beet sugar loan rate[5]	.2154	.2285

[1]Basis strict low middling 1-1/16", net weight, micronaire 3.5-3.6 and 4.3-4.90 strength 24 through 25 grams per tex, at average location.

[2]Deficiency payments are calculated based on the difference between an "established" target price and the higher of the price support loan rate and the average market price received by farmers for the calendar year for upland cotton and during the first eight months of the calendar year for ELS cotton.

[3]Has not been determined. Advance deficiency payments were issued under the 1991 upland cotton programme based on a projected final deficiency payment rate of US$0.10. No advance payments were made for 1991 crop ELS cotton. The 1991 crop final deficiency payment rate for upland cotton will be determined in February 1991. For ELS cotton, it will be determined in May 1992.

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

[5]National weighted average loan rate.

Production, Consumption, Trade and CCC Acquisition and Stock Data, (millions lb.)

Commodity and production year	Production	Imports	Domestic consumption	Exports	CCC Acquisitions	CCC Stocks
Cotton[a]	(August-July Production Year)					
1987-88	7,085	1	3,656	3,158	64[b]	1[c]
1988-89	7,397	2	3,735	2,951	32[b]	24[c]
1989-90	5,854	1	4,204	3,693	0[b]	13[c]
1990-91	7,440	2	4,128	3,741	0[b]	0[c]
Milk[d]	(January-December Production Year)					
1986	143,124	2,732	142,355[e]	2,001	10,774[f]	8,820[g]
1987	142,709	2,490	146,016[e]	2,431	6,811[f]	2,877[g]
1988	145,152	2,394	142,919[e]	1,487	9,070[f]	4,122[g]
1989	144,239	2,498	139,823[e]	3,971	9,358[f]	4,916[g]
1990	144,284	2,690	142,634[e]	1,713	8,951[f]	8,213[g]
Peanuts[h]	(August-July Production Year)					
1987-88	3,616	2	3,170	618	435[i]	0
1988-89	3,981	2	3,285	688	560[i]	0
1989-90	3,990	2	3,145	989	295[i]	0
1990-91	3,603	27	2,995	652	433[i]	0
Sugar	(October-September Production Year)					
1987-88	14,292	2,582	16,386	880	0	0
1988-89	13,424	3,996	16,452	1,032	0	0
1989-90	13,202	4,990	16,750	1,100	0	0
1990-91	13,860	5,712	17,500	1,240	0	0

[a]Upland and ELS. To convert to United States bales, divide by 480 lb., the average weight of a bale of cotton.

[b]Upland and ELS cotton loans are made for a period of ten months. Upland cotton loans may be extended for another eight months under certain price conditions. These figures represent total forfeitures of cotton produced during the respective marketing year, as of October 1991.

[c]As of July respective marketing year.

[d]Milk equivalent, fat basis.

[e]Does not include milk fed to calves.

[f]Net acquisitions: CCC purchases minus sales for unrestricted use.

[g]Changes in stocks equal CCC purchases minus donations and restricted and unrestricted use sales.

[h]For peanuts, domestic consumption includes food use, seed, crush, and loss.

[i]Excludes immediate buybacks of additional loan peanuts.

Cotton and Cotton Products

Quotas

Import quotas continue for upland cotton, certain staple lengths of cotton, cotton waste (excluding cotton comber waste) and cotton products. The United States maintains cotton price support, production adjustment, and related surplus disposal programmes. Import quotas on cotton, cotton waste and certain cotton products are necessary in order to prevent material interference with these programmes for cotton.

Support programmes

Upland cotton. The 1990 Act amends the 1949 Act and provides for a five-year programme covering the 1991-95 crops as part of a comprehensive farm programme designed to encourage agricultural production to meet domestic and foreign demand while protecting farm income. Although the upland cotton programme authorized during this period resembles earlier programmes in many respects, several changes were made and several new provisions were introduced that are intended to help improve the competitive position of United States cotton in the world market.

The 1990 Act amendments continue the concept of a guaranteed or target price. The minimum target price for the 1991-95 crop is 72.9 cents per lb., the same as for 1990. If the weighted average price received by farmers for upland cotton during calendar year 1991 equals or exceeds 72.9 cents per lb., no deficiency payments will be issued. If the average price is less than the target prices, the deficiency payment rate equal the difference between the target price and the higher of the calendar year average price or the loan level for the crop.

The basic limitation for deficiency and diversion payments is US$50,000 per person. Loan deficiency payments and gains from marketing loans are limited to an additional US$75,000 per person. The total payment limitation is US$250,000 per person.

The 1990 Act revised some provisions contained in the 1949 Act, as amended by the Food Security Act of 1985 (the 1985 Act), designed to make United States cotton more competitive in world markets. "Plan A" and "Plan B" were eliminated. Instead, the loan repayment rate for the 1991-95 crops equals the lesser of the loan rate or the higher of - (1) 70 per cent of the loan rate, or (2) the adjusted world price (AWP) in effect for the week in which the loan redemption occurs, adjusted for quality and location. The minimum loan repayment rate is 70 per cent of the loan rate. Whenever the AWP falls below 70 per cent of the loan rate, commodity certificates are issued to eligible first handlers of upland cotton. The certificate value is based on the difference between 70 per cent of the loan rate and the AWP, multiplied by the quantity of cotton sold during the week in which a payment is in effect. The first handler programme is designed to make United States cotton available to the world market at competitive prices.

During the initial ten-month loan period, whenever loan collateral is redeemed and the AWP is below the loan rate, the CCC will not require payment of any interest and will pay all of the warehouse charges. When the AWP is above the loan rate, CCC will not require the payment of that portion of the interest and will pay that portion of the warehouse charges necessary to permit the loan collateral to be redeemed with cash at the AWP. During the eight-month loan extension period, producers will be required to pay interest and warehouse storage charges on cash loan repayments regardless of the level of the AWP. If the loan collateral is forfeited to CCC, the producer must pay CCC eight months of storage charges plus a handling charge of US$1.00 per bale on the forfeited cotton.

The 1990 Act amendments made mandatory the discretionary provision contained in the 1949 Act authorizing payments to producers who, although eligible to obtain loans, agree to forego obtaining loans whenever the AWP is less than the loan rate. The loan deficiency payment rate is equal to the difference between the loan rate and the loan repayment rate in effect during the week in which the application for payment is filed. Loan deficiency payments are made in cash and are subject to the payment limitation. As before, producers may decide whether to obtain or forego the loan deficiency payment on a bale-by-bale basis.

The 1990 Act amendments contain three new provisions designed to improve United States cotton's competitiveness. The first, which was actually implemented by regulation in October 1989, gives the Secretary discretion to further adjust the AWP whenever (1) the AWP is below 115 per cent of the loan rate, and (2) the weekly average of the lowest-priced United States upland cotton as quoted, c.i.f. Northern Europe ("U.S. Northern Europe price") exceeds the Northern Europe price. An adjustment up to the difference between the prices is allowed.

The second competitiveness provision requires the issuance of marketing certificates to domestic users and exporters if the "United States Northern Europe price" exceeds the Northern Europe price by more than 1.25 cents for four consecutive weeks. The payment rate equals the difference in the fourth week between the "United States Northern Europe price", minus 1.25 cents, and the Northern Europe price. Payments are made to domestic users based on the quantity of cotton consumed during the week the payment rate is in effect. For exporters, payments are based on the quantity of cotton sold under a written contract entered into during the period.

The third provision requires establishment of a special import quota equal to one week's seasonally-adjusted domestic mill consumption if the "United States Northern Europe price", adjusted by the value of any marketing certificate issued, exceeds the Northern Europe price by more than 1.25 cents for ten consecutive weeks. This quota provision is different from, and in addition to, the provisions which establishes a quota equal to twenty-one days of domestic mill consumption whenever the base quality spot price for a month exceeds 130 per cent of the average for the previous thirty-six months.

Under the planting flexibility provisions, upland cotton, wheat, rice and feed grains producers may plant any programme crop, any oilseed, any designated industrial or experimental crop and any other crop except fruits and vegetables on up to 25 per cent of their base acreage. The acreage is known as "flex acreage" and the plantings can be credited as "considered planted" to the crop. If the producers choose to plant a crop other than their original programme crop, they will be eligible for loans, purchases or loan deficiency payments, but not deficiency payments. The first 15 per cent of the flex acreage is not eligible for deficiency payments, no matter what crop is planted. These provisions were designed to give producers the opportunity to respond to market supply and demand.

Extra long staple (ELS) cotton. No major changes were made in the legislation governing the ELS cotton programme. The ELS cotton loan rate is equal to 85 per cent of the simple average price received by farmers for ELS cotton in the five-year period ending 31 July in the year the loan level is announced (dropping the highest and lowest years). The target price is 120 per cent of the loan rate. For 1991, the loan rate is 82.99 cents per lb. and the target price is 99.60 cents per lb.

The loan deficiency provisions, first handler and user certificate programmes and import quotas are applicable to ELS cotton. ELS cotton is not considered a programme crop under the planting flexibility provisions of the 1949 Act. ELS cotton may be planted on the flex acres of other crop bases; however, in order to be eligible for ELS cotton programme benefits, including loans and deficiency payments, ELS planted acreage cannot exceed the permitted acreage for the farm.

Programme activity

(i) Upland cotton. Cotton price support loans mature ten months from the first day of the month in which the loan is made. However, non-recourse loans for upland cotton are available for an additional eight months upon request of the producer during the tenth month of the loan period, except when the average price of strict low middling 1-1/16 inch cotton (micronaire 3.5-3.6 and 4.3-4.9 strength 24 through 25 grams per tex) in the designated spot market for the preceding month exceeds 130 per cent of the average spot price for the preceding thirty-six months. During the 1990/91 season, about 3.2 million bales of upland cotton were pledged as collateral for CCC price support.

(ii) ELS cotton. Cotton loans mature ten months from the first day of the month in which the loan is made. The Secretary of Agriculture may authorize that loans be extended an additional eight months if requested by the producer, but this authority was not used for the 1990/91 season. Eleven thousand bales of ELS cotton were placed under loan during the 1990/91 season.

Supply situation - 1990 crop

(i) Upland cotton. The carryover on 1 August 1990 totalled 2.8 million bales. Production in 1990 increased to 15.1 million bales as compared with about 11.5 million in the previous year. The increase was due largely to the ARP requirement which was only 12.5 per cent in 1990/91 compared with 25 per cent the previous season. The total supply in 1990/91 was 17.9 million or 0.6 million below a year earlier. Disappearance (domestic consumption and exports) increased slightly in 1990 to 16.0 million bales from the previous year's level of 15.9 million bales. The 1 August 1991 carryover was 2.2 million bales. The average United States yield for the 1990 crop of upland cotton was 632 lb./harvested acre, up about 5 per cent from the previous year's level of 602 lb.

(ii) ELS cotton. The carryover on 1 August 1990 was 207,000 bales. Production in 1990 dropped by nearly half to 358,000 bales from 692,000 bales a year earlier. The total supply in 1990 reached 565,000 bales compared to 758,000 bales the previous year. Disappearance (domestic consumption and exports) totalled about 480,000 bales, 45,000 less than in 1990; about 10,000 bales were unaccounted for. The net result was a carryover on 1 August 1991, estimated at about 75,000 bales, 132,000 bales below a year earlier. The yield for 1990 dropped from last year's 893 lb. per harvested acre to 758 lb.

Steps taken to balance supply and demand

In addition to production adjustment programmes, additional Government programmes designed to attain a better balance in the supply and demand position include continued emphasis on research and market promotion programmes designed to increase cotton utilization throughout the world. These programmes remain basically the same as previously reported. The quota imposed under Section 22 on all cotton comber waste imports was suspended indefinitely.

For upland cotton, the 1949 Act (as amended by the 1990 Act) gives the Secretary the authority to require of programme participants an acreage reduction of up to 25 per cent and to implement an additional paid land diversion, and provides for a minimum target price of 72.9 cents per lb. Provisions designed to make United States cotton available to world markets at competitive prices established under amendments made to the 1949 Act by the 1985 Act were renewed with some changes, and several new provisions were added. Significantly, the 1990 Act amendments allow producers to shift programme crop plantings and provides new options for growing oilseeds and industrial and experimental crops.

Peanuts

Quotas

The annual import quota of 1,709,000 lb. (shelled basis) was increased to 100 million lb. (shelled basis) on 9 July 1991, for the remainder of the quota year in response to a decline in United States production of edible peanuts.

Support programmes

The 1990 Act amendments modified the peanut price support programme for the 1991 through 1995 crops and continued steps to bring peanut production for domestic edible use in balance with market needs. The amendments maintained the two-tier price support programme and suspended the peanut acreage allotments. This programme allows any farmer in the United States to grow and market peanuts for export or crush whether or not the farm has a poundage quota.

Peanuts marketed under the poundage quota for domestic edible use are eligible to be supported at the higher rate of the two-tier price support programme. The higher price support for 1991 crop quota peanuts is US$642.79 per short ton, compared to US$631.47 per short ton in 1990. Peanuts marketed for domestic edible use in excess of the farm poundage quota shall be subject to a penalty of 140 per cent of the quota price support rate. By law, the national average quota support for 1991 crop peanuts must be the 1990 crop support level adjusted for any increase in national average production costs (excluding the cost of land), not to exceed 5 per cent.

As required by the Agricultural Adjustment Act of 1938, as amended (the 1938 Act), the national poundage quota is set at a quantitative level equal to domestic edible, seed, and related uses, but not less than 1.1 million tons. The 1991 poundage quota was set at 1,550 million tons, as compared to 1,560 million tons in 1990.

Additional or non-quota peanuts may be grown by anyone, both quota holders and non-quota holders. Legislation requires these peanuts to be contracted for export, crush, or both, or that they be placed under loan. Contracts (price and quantity) agreements between buyers and sellers) for growing additional peanuts must be submitted to the CCC, if so designated, to the area associations before 1 August. Additional peanuts pledged as collateral for a price support loan may be sold for domestic edible use, but the cost of the loan redemption may be no lower than the quota price support level plus the cost incurred by CCC. The support price for additional peanuts will be set to avoid any net cost to the Government. The demand for peanut oil and meal, expected prices for other vegetable oils and protein meals, and the demand for peanuts in foreign markets is also considered in establishing the support price for additional peanuts. For 1991, the support level was set at US$149.75 per short ton, unchanged from the level for 1990.

Programme activity

During the 1990/91 crop year (August-July), 672 million lb. of farmers' stock peanuts were placed under loan, of which approximately 233 million lb. were redeemed or bought back for domestic edible use. CCC net realized losses on the peanut programme were about US$9 million for FY 1991, zero for FY 1990, and about US$3 million for FY 1989.

Supply situation

Growers harvested 1,810,000 acres of peanuts in 1990, 9 per cent above 1989. Production in the 1990/91 marketing year was 3,603,000 lb. as compared to 3,990,000 lb. in 1989/90. Growers received a season average price of 34.10 cents per lb. in 1990/91 compared to 27.90 cents per lb. in 1989/90.

The total supply of peanuts in the United States for 1990/91 marketing year was about 4,331 million lb., compared with an average supply of 4,835 million lb. in the previous marketing year.

Steps taken to balance supply and demand

The Agriculture and Food Act of 1981 amendments to the 1938 Act and the 1949 Act which were effective for the 1982 through the 1985 peanut crops provided methods for achieving a balance between supply and demand which was maintained in amendments in the 1985 Act and the 1990 Act. This legislation took two principal approaches: (1) setting the national poundage quota at the estimated level of domestic edible, seed and related uses, and (2) disposal of quota peanuts acquired by the CCC under the price support programmes by sales for crushing into oil and meal. The quantity of peanuts eligible for the higher domestic edible use price support are limited by a national poundage quota. Additional peanuts are supported at a much lower price set to avoid any net cost to the government. Additional peanuts placed under loan may be sold for edible use under a procedure which permits immediate loan redemption at the domestic edible use support price. In addition, peanut products have been purchased under related programmes and utilized in domestic distribution programmes.

In addition to the domestic programmes, steps were taken to balance supply and demand with respect to import controls. Peanut production in 1990 was smaller than in the preceding year because of drought in south-eastern States. The Peanut Butter and Nut Processors Association requested that the import quota programme be investigated. The United States International Trade Commission concluded an investigation on 22 March 1991 and reported its finding to the President. The President issued a proclamation in July enlarging the quota to 100 million lb. for the remainder of the marketing year.

Annual data on peanut production, consumption, exports, stock and acquisitions under the price support support programme are shown on the following page.

Peanut Production, Consumption, Exports, Stocks and Acquisitions
Marketing Years 1970-1990

Year beginning 1 August	Prod.[1]	Imports	Domestic consumption & exports[2]	Stocks end of year	Acquisitions under price support[3]
			Million pounds		
1970	2,979	2	2,881	453	1,033
1971	3,005	2	3,063	392	1,204
1972	3,275	2	3,240	429	1,158
1973	3,474	1	3,351	553	858
1974	3,668	1	3,138	1,084	410
1975	3,857	1	3,886	1,060	1,170
1976	3,739	1	4,192	608	1,235
1977	3,715	1	3,743	581	305
1978	3,952	1	3,948	586	309
1979	3,968	1	3,927	628	436
1980	2,303	401	2,919	413	235
1981	2,982	2	3,640	757	535
1982	3,440	2	3,335	864	304
1983	3,296	2	3,551	611	246
1984	4,406	2	3,595	1,424	334
1985	4,123	2	4,704	845	967
1986	3,697	2	3,541	1,003	119
1987	3,616	2	3,788	833	435
1988	3,981	2	3,973	830	560
1989	3,990	2	4,141	701	295
1990	3,603	27	3,647	683	433

[1]Data are net weight values.

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

[3]Included in domestic consumption and exports.

DAIRY PRODUCTS

Quotas

As in past years, the Trade Agreements Act of 1979 limits imports of dairy products (mainly cheese) to 111,000 metric tons per annum. Quotas on dairy products were first imposed during the early 1950s as a means to prevent material interference with the domestic price support programme for milk.

Import licences are issued to eligible applicants to allocate country quotas in a fair and equitable manner and to ensure that the total quota for dairy products is not exceeded. The on-line computer system, which became operational during mid-1979, provides rapid, error free responses to requests made by licensed importers regarding quota entries. Additionally, an on-going programme is in place to keep importers, importer associations, U.S. Customs Service officials, trade members, foreign embassies and foreign producers advised and up-to-date on pending changes to the quota system.

For 1991, several country of origin adjustments were effected when it became evident that quota items could not be supplied in sufficient quantity by the named country of origin to fill these quotas. Adjustments for 1991 included: Italian-type cheese, not in original loaves, from "other countries" (HTS 9904.10.45); low-fat cheese from New Zealand (HTS 9904.10.57); Swiss/Emmenthaler cheese from Iceland (HTS 9904.10.48); Blue mould cheese from Argentina (HTS 9904.10.27); Swiss/Emmenthaler cheese, Gruyere processed cheese, and "other cheese not specifically provided from" from Finland (HTS 9904.10.48, 9904.10.51, and 9904.10.54); Gruyere cheese from "other countries" (HTS 9904.10.51); Low-fat cheese from the EC (HTS 9904.10.57); Swiss/Emmenthaler cheese, "other cheese not specifically provided for", and Italian-type cheese in original loaves and not in original loaves from Argentina (HTS 9904.10.48, 9904.10.54, 9904.10.42 and 9904.10.45). The utilization rate for quota cheeses was 95 per cent in 1990.

Support programme

The milk price support programme, which is operated pursuant to the 1949 Act requires that the price of milk to producers be supported at such level, between 75 and 90 per cent of parity, as will assure an adequate supply of milk, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. However, since 21 October 1981, the support price has been established by legislation at specific price levels, rather than parity levels. The support price of US$10.10 per cwt., effective 1 October 1990, was 41.7 per cent of parity.

The price of milk is supported by the Commodity Credit Corporations (CCC) through purchases of butter, cheese, and non-fat dry milk at prices calculated to enable plant operators to pay dairy farmers, on the average,

a price equal to the support level. The effectiveness of the programme depends on competition by manufacturers for available supplies of milk so that the average price received by farmers will equal the announced support price. At times of significant price support purchases, the purchase prices for these products tend to become the floor for the market prices of such products. Since most of the fluid milk prices are based on prices paid for manufacturing milk, the price support programme supports all milk and dairy product prices.

Programme activity

In carrying out the price support and related programmes in the 1990-91 Marketing Year (MY), CCC removed from the market, 7.1 per cent of milk fat and 3.4 per cent of solids-not-fat milk equivalent marketed by farmers. Removals of milk fat included 14.0 million lb. butter, 2.0 million lb. of cheese, and 21.0 million lb. of non-fat dry milk, exported under the Dairy Export Incentive Programme (DEIP).

USDA's purchases, milk fat basis, for MY 1990-91 were about 10.4 billion lb. milk equivalent, compared to 8.4 billion lb. in MY 1989-90. CCC's net purchases under the price support programme totalled 433.0 million lb. of butter, 96.7 millionlb. of cheese, and 342.6 million lb of non-fat dry milk. CCC's net purchases include 14.0 million lb. of butter, 2.0 million lb. of cheese and 21.0 million lb. of non-fat dry milk, that were exported under DEIP. In addition, USDA purchased 23.0 million lb. of processed American cheese and 11.0 million lb. of Mozzarella cheese at market prices. USDA also purchased 30.3 million lb. of evaporated milk, 6.7 million lb. of concentrated liquid infant formula and 461 thousand lb. of powdered infant formula under Section 4(a) authority for distribution to needy persons.

The expenditures under the Special Milk Programme were approximately US$19.4 million in the Fiscal Year (FY) 1990. Approximately US$18.5 million was spent in FY 1989.

Approximately 183 million half-pints of milk were served during FY 1990 under Child Nutrition Programmes, compared to about 189 million in FY 1989.

Supply situation

Milk production totalled 148.7 billion lb. in MY 1990-91, 1.2 per cent above a year earlier. Cow numbers decreased 0.6 per cent and production per cow increased 1.8 per cent in MY 1990-91.

Steps taken to balance supply and demand

The 1990 Act amendments to the 1949 Act provide that dairy product purchase estimates will be measured on a total milk solids basis, instead of a milk fat basis. Other provisions are explained as follows:

The Secretary of Agriculture is required to: (1) increase the support price at least 25 cents per hundredweight (cwt.) if the Department of Agriculture's estimated purchases in each of the calendar years 1991-95 does not exceed 3.5 billion lb. milk equivalent, total milk solids basis; (2) make no increase in the support price if USDA's estimated purchases in each of calendar years 1991-95 exceed 3.5 billion lb., but not 5 billion lb. milk equivalent, total milk solids basis, and (3) decrease the support price by 25 to 50 cents per cwt. if USDA's estimated purchases in each of calendar years 1991-95 exceed 5 billion lb. milk equivalent. The support price, however, may not be reduced below US$10.10 per cwt.

In estimating the level of CCC purchases, the Secretary is instructed to deduct from this figure an amount equal to the difference between the most recent calendar year's dairy imports and average imports during 1986-90.

CCC programme expenditures during calendar years 1992-95 will be limited to the purchase of the equivalent of 7 billion lb. of milk, total solids basis. Purchases above 7 billion lb. will be financed through a producer assessment on milk marketings.

The Secretary has the authority to adjust support purchase prices for butter and non-fat dry milk in such a way that will result in the lowest cost to CCC, or will achieve other objectives considered appropriate. However, these adjustments are limited to not more than two per calendar year.

The Agricultural Reconciliation Act of 1990 also amended the 1949 Act to provide for: (1) a reduction in the price receive by producers for all milk marketed for commercial use during the period beginning 1 January 1991, and ending 31 December 1995; (2) a refund of the amounts deducted from the producer's milk proceeds each year, if refund provisions are met.

The reduction provisions are: (1) during calendar year 1991, the price will be reduced 5 cents per cwt.; (2) during calendar years 1992 through 1995, the price will be reduced 11.25 cents per cwt.; and (3) the 11.25 cents reduction will be increased on 1 May of each of the years 1992 through 1995 to compensate for refunds of amounts resulting from the immediately preceding calendar year's reduction.

The refund provisions are: (1) the refund period is the calendar for which a refund is being requested; (2) the refund amount will be the amount withheld from the producer's milk proceeds during the refund period; (3) producers are eligible to receive refunds of withheld amounts, if evidence is provided that the producer and all dairies in which that producer has an interest did not increase milk marketings in the refund period, when compared to the immediately preceding calendar year; and (4) applications for refunds for a refund period will be accepted from 1 January through 15 March of each subsequent calendar year beginning in 1992 and ending in 1996.

The 1990 Act also includes amendments relating to Federal Milk Marketing Orders and studies of milk inventory management, multiple component pricing, and Minnesota-Wisconsin price series replacement.

Outlook

As of 30 September 1991, the uncommitted inventories were: butter, 494 million lb.; cheese, 26 million lb.; and non-fat dry milk, 230 million lb. This compares with 342 million lb. of butter and 14 million lb. of non-fat dry milk as of 30 September 1989.

The table on the following page summarizes USDA market removals from MY 1986 through 1990.

MILK PRODUCTION AND MARKET REMOVALS 1986-1990 MARKETING YEAR*

(Million pounds)

		USDA Market Removals				
Year	Milk production	Butter	Cheese	NFDM	Evap. Milk	Milk equiv. of removals[1]
1986/87	141.5	143.4	236.7	555.9	28.2	5,361
1987/88	144.8	320.2	306.3	364.8	21.4	9,689
1988/89	144.6	420.3	45.7	-	25.7	9,187
1989/90	146.9	384.0[2]	18.7[3]	28.1[4]	31.8	8,377[5]
1990/91	148.7	433.0[2]	96.7[6]	342.6[6]	30.3	10,450[5]

[1]Milk equivalent, fat solids basis, is derived by adding the following: lb. of butter times conversion factor of 20.65; lb. of cheese times conversion factor of 9.88; and lb. of evaporated milk times conversion factor of 2.15.

[2]Includes approximately 14 million lb. of butter equivalent exported under the Dairy Export Incentive Programme.

[3]Mozzarella cheese purchased on a competitive bid basis - not included in total milk equivalent.

[4]Includes 10 million lb. of instant, fortified NFDM purchased under the authority of Section 709 of the Food and Agriculture Act of 1965.

[5]Reflects approved methodology for calculating milk equivalent on fat solids basis in accordance with amendments to the 1949 Act made by the 1990 Act. Milk equivalent, fat solids basis, is derived by adding the following: lb. of butter times conversion factor of 21.8; lb. of cheese times conversion factor of 9.23; and lb. of non-fat dry milk times conversion factor of .22. Evaporated milk is no longer considered in the milk equivalent.

[6]Includes approximately 2 million lb. of cheese and 21 million lb. of non-fat dry milk exported under DEIP.

* The marketing year is 1 October through 30 September.

Sugar and Sugar-containing Articles

Measures taken under Section 22

The 1 cent per pound (2.2 cents per kg.) fee on refined sugar and the quotas for sugar containing articles, totalling 94,000 short tons (approximately 85,000 metric tons) remains in effect. These measures are necessary to prevent material interference with the price support programme for sugar administered by the U.S. Department of Agriculture under the authority of the 1985 Act.

Other import controls

As a result of the June 1989 GATT panel findings and recommendations with respect to the absolute quota for sugar administered under Additional U.S. Note 3, Chapter 17 of the HTS, the U.S. quota system was converted to a tariff-rate quota by Presidential Proclamation 6179 of 13 September 1990 and became effective on 1 October. The tariff-rate quota is operated under domestic authority which is independent of Section 22. On 27 September 1991, the 1991/92 tonnage of sugar subject to the first tier (low tariff) of .625 cents/lb., raw value, under the tariff-rate quota was established at 1,385,000 metric tons. Imports from Caribbean Basin Initiative (CBI) beneficiary countries and GSP beneficiary countries remain duty free. Imports of sugar above the first tier tonnage are subject to the second tier (high tariff) of 16 cents/lb., raw value. Additional sugar is allowed low tariff entry into the United States (or duty free if it is of CBI or GSP country origin) under the condition that it be re-exported in either refined or further processed form.

Support programmes

The 1990 Act amended the 1949 Act to establish a support programme for domestically grown sugar cane and sugar beets for the 1991 through 1995 crops. Support is provided through a programme of non-recourse loans at such levels as the Secretary of Agriculture determines appropriate, but not less than 18 cents per pound for raw cane sugar. Beet sugar shall be supported through non-recourse loans at such levels as the Secretary determines is fair and reasonable in relation to the loan level for raw sugar cane. The raw sugar cane and refined beet sugar loan levels for the 1991 crop are established at 18.0 and 22.85 cents per lb., respectively.

Loans are made for a period of six months for the 1990 crop (but will increase to nine months for the 1991 through 1995 crop as a result of amendments in the 1990 Act). In all cases, loans have a maturity date of no later than 30 September of the fiscal year in which they are made. The interest rate on these loans will be the rate applicable to CCC loans. To be eligible to participate in the loan programme, processors are required to pay at least the minimum specified price support levels determined by CCC to any grower who delivers eligible sugar beets or sugar cane to the processor.

Steps taken to balance supply and demand

The United States is a net importer of sugar, with imports regulated as described above. Domestic consumption of sugar in the United States has increased steadily during the past few years from 7.7 million short tons in 1985/86 to a forecast 8.9 million short tons in 1991/92. The 1990 Act does not provide for regulation of the marketing of domestically produced raw cane and refined beet sugar if imports of raw cane sugar are estimated by USDA to be above 1.25 million short tons in any one marketing year in the 1991/95 period.

TO SUSPEND INDEFINITELY THE IMPORT QUOTA ON COTTON COMBER WASTE
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. Presidential Proclamation No. 2351 of 20 September 1939, issued pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624) (the Act), limited the total quantity of cotton waste that may be entered in any twelve-month period beginning 20 September in any year and provided country-specific allocations of such quantity. This action was taken in order that the entry of cotton waste would not render or tend to render ineffective, or materially interfere with, the programmes with respect to cotton undertaken by the Department of Agriculture.

2. In accordance with Section 22 of the Act, the Secretary of Agriculture has advised me that he has reason to believe that the quantitative restrictions on imports of cotton comber waste, wherever classified in the Harmonized Tariff Schedule of the United States (HTS), should be terminated or modified because the circumstances requiring the imposition of the restrictions have changed and the quota is being underutilized.

3. Based upon this advice, I directed the United States International Trade Commission (the Commission) to initiate an investigation under Section 22(d) of the Act (7 U.S.C. 624(d)) to determine whether the quota on cotton comber waste should be terminated or modified, including globalizing country quota allocations, eliminating the staple length restrictions on cotton used to make cotton comber waste, or distinguishing between bleached and unbleached cotton comber waste, or whether the quota should otherwise be adjusted to take account of circumstances that have changed since the quota was proclaimed.

4. After reviewing the facts and taking into account the report of the Commission based upon the investigation that it conducted, I have determined that the circumstances requiring the current import quotas on cotton comber waste do not exist at this time. Accordingly, I find that the quantitative restrictions imposed under Section 22 of the Act on all imported cotton comber waste should be suspended indefinitely, and that the staple length restrictions on cotton comber waste should be eliminated.

5. Section 604 of the Trade Act of 1974 (19 U.S.C. 2483) authorizes the President to embody in the HTS the substance of the provision of that Act, of other acts affecting import treatment, and actions taken thereunder.

NOW, THEREFORE, I, GEORGE BUSH, President of the United States of America, acting under authority vested in me by the Constitution and the laws of the United States of America, including but not limited to

Section 22 of the Act and Section 604 of the Trade Act of 1974 (19 U.S.C. 2483), do hereby proclaim that:

(i) In sub-heading 9904.30.50 of the HTS, the title of quota quantity column (A), "Minimum Quota for certain comber wastes", is modified to read "Quota for cotton comber waste".

(ii) In sub-heading 9904.30.50 of the HTS, the title of quota quantity column (B), "Unreserved Quota", is modified to read "Quota for other cotton wastes".

(iii) In sub-heading 9904.30.50 of the HTS, the quota quantity column (C), with its title "Total Quota", is stricken.

(iv) United States' Note 3(b) to sub-chapter IV of chapter 99 of the HTS is deleted, and the words "See US note 3(b) of this sub-chapter" in sub-heading 9904.30.50 of the HTS are deleted.

(v) The quantitative restrictions on imports of cotton comber waste, as provided under sub-heading 9904.30.50 of the HTS, as revised, are hereby suspended indefinitely.

(vi) Proclamation No. 2351 is superseded to the extent inconsistent with this Proclamation.

(vii) This Proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on and after the date of publication of this Proclamation in the Federal Register.

IN WITNESS WHEREOF, I have hereunto set my hand this thirteenth day of November, in the year of our Lord nineteen hundred and ninety, and of the Independence of the United States of America the two hundred and fifteenth.

TO MODIFY TEMPORARILY THE IMPORT QUOTA ON PEANUTS
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. Heading 9904.20.20 of the Harmonized Tariff Schedule of the United States (HTS) provides that no more than 775,189 kg. of peanuts described therein may be entered into the United States during any twelve-month period beginning 1 August in any year. This limitation was proclaimed by the President in Proclamation No. 3019 of 8 June 1953 (18 FR 3361), and was modified in subsequent Proclamations, under the authority of Section 22 of the Agricultural Adjustment Act of 1933, as amended (the 1933 Act) (7 U.S.C. 624).

2. On the basis of the investigation and report of the United States International Trade Commission, which conducted an investigation into this matter pursuant to Section 22 of the 1933 Act, I find and declare that changed circumstances require a quantity of 100 million lb. (45,359,702 kg.) of peanuts to be permitted entry during the quota period ending 31 July 1991, as hereinafter proclaimed, to carry out the purposes of Section 22. I also find and declare that the entry of such quantities of peanuts, under the conditions hereinafter proclaimed, will not render or tend to render ineffective, or materially interfere with, the price support programme of the Department of Agriculture with respect to peanuts.

3. Section 604 of the Trade Act of 1974, as amended (the Trade Act) (19 U.S.C. 2483), requires the President, from time to time, as appropriate, to embody in the HTS the substance of the relevant provisions of that Act, and of other acts affecting import treatment, and actions taken thereunder, including the removal, modification, continuance, or imposition of any import restriction.

NOW THEREFORE, I, GEORGE BUSH, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States, including but not limited to Section 22 of the 1933 Act and Section 604 of the Trade Act, do hereby proclaim:

(1) In order to modify temporarily the import quota on peanuts of the type described in HTS Heading 9904.20.20 and to facilitate its administration:

(a) Heading 9904.20.20 of the HTS is modified by striking out the quota quantity "775,189" and by inserting in lieu thereof "45,359,702"; and

(b) The following new Note 5 is added to the US Notes to sub-chapter IV of chapter 99 of the HTS:

"5. Peanuts

No peanuts provided for in Heading 9904.20.20, other than peanuts blanched or otherwise prepared or preserved, shall be entered, or withdrawn from warehouse for consumption, through 31 July 1991, unless the following certificates (or a bond for their production) for such peanuts are filed with the appropriate customs officer at the time of such entry or withdrawal:

(a) A certificate issued by the US Department of Agriculture attesting to the fact that the peanuts meet the requirements as to quality, size and wholesomeness that are specified in the Outgoing Quality Regulation - 1990 Crop Peanuts (7 CFR 998.200), and

(b) A certificate issued by the US Department of Agriculture laboratory or a designated laboratory approved by the Peanut Administrative Committee attesting to the fact that the peanuts tested 'negative' as to aflatoxin".

(2) In order to restore the previous quota quantity for such peanuts, HTS Heading 9904.20.20 is modified by striking out the quota quantity "45,359,702" and by inserting in lieu thereof "775,189", and US Note 5 to sub-chapter IV of chapter 99 of the HTS is deleted.

(3) (a) The modifications made by paragraph (1) of this Proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after the date of publication of this Proclamation in the Federal Register.

(b) The modifications made by paragraph (2) of this Proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after 1 August 1991.

IN WITNESS WHEREOF, I have hereunto set my hand this ninth day of July, in the year of our Lord nineteen hundred and ninety-one, and of the Independence of the United States of America the two hundred and sixteenth.