# UNITED STATES AGRICULTURAL ADJUSTMENT ACT

**Fifth Annual Report by the United States Government**

**under the Decision of 5 March 1955**

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BACKGROUND

This report is submitted in accordance with the Decision of the CONTRACTING PARTIES of 5 March 1955, granting a waiver to the United States in connection with import restrictions imposed under Section 22 of the Agricultural Adjustment Act, as amended. That Decision provides that certain obligations of the United States under the provisions of Articles II and XI of the General Agreement are waived to the extent necessary to prevent a conflict with such provisions where action is required to be taken by the Government of the United States under Section 22. (See BISD, Third Supplement, page 32.) The Decision also provides that the annual report show:

1. Any modification or removal of restrictions effected during the reporting period;
2. Restrictions currently in effect;
3. Reasons why such restrictions (regardless of whether covered by this waiver) continue to be applied, and
4. Steps taken during the reporting period with a view to solution of the problem of surpluses of agricultural commodities.

As in previous years, and in keeping with the language of the waiver, all commodities currently subject to regulation of imports under Section 22 are reviewed in this report, regardless of the applicability of Article XI or other provisions of the General Agreement. Wheat, cotton, and peanuts, for example, are reviewed even though domestic controls are in operation through the acreage allotment and marketing quota programmes. The report also reviews flax-seed, including linseed oil, where controls are in the form of additional import fees rather than quotas. None of these fee items is bound against increase in Schedule XX of the GATT.

Section 22 of the Agricultural Adjustment Act (of 1933), as amended has been in effect since 24 August 1935. It authorizes and directs the President of the United States to regulate the importation of commodities whenever he finds that such importation renders or tends to render ineffective or materially interferes with any price support or other programme or operation relating to agricultural commodities undertaken by the Department of Agriculture. The legislation also provides for review of import regulations established under its terms in order to meet changing circumstances. The complete text of Section 22 is published as an annex to the decision in BISD, Third Supplement, page 36.

CURRENT SITUATION

During the period from preparation of the previous report until 29 July 1959, two investigations were conducted by the United States Tariff Commission pursuant to Section 22. These investigations examined the need for:
(1) A proposed réduction of the long staple cotton quota and
(2) the extension, on a continuing basis, of the rye quota
which automatically terminated on 30 June 1959.

The Tariff Commission reports recommended:

(1) no modification of the continuing long staple cotton quota, and
(2) a reduced quota, on a continuing basis, of approximately
one-half last year's quota for rye and rye flour including meal.
At this writing, (24 August 1959), the recommendation on long
staple cotton had not been acted upon by the President; the
recommendation on rye was not accepted by the President, the
quota on rye, rye flour and meal being continued at last
year's level.

Details of the foregoing action will be, or have been, included in
notifications to the GATT secretariat and to the countries affected. Noti-
fication was also submitted on the automatic termination of the one year
almond fee quota as of 30 September 1958. It should be noted here that the
President has directed the Tariff Commission to investigate the need for
additional import regulations for almonds during the 1959-60 season.
Hearings on this question have been scheduled to begin 25 August 1959.

Thus, there are now in effect import regulations under Section 22 on the
following items: wheat and wheat products, cotton and cotton waste, rye and
rye flour including meal, flax-seed and linseed oil, peanuts and peanut oil,
tung nuts and tung oil, and certain manufactured dairy products. All these
commodities are subject to continuing regulation except tung nuts and tung oil,
and rye and rye flour including meal, import quotas for which are now
scheduled to terminate on 31 October 1960 and 30 June 1961.

**STEPS TAKEN TO SOLVE THE PROBLEM OF AGRICULTURAL SURPLUSES**

The United States continued to take actions designed to bring about a
better balance between supply and demand of the commodities under Section 22
control. Such actions included the following:

1. *Acreage allotments and marketing quotas were continued, where
   required by law, at the lowest levels permitted.*
2. *Soil Bank programme emphasis was shifted to take general crop land
   out of production.*
3. *Price support levels were further reduced for most commodities
   under control.*
4. *New legislation was requested giving the Secretary of Agriculture
   more flexibility in establishing price support levels for commodities
   subject to mandatory supports.* The need for new legislation relating
to wheat was given particular emphasis. At this writing, however,
agreement on a legislative programme was not in sight.
Acreage allotments and marketing quotas were in effect during 1953-59 and 1959-60 for three of the Section 22 commodities—wheat, cotton and peanuts. These are the only commodities under review for which acreage allotments coupled with marketing quotas are authorized by law.

As pointed out in previous reports, marketing quotas have brought about drastic reductions in the acreage planted to these crops. For example, acreage planted to wheat was 59 million acres in 1959 compared with 79 million acres in 1953 and 84 million acres in 1949.

Thus far, legislation embodying the Secretary's request for more flexibility in establishing support levels for wheat and for peanuts has not been enacted; the revised programme for cotton is discussed in detail in a later section of this report.

Operations under the Soil Bank Act continued on a relatively large scale in 1959 despite the elimination of the acreage reserve programme. Emphasis has been placed upon the conservation reserve programme, under which farmers agree to withdraw general crop land from production for varying periods of three to ten years. Approximately 23 million acres of crop land are now withdrawn from production under this programme and farmers are expected to put an additional 5 million acres under conservation reserve contracts beginning with 1960 crops. Each acre of crop land put in the conservation reserve reduces the acreage available for harvested crops.

Price support levels for most controlled commodities were reduced during the 1958 crop season, and were further reduced for the current crop year. The extent of the reductions from 1954 to 1959 is shown in the following table:

### Price Support Levels: Section 22 Commodities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Average Support Price (dollars)</th>
<th>Support Level as a Percent of Parity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>bu.</td>
<td>2.24</td>
<td>1.82</td>
</tr>
<tr>
<td>Cotton, upland</td>
<td>lb.</td>
<td>.3158</td>
<td>.3123</td>
</tr>
<tr>
<td>Choice A²</td>
<td>lb.</td>
<td>.3040</td>
<td>.2470</td>
</tr>
<tr>
<td>Choice B²</td>
<td>lb.</td>
<td>.6553</td>
<td>.5395</td>
</tr>
<tr>
<td>Cotton, extra</td>
<td>lb.</td>
<td>.122</td>
<td>.1066</td>
</tr>
<tr>
<td>long staple</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peanuts</td>
<td>lb.</td>
<td>.562</td>
<td>.566</td>
</tr>
<tr>
<td>Dairy products:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Butterfat</td>
<td>lb.</td>
<td>.562</td>
<td>.566</td>
</tr>
<tr>
<td>Milk³</td>
<td>cwt.</td>
<td>3.15</td>
<td>3.06</td>
</tr>
<tr>
<td>Tung nuts</td>
<td>ton</td>
<td>54.96</td>
<td>53.89</td>
</tr>
<tr>
<td>Flax-seed</td>
<td>bu.</td>
<td>3.14</td>
<td>2.78</td>
</tr>
<tr>
<td>Rye</td>
<td>bu.</td>
<td>1.43</td>
<td>1.10</td>
</tr>
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1 National average support rate.
2 See Cotton Commodity section of this report for explanation of "Choice A" and "Choice B".
3 For manufacturing.
* Not announced.
The foregoing paragraphs summarize very briefly administrative decisions and proposals which have been made during the past year. Along with such actions, especially in the field of agriculture, are the natural forces which play such a vital part in determining the harvest in any given season. Also important has been the increasingly significant role played by the technological advances in recent years. Growing conditions have again been generally favourable in 1959 and the August Crop Report issued by the United States Department of Agriculture indicates current crop production to be 115 per cent of the 1947-49 average, only three points below the unprecedented level of 1958. Planted acreage continues at relatively low levels.

**ACTIONS TAKEN TO INCREASE CONSUMPTION**

As one means of utilizing surplus commodities, the United States continued its efforts to encourage increased consumption, both at home and abroad. A summary of the action taken to encourage consumption under such programmes is as follows:

1. **The Special Milk Programme for Children** - This programme was undertaken in the United States to increase consumption of fluid milk by children in:
   
   (a) non-profit schools of high school grade and under, and
   
   (b) non-profit nursery schools, child care centres, settlement houses, summer camps, and similar non-profit institutions devoted to the care and training of children. The programme is financed under special legislation which authorized the use of not to exceed $78 million during fiscal year 1958-59 for this purpose. It is conducted both in schools and institutions which have feeding facilities and in schools and institutions where factors prevent the establishment of food preparation and service facilities. Authority for the special milk programme was extended for three years under legislation passed by Congress in 1958. The programme not only contributes to improving nutrition, but also expands outlets for fluid milk.

2. **Military and Veterans Administration Milk Programme** - This programme is designed to encourage increased consumption of fluid milk by military and veteran personnel. Under this programme, authority for which was extended for three years under the Agricultural Act of 1958, the CCC has been paying about half the cost of milk representing above-normal purchases. This programme has resulted in tripling the consumption of milk by military personnel.

3. **Donations to the National School Lunch Programme** - This programme, conducted under the National School Lunch Act, is designed to provide participating school children with well-balanced lunches furnishing them with one-third of their daily nutritional requirements. During the year ending 30 June 1959, 459 million pounds of food with a cost value of $116 million was donated by the Federal Government to schools participating in the programme.
The amount donated was significantly higher than the 341 million pounds donated during 1957-58. In addition to these food donations, the Federal Government made cash grants in aid to the States totalling nearly $94 million during 1958-59. Federal donations represent only part of the food made available since local contributions greatly exceed the Federal payments.

4. Donations to Needy Persons and Institutions in the United States - This programme is conducted under authority provided by Section 416 of the Agricultural Act of 1949, as amended, and Section 32 of the Act of 24 August 1935. Under the programme during the year ending 30 June 1959, a total of nearly 865 million pounds of surplus foods was donated to needy persons and charitable institutions. This compares with 620 million pounds in the preceding year. The products donated included dry edible beans, butter, cheddar cheese, cornmeal, cabbage, flour, non-fat dry milk, peanut butter and rice.

5. Donations to Needy Persons in Foreign Countries During the Year Ending 30 June 1959 - Authorization for this programme is Title III of PL 480. Donations were made to United States non-profit voluntary agencies such as the American Red Cross, or inter-governmental agencies such as UNICEF which, in turn, were responsible for arranging for the distribution in foreign countries to needy people to supplement the usual diets.

Under this programme the United States Government donated almost 1.9 billion pounds of surplus foods to needy persons in foreign countries. This food had a cost value of $210 million. These donations were slightly less than the 2.0 billion pounds with a cost value of $272 million donated in the preceding year. The foods donated included cheese, corn, cornmeal, non-fat dry milk solids, rice, wheat, and wheat flour.

6. Foreign Disaster Relief - This programme embodies the donation of surplus agricultural commodities for disaster purposes. Authority is contained in Title II of PL 480. These donations are made to alleviate suffering following hurricanes, floods, earthquakes, droughts, crop shortages and other natural disasters in foreign countries. These donations, as well as those referred to above, have been made in a way which will not displace or interfere with sales that otherwise would be made.

During the five years ending 30 June 1959, the programme has been in effect, commitments undertaken amounted to $450 million on the basis of the cost of commodities. The following commodities were included: barley, dry edible beans, butter, cheddar cheese, corn and cornmeal, cotton, cottonseed oil, grain sorghums, non-fat dry milk solids, rice, rye flour, wheat and wheat flour.

7. Other Programmes - As a means of increasing utilization, the Department is giving additional emphasis to research and promotional activities to develop new and expanded uses for farm products, especially those which
are in surplus supply. In performing these responsibilities, it is co-operating with private organizations and groups undertaking programmes to expand the utilization of agricultural commodities. As reported in the previous report, private industry groups in cotton, dairy products, wheat, peanuts and soybeans have established special organizations to increase utilization of these products.

Within the United States, the Department of Agriculture is continuing to use its "plentiful food" programme to expand markets for foods which are in plentiful supply. The purpose of this programme is to increase movement of these foods through established channels of trade. This programme is operated in co-operation with food distribution, industry and public information media. Experience under the programme has indicated that by emphasizing food items which may be in temporary surplus, or even a glut on the market, increased merchandizing and informational emphasis stimulates sales, demand and consumption to the benefit of the farmer, distributor and consumer.

**WHEAT AND WHEAT PRODUCTS**

1. **Section 22 Quotas in Effect**

   The important quotas established under Section 22 for wheat classified as fit for human consumption and certain wheat products (flour, semolina, crushed and cracked wheat, and similar products) remain the same in 1959-60 as in 1958-59. As explained in the previous reports, the annual import quotas for wheat and for wheat products are on a continuing basis. They have not been changed significantly since they were established in 1941, except that they were suspended for a short period during World War II due to emergency conditions existing at that time.

   The quotas in effect for the quota year beginning 29 May 1959, as in the previous years, are 800,000 bushels of wheat and 4 million pounds of wheat products. Separate quotas continue in effect for individual countries at the same levels indicated in previous reports. No import quotas are in effect for wheat classified as unfit for human consumption (feed wheat); and registered or certified seed wheat for planting purposes, as well as wheat for experimental purposes, may be imported ex-quota under stipulated conditions.

2. **Need for Continuing Import Quotas on Wheat**

   The United States Government has continued to carry out extensive measures for the solution of the wheat surplus problem. During the 1959-60 season, the Government will continue to have in operation a number of programmes pertaining to wheat, including a price support programme, an acreage allotment and marketing quota programme in connection with the price support programme, and related storage and disposal operations.
Despite the many steps that have been taken to stabilize production and bring supplies into better balance with requirements, the surplus situation continues to be very serious. It will be necessary to maintain import quotas on wheat and wheat products in order to prevent imports from materially interfering with the price support and related programmes. The conditions which make it necessary to continue these import restrictions are explained in more detail below:

(a) Programmes. The maintenance of a price support for wheat is mandatory every year under Title I of the Agricultural Act of 1949, as amended, within a range of 75 to 90 per cent of parity, unless more than one-third of the producers voting in a referendum disapprove of marketing quotas. Marketing quotas for the 1960 crop were approved by 80.7 per cent of the wheat producers voting in a referendum held in July 1959. The average support level for the 1959 crop of wheat is $1.81 per bushel, equal to 75 per cent of parity, the legal minimum. A minimum support level of $1.77 has been announced for the 1960 crop, which is the legal minimum on the basis of 75 per cent of estimated parity for wheat as of the beginning of the 1960-61 marketing year. Since 1954, when the average support price was $2.24 per bushel, it has been dropped 47 cents, equal to 21 per cent.

The programme of acreage allotments and marketing quotas under which wheat acreage has been drastically curtailed has been continuously in effect since 1954, and will be continued for the 1960 crop. As noted above, marketing quotas were approved by a much larger percentage of the farmers voting in referendum than the required minimum of two-thirds. The national acreage allotment established for each wheat crop since 1954 has been the minimum of 55 million acres authorized by law.

Under the Soil Bank Conservation Reserve Programme farmers have retired 23 million acres from the production of crops, much of which otherwise would have been planted to wheat. The goal for the conservation reserve in the coming year is an additional 5 million acres which, if achieved, would make a total of 28 million acres in this programme. The proposed average payment for the 1960 programme is unchanged from a year earlier, $13.50 per acre. This compares with an average of about $10.00 per acre during 1956-58 and tends to cause land of higher average productivity to be put in the conservation reserve, even though payments per unit of productivity may not be increased over the payments in contracts of the previous years.

In the 1959 conservation reserve sign-up approximately 155,000 farmers signed applications for contracts to place over 12 million acres in the programme for "approved practice" payments of $92 million and annual rental payments of $180 million. In addition, annual payments of $88 million are obligated this year for the 10 million acres put in the conservation reserve programme in 1956-58. A total of up to $316 million will be paid in 1959-60 for the conservation reserve programme.
(b) **Supply Situation**—The United States continues to be confronted with a very serious surplus situation with wheat. The United States total supply in 1959-60 is now estimated at about 2,404 million bushels, based on the August 1959 crop report. Such a supply is approximately 53 million bushels larger than the previous record amount in 1958-59. The 1959-60 supply is equivalent to nearly four years domestic requirements, estimated for this year at 625 million bushels. This vast supply of wheat has accumulated in the United States despite the many government-sponsored programmes which have been in effect to reduce acreage and to maximize utilization. This build-up in wheat supplies has happened primarily because of unprecedentedly high yields of the 1958 winter wheat crop and the near-record yields of the 1959 winter wheat crop.

The 1959-60 supply is made up as follows: The **beginning carry-over on 1 July 1959**, was a record 1,277 million bushels, nearly 400 million more than on the same date in 1958, and about 240 million more than the previous record-high carry-overs in 1955 and 1956. In recent years the CCC has owned or controlled 90 per cent or more of the carry-over, and this was true also on 1 July 1959, when the CCC had in inventory 1,135 million of the 1,277 million bushel carry-over, and about 46 million bushels were loans outstanding under the farm "reseal" programme. Despite the reduced 1959 crop, the United States carry-over of wheat on 1 July 1960, is expected to be about 1,350 million bushels, the largest in history. Production in 1959 is now estimated at 1,119 million bushels. This production is 65 million bushels larger than anticipated domestic requirements and exports under the various foreign aid and subsidy programmes in 1959-60. The 1959 crop came from only 58.8 million planted acres, compared with 78.9 million planted acres in 1953 (last year before acreage allotments and marketing quotas were put into effect). **Imports** of millable wheat and of wheat flour under the quotas referred to above, plus imports of wheat unfit for human consumption and seed wheat for planting purposes (both outside the quotas) are estimated at 8 million bushels during 1959-60, compared with 8.1 million in 1958-59, and the 1953-57 average of 7.8 million bushels.

Utilization—**Domestic disappearance in 1959-60** is estimated at 629 million bushels, 4 million more than in 1958-59. **Exports** of wheat, including flour, in 1959-60 are presently estimated to total 425 million bushels, compared with about 443 million in 1958-59 and 403 million in 1957-58. Based on supplies and disappearance during 1959-60 as outlined above, the **carry-over at the end of the year** will be approximately 1,350 million bushels, an increase of 73 million bushels over the 1959 carry-over. It is anticipated that the CCC will own or control over 90 per cent of the record-large carry-over in 1960 as in other recent years.

**Price support activity** in 1959-60 is expected to be very large. It is expected that about 415 million bushels of 1959 wheat will be placed under support, and about 325 million bushels will be delivered to CCC during April-June 1960. It is now estimated that 519 million bushels of the larger 1958 crop will be acquired by CCC.
The CCC owned 1,135 million bushels of wheat on 1 July 1959, all acquired by deliveries from farmers under price support operations. Dispositions of wheat by CCC during 1959-60 are presently estimated to total 165 million bushels, considerably more than the approximately 145 million bushels disposed of in both 1958-59 and 1957-58. It is anticipated that CCC stocks will increase to about 1,250 million bushels on 1 July 1960, a new all-time record high.

3. Steps Taken with a View to the Solution of the Surplus Problem

The steps taken by the United States with a view to the solution of the problem of the wheat surplus generally have been discussed above. Briefly, they are as follows:

(a) Severe Acreage Limitations in Effect - Acreage used for wheat production has been reduced very sharply under acreage allotments and marketing quotas, to the minimum specified by law. The national acreage allotment serves as a basis for determining the size of the acreage allotted to states, countries and individual farms. The minimum 55 million acre national allotment for the years 1954 through 1960 is 30 per cent below the acreage seeded to wheat in 1953, prior to the imposition of production control programmes. When marketing quotas are in effect (as they have been every year since 1953), the production on the allotted acres becomes the producer's marketing quota, and if he exceeds his farm wheat acreage allotment he becomes ineligible for price support on the entire production of wheat from his farm. Any producer who exceeds his marketing quota must pay a penalty of 45 per cent below the 1 May parity price on the excess quantity, or he must store the excess under seal for possible sale in subsequent year when he plants under his allotment in line with a prescribed formula. Wheat is ineligible for support if grown on newly irrigated or drained lands within any Federal project after the enactment of the Agricultural Act of 1956, or otherwise produced in violation of provisions which generally are being included in new leases of Federally-owned land, to prevent the production thereon of surplus crops.

(b) A Soil Bank Conservation Reserve Programme has been in effect each year since 1956. To date farmers have retired from the production of all field crops 23 million acres under this programme, much of which otherwise would have been planted to wheat. The 1960 goal for the conservation reserve is an additional 5 million acres which, if achieved, would result in 28 million acres in this programme during five years.

(c) Downward adjustments have been made in the wheat price support levels. A national average support price of $1.81 per bushel has been announced for the 1959 crop; and the minimum support price for the 1960 crop has been announced at $1.77 per bushel. This is considerably below the $2.24 per bushel for the 1954 crop, the $2.08 for the 1955 crop, and the $2.00 for the 1956 and 1957 crops. The 1958, 1959 and 1960 support levels are the lowest since the 1946 crop. The support rates for the 1956, 1959 and 1960 crop are equivalent to 75 per cent of parity, the lowest level of support permitted by existing legislation, and the lowest percentage of parity at which wheat has been supported since 1940.
(d) During the 1959-60 marketing year, the United States Government is continuing costly disposal operations aimed at increasing outlets for wheat. These include donations of wheat and flour for domestic relief under Section 416 of the Agricultural Act of 1949, as amended, and donations of wheat and flour for overseas relief under Titles II and III of PL 480. Wheat for export under the subsidy programme will continue to be obtained generally from free market supplies instead of from sales of CCC-owned stocks, and payments on wheat export subsidies generally will be made in kind, pursuant to the basic change made in the wheat export programme effective 4 September 1956. This programme is aimed at encouraging wheat marketings through private trade channels.

In keeping with the continuing efforts by the United States to bring about a better balance between supply and utilization of wheat, the President in his January 1959 message to Congress directed the Secretary of Agriculture to explore with other interested nations how surplus agricultural products could be used in a programme of Food for Peace. Implementing this directive, a meeting attended by high officials of Canada, Australia, France, Argentina and the United States was held in June 1959. The purpose of this meeting was to discuss the issue of surplus wheat and how it might be used to improve the economies of under-developed countries. A committee on wheat utilization was established at that time to pursue this question. Although much remains to be accomplished, the development of the Food for Peace proposal will contribute to a better understanding among wheat-exporting nations and will, as time goes on, allow surplus wheat to be used to a greater extent for economic development.

COTTON AND COTTON WASTE

1. Section 22 Quotas in Effect

Import quotas are in effect under Section 22 for upland-type cotton, long staple cotton and designated cotton waste during the 1959-60 cotton marketing year. There have been no changes in import quotas during the past year. The 1959-60 import quotas for cotton which continue in effect each year unless changed, are as follows:

(a) Upland-type cotton - Cotton under 1-1/8 inches (other than rough or harsh under 3/4 inch) - 14,516,822 pounds annually during the quota year beginning 20 September.

(b) Long staple cotton - Cotton 1-1/8 inches and longer:

(1) 39,590,778 pounds annually for cotton having a staple length of 1-3/8 inches or more.
(2) 6,065,642 pounds annually for cotton having a staple length of 1-1/8 inches or more but less than 1-3/8 inches: Provided, that of such 6,065,642 pounds not more than 1,500,000 pounds shall consist of rough or harsh cotton, white in colour, and having a staple length of 1-5/32 inches or more but less than 1-3/8 inches, and not more than 4,565,642 pounds shall consist of other cotton.

(c) Cotton mill waste - Cotton card strips made from cotton having a staple length of less than 1-3/16 inches, comber waste, lap waste, sliver waste and roving waste - 5,482,509 pounds annually during the quota year beginning 20 September.

The import quotas in effect on cotton 1-1/8 inches or more in staple length are on a global basis. Quotas in effect on cotton under 1-1/8 inches and on designated cotton mill waste are on a country basis.

2. Need for Continuing Import Quotas on Cotton and Cotton Waste

During the 1959 crop season, the United States Government has continued its extensive efforts to deal with the cotton surplus problem. It has had in operation several programmes, including a price support, an acreage allotment and marketing quota programme, conservation reserve programme, and related surplus operations. Despite the progress made as a result of these programmes, it is necessary to continue import quotas on cotton and cotton waste in order to prevent imports from materially interfering with these domestic programmes and related operations. These programmes and the conditions which make necessary the continuation of these import restrictions are explained in detail below:

Upland Cotton

(a) Programmes - The Agricultural Act of 1958 provided a new price support programme for upland cotton. The new provisions permit a gradual transition to a more flexible price support by 1962, when the over-all range widens to 65 to 90 per cent of parity.

The 1959 crop of upland cotton for farms whose operators elected to comply with their regular (or Choice A) allotments, is being supported at an average level reflecting 80 per cent of parity as of 1 August. The United States average support level for 1959 crop Middling 7/8-inch upland cotton produced on Choice A farms is 30.40 cents per pound. Price support for such cotton will be carried out through a purchase programme. Farms whose operators elected the B programme for 1959 had their allotments increased by 40 per cent. The average support level basis Middling 7/8-inch for cotton produced on these farms is 24.70 cents, or 65 per cent of parity, and price support will be carried out through a loan programme.
Acreage allotments and marketing quotas were established for the 1959 crop and approved by a much larger percentage of the farmers voting in a referendum than the minimum of two-thirds of the voters required. Any producer who does not comply with his farm acreage allotment is denied price support and also must pay a penalty (50 per cent of the 15 June parity price) on his excess cotton.

The national acreage allotment established for 1959 under the marketing quota operation was set at the minimum level authorized by law. The total allotment available for planting was 17.3 million acres, which compares with 17.6 million acres for 1958, and was the smallest acreage allotment established since allotments and marketing quotas were first imposed under the Agricultural Adjustment Act of 1938. The 1959 allotment includes about one million acres added to the allotments for about 70,000 farms whose operators elected the Choice B programme.

In 1959, the United States Government also has in operation a conservation reserve programme under the Soil Bank Act. This programme provides for payments to farmers who divert land to soil-conserving crops and uses. It is estimated that this programme reduced 1959 cotton plantings by more than 500,000 acres. The 1959 planted acreage was estimated in July at 15,820,000 acres.

(b) Supply Situation for Upland Cotton - Total supply for the 1959-60 marketing year is estimated at 23.5 million bales, compared with 20.1 million for 1958-59. Most of the increase is due to the fact that the 1959 crop is 3.3 million bales larger (August estimate) than the 1958 crop.

The 1959 planted acreage is 3.5 million acres larger than 1958 and 1959 harvested acreage will be 3.2 million above 1958. The 1959 yield per acre (all cotton) is 474 pounds lint per acre, 8 pounds above the previous record high of 1958.

Carry-over - Carry-over 1 August 1959 is estimated at 8,759,000 bales, compared with 8,616,000 on 1 August 1958.

Production - The 1959 crop is estimated (August crop report) at 14.6 million bales, compared with 11.5 million in 1958.

Imports - Imports in 1959-60, estimated at 57,000 bales, are only slightly above 53,000 estimated for 1958-59. Most of the imports are Mexican upland and Asiatic short harsh cotton.

Disappearance - Total disappearance in 1959-60, estimated at 14.4 million bales, is 3.1 million above 1958-59, due mostly to anticipated increase in exports from 2.8 million bales in 1958-59 to 5.5 million in 1959-60. Domestic consumption is also expected to increase from about 8.7 bales in 1958-59 to 8.9 million in 1959-60.
Carry-over 1 August 1960 - If the above estimates prove accurate, the carry-over will increase moderately from 8.7 million bales on 1 August 1959 to 9.0 or 9.1 million on 1 August 1960.

Price support activity - Since most of the 1959 crop will be produced under Choice A allotments, it is estimated that the amount placed under loan will be comparatively minor in 1959-60. The market price will, therefore, be influenced largely by the Choice A sales price. How much Choice B cotton that enters the loan remains to be seen.

Long Staple Cotton

(a) Programmes - Price support for the 1959 crop and future crops of long staple cotton is required by law at not more than 75 per cent nor less than 60 per cent of the parity price. A United States average support level of 52.95 cents per pound, net weight, has been announced for 1959-crop American Egyptian cotton, and 47.95 cents per pound for Sea Island and Sealand cotton, such levels reflecting 65 per cent of parity for extra long staple cotton.

Acreage allotments and marketing quotas were continued for the 1959 crop of these growths. When marketing quotas are in effect, any producer who does not comply with his farm acreage allotment is denied price support on such cotton, and must pay a penalty (the higher of 50 per cent of the 15 June parity price or 50 per cent of the support price) on his excess extra long staple cotton.

The national acreage allotment for 1959 is 71,000 acres, which compares with a 1958 allotment of 83,000 acres and a 1957 allotment of 89,000 acres.

(b) Supply Situation - Current stocks of CCC-acquired extra long staple cotton from 1957 and prior crops total about 29,000 bales. Approximately 43,000 bales of 1958-crop extra long staple cotton, now under price support loan, had been acquired at the close of business 31 July 1959. Legislation providing for the withdrawal of 50,000 bales of domestic extra long staple in the United States stockpile of strategic materials was approved in July 1957. Although this cotton was transferred to CCC on 1 August 1957, for sale, it still is technically in the stockpile and becomes a part of the United States supply only as it is sold. The law referred to above provides that the cotton will be sold at not less than 105 per cent of the current support price plus reasonable carrying charges or the current market price as determined by CCC. Sales to date of stockpile cotton total 9,286 bales, leaving 40,714 bales available for sale.

1 For purposes of statistical comparison, references in the following discussion to "extra" long staple cotton (staple length of 1-3/8 inches or more) should be related to the import quota of 39,590,778 pounds noted in section 1(b)(1). The quota of 6,065,642 pounds, described in section 1(b)(2), as cotton having staple length of 1-1/8 inches or more but less than 1-3/8 inches, is more closely related to the preceding discussion of "upland" cotton even though it is included in the "long staple" category of the import quota.
The supply is made up as follows:

Carry-over - The carry-over of extra long staple cotton in the United States on 1 August 1959 was estimated at 151,000 bales. This compares with 121,000 in 1958 and an estimated 183,000 bales on 1 August 1960.

Production - Production in 1959 on 69,200 acres planted (66,400 acres remaining for harvest) will be 69,700 bales, according to the August estimate of the Crop Reporting Board. This compares with 81,858 bales produced in 1958 on 76,200 acres harvested.

According to present indications, the marketing quota for 1960 may have to be reduced to the minimum, which is the larger of 30,000 bales or 30 per cent of the sum of domestic consumption and exports. Under this circumstance, the 1960 quota would be 36,000 bales and the national allotment 36,000 acres.

Imports - Imports of extra long staple cotton in 1959-60 are expected to equal the import quota of 82,500 bales (39,590,778 pounds). The quota is likely to be filled on the opening day, 1 August. The quota was also filled in 1958-59. Roughly 70 per cent of imports are from Egypt and 30 per cent from Peru, Sudan and others.

Disappearance - Disappearance in 1958-59 was about 136,500 bales, consisting of 110,000 bales consumed and 26,500 exported, mostly to Spain and Pakistan under PL 480 financing. In 1959-60, domestic consumption is expected to reach or exceed 115,000 bales, but exports under existing conditions are expected to be small.

Carry-over 1 August 1960 - The estimated carry-over 1 August 1960 of 183,000 bales will be larger than the 1958-59 carry-over by 32,000 bales or 21 per cent.

Price support activity - It is too early in the season to indicate a specific quantity of extra long staple cotton which might be pledged and/or acquired by CCC under the price support programme.

3. Steps Taken to Reduce the Surplus of Cotton

During 1959-60, the United States is continuing its efforts to reduce the surplus of cotton. These efforts, in general, have been along the following lines:

(a) reduction of production through the use of acreage allotments and marketing quotas;
(b) holding the level of price supports as close as possible to the minimum required by law;
(c) market stabilization and surplus disposal programmes to avoid disruption of domestic and foreign markets and to dispose of the surplus in an orderly manner.
(a) Reduction of Production -- Further steps were taken by the United States Government in 1959 to hold down production of cotton. The national acreage allotment was established at 17.3 million acres which is the minimum level permitted by law for the 1959 crop. This allotment and the 1956 and 1957 allotments were the lowest allotments established since 1938 when allotments and marketing quotas were first established for cotton under the Agricultural Adjustment Act of 1938. The national allotment prior to World War II was never established below 27.2 million acres.

In addition, the United States continued the conservation reserve provisions of the Soil Bank under which, in 1959, it is estimated farmers voluntarily took over 500,000 acres of land out of cotton. This reduction was in addition to the drastic curtailment made through the acreage allotment program. These reductions are in addition to the sharp cutbacks which already have occurred and which are discussed above. The acreage of all cotton in cultivation on 1 July 1959, was estimated at 15.8 million acres. Acreage in cultivation on 1 July, has been reduced from 24.3 million acres in 1953 to 15.6 million in 1956, to 14.1 million acres in 1957, 12.4 million acres in 1958. The increase to 15.8 million in 1959, is due in part to the election by the farmers of the "Choice B" plan. The steps taken by the United States to reduce production have resulted in a drop in the United States cotton crop from 16.3 million running bales in 1953 to 10.9 million bales in 1957. In early August, the 1959 crop was estimated at 14,689,000 bales, as compared with 11.5 million bales in 1958.

(b) Price support -- The price support for the 1959 crop of upland cotton was fixed at a United States average of 30.40 and 24.70 cents per pound for Middling 7/8-inch cotton at average location for Choice A and Choice B cotton, respectively. This level reflects 80 and 65 per cent of the parity price on 1 February, and is the minimum required by existing legislation on the basis of the current supply situation.

In July 1958, the Congress amended Title I of the Agricultural Act of 1949 (the legislation which requires that the price of extra long staple cotton be supported) to provide that the level of support shall be not more than 75 per cent nor less than 60 per cent of the parity price. In 1959, the level of support was fixed at 65 per cent of parity, the same as in 1958.

(c) Market Stabilization and Surplus Disposal Operations -- During the past year the United States has continued its programmes for market stabilization and surplus disposal.

The United States Government has continued to hold large stocks and to market them in such a manner as to avoid disrupting domestic and foreign markets, while at the same time, cutting back domestic production drastically, and encouraging increased utilization of cotton.
The United States has continued its export sales policy which was adopted in 1956 and which was explained in the 1956 report. Under this policy the CCC offers to sell for export any upland cotton owned by CCC, on a competitive bid basis, so as to keep United States cotton prices competitive in foreign markets.

CCC sold 7,747,200 bales of upland cotton for export under the 1956-57 programme and about 5,8 million bales under 1957-58 programme. About 2,400,000 bales were sold for export during the 1958-59 season.

The payment-in-kind programme is being continued in 1959-60. Under this programme, exporters who register with CCC their export sales of upland cotton from commercial stocks, can earn a payment-in-kind from CCC stocks. For exports on and after 1 August 1959, a payment rate of 8 cents per pound has been announced by the Department. The rate will be subject to change without prior notice. As of 1 July 1959, about 740,000 bales had been registered for export under this programme.

RYE, INCLUDING RYE FLOUR AND RYE MEAL

1. Section 22 Quotas in Effect 1959-60

Import quotas for rye, including rye flour and meal, automatically expired on 30 June 1959, at which time an annual total quota of 186 million pounds was in effect. Of this total, equivalent to about 3.3 million bushels of rye grain, not more than 15,000 pounds could be imported in the form of rye flour and meal. Furthermore, 182,280,000 pounds (98 per cent) of the quota was allotted for Canada and the remainder of 3,720,000 pounds could be imported from all other countries.

As pointed out in our previous report, imports of rye were not made subject to continuous regulation. It was therefore necessary to review the situation to determine whether circumstances required the re-imposition of controls beyond 30 June 1959. As a result of that review the President, on 4 August 1959, issued a proclamation continuing for the two years ending 30 June 1961, the same annual quota of 186 million pounds on imports of rye, including rye meal, and rye flour, with the same country quotas as heretofore. The proclamation also continued the exemption on imports of certified or registered seed rye for seeding and crop improvement purposes.

2. Need for Continuing Quotas

There has been little significant change in the situation which led to the earlier imposition of import quotas on rye, including rye flour and meal. As pointed out in earlier reports, these quotas were imposed because:
(a) domestic supplies were much larger than domestic utilization;
(b) a price support programme was in effect; and
(c) large quantities of rye were available in exporting countries at prices below United States support levels. Under these conditions, it was practically certain and continues to be practically certain that unrestricted imports would materially interfere with and render ineffective the Department's price support programme for rye.

The 1959 crop of rye is being supported at a national average price of 90 cents per bushel or 60 per cent of parity. The support level for rye has been lowered repeatedly in recent years. The 1959 support price is 20 cents less than the 1958 rate of $1.10 and 53 cents less than the 1954 rate of $1.43. The substantial decline in acreage in late years can be attributed in large part to the continuous reductions in support rates.

**Total supply** - The United States supply of rye in 1959-60, including imports at the quota level, is expected to total 37.2 million bushels consisting of carry-over stocks, plus 1959 production, plus imports. A supply at this level would be 40 per cent more than the estimated 1959-60 domestic needs of 23 million bushels plus desirable carry-over stocks of 5 million bushels. The total supply is made up of the following:

**Carry-over** - The United States carry-over at the start of the marketing year on 1 July 1959 has been reported at 12.8 million bushels, compared with 9.8 million a year earlier, and approximately the same as the five-year 1953-57 average. The CCC owned over 6 million bushels of rye on 1 July 1959, acquired under price support operations, equal to over 47 per cent of United States carry-over stocks. The carry-over of rye in 1959 is more than twice as large as would be considered desirable.

**Production** - Production of rye in 1959, on the basis of the August crop report, is estimated at 21.0 million bushels. This crop was produced from 1,417,000 harvested acres, with a yield of 14.8 bushels per acre. The five-year 1953-57 average production was 24.5 million bushels, from an average of 1,714,000 harvested acres, and an average yield of 14.3 bushels per acre.

**Imports** - Imports at the quota level would amount to 3.3 million bushels, in addition to which certified seed for planting may be imported ex-quota under stipulated conditions. Imports totalling 3.4 million bushels can be expected in 1959-60, which would be about the same as in each of the last five years when the quota was in effect.

**Utilization** - Domestic use of rye for food, industrial purposes, feed, and seed in 1959-60 is expected to total 23 million bushels, about the same as in other recent years.
Exports - Exports in 1959-60 are expected to total about 5 million bushels, compared with 8.5 million exported in 1958-59. Practically all exports prior to 1 July 1958 came from CCC-owned stocks, at prices reflecting substantial losses to the Government. Under the export subsidy payment-in-kind programme instituted by the CCC on 1 July 1958, the majority of the rye exports has come from privately owned stocks, and only grain equivalent in value to the subsidies has come directly from CCC.

Carry-over 1 July 1960 - The carry-over at the end of the 1959-60 season, on the basis of the above estimates of supply and utilization, is expected to total about 9 million bushels. It is practically certain that a large part of these carry-over stocks will be owned by CCC, as in other recent years.

Under the conditions outlined above, substantial price support activity is expected in 1959-60, despite the reduced production in 1959, and despite the fact that import controls will continue in effect. The quantity placed under support may be about half the 10.1 million bushels placed under support in 1958-59. However, nearly all of the amount placed under support can be expected to be delivered to CCC, as in previous years, since the supply substantially exceeds domestic requirements. The Corporation, therefore, is likely to continue to incur heavy losses in disposing of its inventories.

3. Steps Taken with a View to the Solution of the Problem of Surplus

Efforts are being continued in 1959-60 to bring production and use of rye into better balance. One approach, as indicated above, has been to lower support prices.

It is not possible to determine exactly the extent to which Soil Bank operations directly or indirectly affect rye production. We know, however, that acreage planted to rye has been reduced repeatedly, from 5.1 million in 1955 to 3.9 million acres in 1959, and part of this decline can be attributed to the Soil Bank programmes.

Greater use of rye continues to be encouraged, including donations for relief purposes at home and abroad. Through these and other programmes it is hoped ultimately to bring the supply and requirements into better balance.
FLAX-SEED, INCLUDING LINSEED OIL

1. Section 22 Controls in Effect

The restrictions on flax-seed and linseed oil are in the form of fees of 50 per cent ad valorem, which are in addition to the respective import duties. No change was made in 1958-59 in the Section 22 import restrictions on flax-seed and linseed oil, and none is anticipated in 1959-60. As pointed out in previous reports, the United States has not bound the import duty on either flax-seed or linseed oil to any country under GATT.

2. Reasons Why Such Restrictions Continue to be Applied

The United States supply of flax-seed in 1958-59 was slightly less than the five-year 1953-57 average, but it was 7 per cent larger than in 1957-58 when the crop was reduced by adverse weather. Price support activity on the 1958 crop was unusually high, being exceeded in only three previous years since price supports on flax-seeds were started in 1941. It is now estimated that 13.5 million bushels of the 1958 crop, equal to 34 per cent of that crop, were delivered to CCC. The crop in 1959 is substantially smaller than average, due to reduced acreage and yield. However, with the large carry-over from the 1958 crop, the supply in 1959-60 is considerably more than adequate to meet domestic requirements.

It will be necessary for the United States to maintain existing import restrictions during 1959-60 because:

(a) the price support programme will continue in effect, under the provisions of Title III of the Agricultural Act of 1949, as amended;

(b) the outlook is that United States supplies will be in excess of domestic requirements and desirable carry-over reserves;

(c) the CCC now holds substantial stocks acquired from the 1958 crop and large losses have been incurred;

(d) sizeable exportable supplies of flax-seed and linseed oil are available from both Canada and Argentina much of which, in the absence of United States import controls, might be shipped to this country. Under these circumstances, it is practically certain that unrestricted imports would materially interfere with and tend to render ineffective the Department of Agriculture's price support programme for flax-seed.
Total Supply - A near record yield for flax-seed in 1958 on the reduced acreage planted resulted in a crop of 39.5 million bushels which, with beginning stocks of 8.7 million bushels, resulted in United States supplies in 1958-59 totalling 48.2 million bushels, compared with 45.3 million in 1957-58, and the 1953-57 average of 50.8 million bushels.

The United States supply of flax-seed in 1959-60 is now estimated at 38 million bushels, consisting of 15 million bushels in beginning stocks, and the 1959 crop presently is estimated at 23 million bushels. While the smaller 1959 crop is somewhat less than anticipated domestic requirements in 1959-60, the big carry-over of 15 million bushels on 1 July 1959 (largely owned or controlled by CCC) clearly indicates that the United States still has substantial surplus supplies of flax-seed in the current marketing year.

Utilization - Owing to reduced domestic requirements for linseed oil, United States crushings of flax-seed have declined considerably in recent years, from 35.0 million bushels in 1955-56 to 27.3 million in 1957-58, and 22.4 million in 1958-59. In 1959, for the first time since 1956, CCC was compelled to contract-crush some of its stocks of flax-seed because the oil is less burdensome to store than flax-seed. All indications are that United States crushings in 1959-60 will not total over 22 million bushels to meet only domestic requirements; however, crushings in 1959-60 are likely to total 24 million bushels, due to CCC operations.

Domestic utilization of linseed oil in the United States has declined from a level of 553 million pounds in 1955 to less than 450 million pounds in 1958. The drop in domestic utilization has been in part due to lowered industrial demands for linseed oil, caused largely by the substitution of soya oil and other available low-priced oils in the manufacture of paints and other products.

Aside from crushing, the only other significant domestic use for flax-seed is as seed for planting. In recent years this has averaged about 3 million bushels per year, and in 1959 only an estimated 2.4 million bushels was so used. United States farmers planted only 3.6 million acres for harvest in 1959, compared with 4.0 million in 1958, 5.6 million in 1957 and 5.9 million in 1956. The steady reduction in acreage during recent years has largely been due to the continuous declines in market prices, resulting primarily from the steady reductions in price support levels.

Exports - United States exports of flax-seed as seed in 1958-59 amounted to 6 million bushels, most of which came from CCC stocks acquired under price support operations. Exports in 1959-60 are expected to total about the same, and again the bulk of which may come from CCC stocks. The outlook is for sizable exportable supplies in the major exporting countries, particularly Canada and Argentina. The CCC generally has to sell its flax-seed to United States exporters on the basis of world prices, for export either as seed or oil. Such prices usually are substantially below United States domestic prices, resulting in substantial losses to the United States Government.
Carry-over on 1 July 1960 — It is now estimated that the United States carry-over of flax-seed in 1960 will be reduced to 5 million bushels, assuming that 6 million bushels will be exported in 1959–60 as seed; and assuming that 24 million bushels will be crushed, at least 2 million of which will be the direct result of CCC sales and crushing operations. Such a carry-over in 1960 would be considerably less than the heavy carry-over of 15 million bushels in 1959. However, as indicated above, United States supplies of flax-seed in both 1958–59 and 1959–60 have been well in excess of domestic requirements; and the carry-over stocks in both years would have been very much larger if the CCC had not conducted programmes to bring about reduced production, and to increase disposals of flax-seed and linseed oil through export channels.

Price Support Activity — The large 1958 crop of 39.5 million bushels resulted in 15.1 million bushels being placed under price support, the quantity having been exceeded only three times since price support operations started in 1941, and it was far more than the 4.4 million bushels of the previous crop placed under support. As stated earlier it is estimated that 13.5 million bushels from the 1958 crop will be delivered to CCC, compared with 3.5 million from the 1957 crop. Acquisitions by CCC from the 1958 crop are equal to 34 per cent of that crop.

Since the beginning of price support operations on flax-seed in 1941, the CCC has acquired and disposed of 86.0 million bushels of this oilseed crop (excluding the deliveries of 13.5 million bushels from the 1958 crop, a large part of which is still in CCC hands). In disposing of these acquisitions, including flax-seed converted to oil, the CCC incurred losses of $167.3 million equal to an average of $1.94 per bushel.

3. Steps Taken to Reduce the Surplus

(a) The support price for flax-seed has been lowered repeatedly in the last six years, from a national average of $3.79 per bushel for the 1953 crop to $2.38 for the 1959 crop, a reduction of 37 per cent. The 1959 average support price of $2.38 is 40 cents lower than for 1958. The steady downward trend in acreage during recent years can be attributed in large part to the continued drop in market prices, resulting from the repeated lowering of price support rates.

(b) The Soil Bank Programme, which has been in effect since 1956, has resulted in land being retired from production of many crops, including flax-seed. To date 23.2 million acres have been retired from crop production under the Soil Bank Conservation Reserve Programme, and some of this land otherwise would have been planted to flax-seed. It is the Department's intention to expand the Conservation Reserve Programme greatly in coming years.
(c) All disposal avenues have been utilized by the CCC each year in liquidating its stocks acquired under price support operations, including sales for export at world prices.

All of these programmes have been conducted and will continue to be carried on at substantial losses to the United States Government. It is hoped that ultimately domestic supplies of flax-seed can be brought into better balance with requirements.

However, the outlook is for continuing surplus supplies of flax-seed in other exporting countries. Under these circumstances, the ability of the United States to eliminate the need for import controls depends not only on developments in this country, but also on developments in other countries producing flax-seed in excess of domestic needs.

PEANUTS AND PEANUT OIL

1. Controls in Effect for 1958-59

(a) Peanuts — No changes were made in 1958-59 in the import quota established for peanuts under Section 22. The peanut quota of 1,709,000 pounds, shelled basis, during any twelve months beginning 1 August (a) is on a continuing basis, that is, it continues in effect from year to year unless modified; (b) includes peanuts whether shelled, unshelled, blanched, salted, prepared or preserved (including roasted peanuts but not including peanut butter); and (c) is global, that is, no specific country quotas are established.

(b) Peanut Oil — No change was made in 1958-59 in the ad valorem fee applicable to imports of peanut oil. Imports of peanut oil — and/or withdrawals of imports from warehouses for consumption — in excess of 80 million pounds during the quota year beginning 1 July are subject to an ad valorem fee of 25 per cent in addition to the applicable import duty of 4 cents per pound. This fee likewise is on a continuing basis, unless modified.

2. Reasons Why Such Restrictions Continue to be Applied

During the 1959 crop season the United States Government has in operation several programmes for peanuts. These include a price support programme, an acreage allotment and marketing quota programme in connexion with the price support programme, a purchase programme for edible grades of less than top quality, and related storage and disposal operations. These are described in more detail below. Import controls on peanuts and peanut oil are being continued in 1959-60 to prevent imports from materially interfering with these programmes and operations.
(a) Programmes - Price support for peanuts is mandatory each year, under Title I of the Agricultural Act of 1949, as amended, at a level of 75 per cent to 90 per cent of parity when producers have approved marketing quotas. For 1959 the pre-planting level of support has been announced at a minimum national average of $193.50 per short ton, or 75 per cent of the March 1959 parity price. This is lower than the average support price of $213.20 for the 1958 crop and of $221.40 for the 1957 crop. In terms of parity the 75 per cent for 1959-60 compares with 80.8 per cent a year earlier and 81.4 per cent for the 1957 crop. The support level in relation to parity is determined in accordance with the law which provides that minimum support be within the range of 75 per cent to 90 per cent of parity according to the relationship of the expected supply to the normal supply. Estimated supplies for the 1959-60 marketing year are sufficiently large to permit setting the support at the minimum of 75 per cent of parity.

Peanut farmers voting in a referendum in December 1956 approved marketing quotas for the 1957, 1958 and 1959 marketing years. In December of 1959 peanut farmers will again vote in a referendum to determine whether or not they wish to have marketing quotas in effect for the 1960, 1961 and 1962 marketing years. In order for the marketing quotas to be placed in effect, they must be favoured by two-thirds or more of the farmers voting in the referendum.

The national acreage allotment of 1,611,931 acres established for 1959 under the marketing quota operation is the minimum authorized by law adjusted upward by 1,931 acres for Valencia peanuts in accordance with provisions of the Agricultural Adjustment Act, as amended. This allotment is about the same as for 1959 and is about 5 per cent below the ten-year (1949-1958) average of 1,697,000 acres, picked and threshed. In 1947, the acres picked and threshed totalled 3,377,000 or more than double the total allotted for 1959.

(b) Supply Situation - The United States is confronted with a surplus situation on peanuts. Despite the programmes to limit production and dispose of surplus, peanut supplies in 1959-60 in the United States are expected to substantially exceed domestic food and farm use. Data on United States peanut production, domestic consumption including exports as edible peanuts, and price support activity are shown in the table below for the years 1950-59.
<table>
<thead>
<tr>
<th>Year beginning</th>
<th>Production</th>
<th>Domestic Consumption</th>
<th>Acquired under Price Support</th>
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</tbody>
</table>

(Million pounds, farmer's stock basis)

1 Preliminary.
2 Includes about 136 million pounds acquired under the Number 2 purchase programme.
3 Estimated.

The total supply of peanuts in the United States for 1959-60 is expected to be about 2,100 million pounds compared with an average supply of less than 1,900 million pounds for the five years 1954-58. This supply for 1959 is made up as follows:

The carry-over on 1 August 1959, is expected to be about 500 million pounds as compared with 360 million pounds a year earlier. Almost 30 percent of the 1958 carry-over was owned by CCC.

Production during 1959 is expected to be approximately 1,600 million pounds. This is 200 million pounds less than the 1958 crop but more than 100 million pounds above the five-year average 1954-58.

Imports will account for about 2 million pounds.
Disposition of shelled edible peanuts in commercial channels including small quantities exported is expected to be larger than in 1958. Commercial use of shelled edible grades has increased almost 20 per cent in the past three years. This increase is associated with adequate supplies of all types of peanuts, lower price, and aggressive advertising programmes directed by the industry toward greater utilization of peanut products.

Carry-over on 1 August 1960, on the basis of supply and disappearance information now available is expected to be about the same as that on 1 August 1959. It would appear that 200 million pounds or more will be channeled through CCC either through price support loans or through the purchase programme for edible grades of less than top quality.

Price Support Activity - The price support activity carried out by CCC in the 1958-59 marketing season and announced for the 1959-60 marketing season includes provisions whereby farmers may receive price support through farm stored loans, purchase agreements, or warehouse loans through grower peanut associations. In recent years only a few farmers have used the farm stored loans and purchase agreements. During 1958-59 about 130,000 tons were placed under loan through grower associations, but in 1959-60 it is anticipated that less than 100,000 tons will be placed under loan.

Purchase Programme for Edible Grades of less than Top Quality - For the past three years (1956-1959) the CCC has operated what is termed a "No.2 Programme". This programme provides a means whereby shellers may offer to CCC up to 200 pounds of edible peanuts of less than No.1 quality for each ton of peanuts purchased which were eligible for price support. By this programme, lower quality peanuts are moved through CCC for diversion into oil, thus allowing a larger quantity of farmers stock peanuts to move into the commercial market. In the first two years of this programme, relatively small quantities of peanuts were offered and purchased by CCC. In the 1958-59 marketing year, however, more than 85 million pounds were acquired. For the 1959-60 year it is expected that the quantity acquired will also be large, but possibly less than that acquired in 1958-59.
3. Steps Taken to Solve the Problem of Surplus

The positive measures taken by the United States with a view to the solution of the problem of surpluses have followed two principal approaches.

(a) Acreage used for peanut production has been reduced sharply under the acreage allotments and marketing quotas to the adjusted minimum specified by law. The national acreage allotment serves as a basis for determining the size of the individual farm allotments. The national allotment of 1,612 thousand acres in 1959 was less than one-half of the 3,296 thousand acres from which peanuts were picked and threshed in 1948, the last year in which acreage allotments were not in effect. Despite this reduction in acreage, peanut farmers voted overwhelmingly in December 1956 for acreage allotments for three years, or on the 1957, 1958 and 1959 crops. When acreage allotments are in effect any producer who knowingly exceeds his farm acreage allotment is denied price support on any peanuts produced on that farm. In addition, the farmer under the marketing quota regulations must pay a penalty of 75 per cent of the loan rate on such excess quantity as is produced.

(b) A policy of selling surplus peanuts for crushing into oil or for export has been followed by the CCC when quantities of peanuts have accumulated under the price support programme. During the 1958-59 year CCC sold about 290 million pounds of peanuts, farmers stock basis, for domestic crushing purposes. During this period CCC also sold about 80 million pounds of peanuts, farmers stock basis, for export. A smaller quantity, about 6 million pounds of shelled goods, were sold for domestic unrestricted edible use. An additional 5 million pounds, farmers stock equivalent basis, were sold for Section 22 School Lunch Programme use.

**TUNG NUTS AND TUNG OIL**

1. Controls in Effect for 1958-59

(a) **Tung Oil** - Beginning 9 September 1957 importation of tung oil was limited to 26 million pounds per year for the three-year period ending 31 October 1960. The first year's quota covered the period from 9 September 1957 to 31 October 1958. For the other years the quota year begins on 1 November and ends on 31 October. During the first quota period, the proclamation provided for imports not in excess of a monthly rate of 1,154,000 pounds through January 1958. For the second and third crop years, not more than one-fourth of the annual quota might be imported during the first quarter of each crop year. Of the annual quota of 26 million pounds, 22,100,000 pounds could be imported from Argentina, 2,964,000 pounds from Paraguay and 936,000 pounds from other countries. The proclamation on tung oil on country quotas was clarified on 28 April 1958, by a provision that the tung oil to be imported should be by a direct shipment destined to the United States on an original through bill of lading from the country of production.

(b) **Tung Nuts** - Tung nuts were placed under the import quotas applying to tung oil on 28 April 1958. Under these controls, the oil content of tung nuts imported is included within the import restrictions for tung oil at the rate of 15.9 pounds for each 100 pounds of whole nuts and 35.8 pounds of oil for each 100 pounds of decorticated nuts. Tung nuts imported must be direct shipment destined to the United States on an original through bill of lading from the country of production.
2. Reasons why Such Restrictions are Applied

Import controls on tung nuts and tung oil are required to prevent imports from materially interfering with the mandatory price support programme for tung nuts.

(a) Price Support Programme - Price support for tung nuts is mandatory at a level of not less than 65 per cent nor more than 90 per cent of parity under the Agricultural Act of 1949, as amended, provided that the domestic production is less than domestic consumption. If production is not estimated to be less than consumption, support at 60 per cent of parity is permitted. The 1958 crop price support programme is implemented through purchase agreements on tung nuts and purchase agreements and loans on tung oil. The 1958 crop tung nuts were supported at $53.89 per ton with an equivalent of 21 cents per pound for tung oil. In 1957, tung nuts were supported at $52.13 per ton with equivalent oil at 20.5 cents per pound. The 1958 support reflects 65 per cent of the November 1958 parity for tung nuts. The 1957 support also reflected 65 per cent of parity which in that year was $2.70 per ton lower than on November 1958. The support for the 1959 crop of tung nuts and the oil equivalent value will be announced prior to 1 November 1959.

(b) Supplies during 1958-59 - The estimated domestic production of oil from 1958 crop tung nuts is 44 million pounds. The quantity together with 26 million pounds to be imported during the 1958-59 marketing year, and with carryover stocks of 37 million pounds, makes an availability of 107 million pounds for the current marketing year.

(c) Consumption of Tung Oil - Estimated consumption of tung oil for the 1958-59 marketing year is 45 million pounds or about 5 million pounds less than the relatively constant level which has existed during the period 1953-56. In 1957-58 consumption fell to 38 million pounds.

(d) Sales of Surplus Oil - During the 1958-59 marketing year the CCC is estimated as reducing its accumulated stock of surplus tung oil by 22 million pounds. This oil has been sold on competitive bid for export at not less than world price in lots ranging from one half to approximately one million pounds with offerings made weekly or bi-weekly. When the sales were first initiated in mid-December of 1958, the price received was approximately 10 cents per pound or less than half the support price in the United States. Shortly after the sale programme was inaugurated, the shortage of tung oil available from mainland China became apparent and as a result of this shortage, sales have been made throughout the spring and early summer months on a rising market. Sales in June were for over 15 cents per pound. Probably an additional 5 million pounds will be sold this year.

(e) Carry-over - With production plus imports again in excess of consumption, the carryover of tung oil at the beginning of the 1958-59 marketing year is expected to be 40 million pounds with stocks largely held by the Commodity Credit Corporation of the Department of Agriculture.

(f) Estimates for 1959-60 - If a normal crop of 40 million pounds is produced domestically from tung nuts grown in 1959, this production plus the imports of 26 million pounds will place the total availability for the marketing year at 106 million pounds. This will be about the quantity which would normally be consumed in two marketing years.
(g) **Price Relationships** - When the import quotas were established in the fall of 1957, the world price of tung oil was only 4 to 6 cents below the price support level in the United States. Throughout the 1957-58 and early part of the 1958-59 marketing years, competition from Chinese oil resulted in the South American countries finding a European price from 10 to 12 cents under the price support in the United States. With the reduction in the supply, the European price has now risen and is again 4 or 6 cents under the United States price level.

3. **Steps Taken to Solve the Problem of Surplus**

   It is not possible to solve the surplus problem by production controls since these are not feasible in the case of tung nuts. Tung nuts are produced on trees requiring 10 to 12 years to come into full production.

   Under these circumstances, the action taken has been in the form of keeping the support level at or close to the minimum levels permitted by law. Support has been maintained at 60 or 65 per cent of parity since 1950.
Table 1

Tung Oil: United States Supply and Disposition,
average 1935-39, annual 1952-56, and estimated 1957-58

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<td>Commercial</td>
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<tr>
<td>Total</td>
<td>37.3</td>
<td>15.1</td>
<td>46.7</td>
<td>32.4</td>
<td>13.0</td>
<td>24.8</td>
<td>26.4</td>
<td>36.9</td>
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</table>

* Partially estimated.
** Negligible.
1. **Section 22 Quotas in Effect**

Import controls are in effect under Section 22 during 1959-60 for butter, cheese of certain types and varieties, dried milk products, and butter oil and other articles, with certain exceptions, containing 45 per cent or more butter-fat. The quotas are the same as those reported as being in effect in the 1958-59 report.

The quotas in effect in the period 1 July 1959 to 30 June 1960 are as follows: dried cream, 500 pounds; butter, 707,000 pounds; dried whole milk, 7,000 pounds; dried buttermilk, 496,000 pounds; malted milk and compounds, 6,000 pounds; dried skim milk, 1,807,000 pounds; Cheddar cheese, 2,780,100 pounds; blue-mold cheese, 4,167,000 pounds; Edam and Gouda cheese, 4,600,200 pounds; Italian (cow’s milk) cheese, 9,200,100 pounds; butter oil and butter substitutes, 1,200,000 pounds.

2. **Reasons Why Such Restrictions Continue to be Applied**

(a) The Agricultural Act of 1949, as amended, required price support to producers at such level (from 75 to 90 per cent of parity) as will assure an adequate supply. The Act specified that such support be carried out by loans on, or purchases of, milk and its products.

(b) In carrying out this support programme, the Department of Agriculture purchased, in the marketing year 1958-59, the equivalent of 3.4 billion pounds of milk — about 2.7 per cent of total milk production. This compared with purchases of 6.8 billion pounds and 5.4 per cent of total output in the 1957-58 season.

Government purchases of both butter and cheese were substantially less than a year earlier because of a slight decline in milk production while total consumption of milk in all forms continued to increase. Production of butter as well as that of cheese were moderately less than a year earlier. Government purchases of cheese declined more than butter because of increases in per capita consumption and trade inventories of cheese.

Production of non-fat dry milk in the 1958-59 marketing year approximated that of a year earlier while Government purchases were moderately larger. The increased purchases were the result mainly of the differential timing of purchase contracts for non-fat dry milk in small containers in the two years.

(c) The realized cost of programmes primarily for the stabilization of milk and butterfat prices in the fiscal year ended 30 June 1958, totalled $172.4 million. In addition, the cost during the year of related programmes, including domestic and foreign donations of dairy products acquired for price support purposes and the special programmes to increase milk consumption of children and military personnel, was $288.5 million.

The utilization of Government-owned dairy products in the 1958-59 marketing year (1 April to 31 March) was as follows:
The principal outlets continued to be donations for domestic and foreign school lunch and welfare uses and donations for increased consumption by military personnel and veterans' hospital patients.

Utilization of Government-owned dairy products April through June of the 1959-60 marketing year continued at about the same rate as in 1958-59. Uncommitted stocks on 30 June 1959 were 47.3 million pounds of butter, 19.3 million pounds of cheese and 42.5 million pounds of non-fat dry milk.

The special programmes to increase the consumption of milk by military personnel and veterans' hospital patients and by children in schools and summer camps are being continued. The milk so consumed correspondingly reduces price support purchases.

(d) For the first time in several years, milk production in 1958 was down slightly (about 1 per cent). Production per cow continued to increase as milk cow numbers were down about 3 per cent. Production in 1959 is expected to about equal the level of last year. The combination of stable retail milk prices, population growth and higher consumer incomes should result in some increase in consumption of milk and dairy products.

Production of dairy products has undergone considerable change over the past twenty years. Output of butter in the years 1935-39 averaged 2.2 billion pounds annually. In 1958, butter production totalled 1.5 billion pounds with about two-thirds of this total being produced in five North Central States of Minnesota, Wisconsin, Iowa, Nebraska and North Dakota. In contrast, production of cheese has increased sharply. Annual output of American cheese in the years 1935-39 averaged about 0.5 billion pounds. By 1958, output of American cheese totalled 1.0 billion pounds. Output of canned milk has declined in the last decade. Production of non-fat dry milk has shown phenomenal growth in the past ten years, increasing from a level of about 0.9 billion pounds in 1950 to 1.7 billion pounds in 1958. Production of ice cream and other frozen dairy products has increased rapidly.

Demand for dairy products, as measured by the milk-fat in dairy products consumed, has declined over the past two decades. Per capita consumption of milk-fat in all forms in 1958 was equal to 26.4 pounds, compared to 32 to 33 pounds in most years, 1924 through 1939. This decline is due entirely to lower consumption of butter. The demand for a number of other dairy products with a lower butterfat content - cheddar and ice cream - has increased, partially offsetting the decline in use of butter.
Demand for milk products as measured by the consumption of milk solids-not-fat shows an entirely different picture. Per capita consumption of milk solids-not-fat increased to 48 pounds in the last several years, compared to 40 pounds in the period 1924-39. The nutritional values of milk solids-not-fat have continued to receive emphasis and consumers are becoming more conscious of these values.

(e) Price supports for the marketing year beginning 1 April 1959, are continuing at the same dollars and cents levels as established a year earlier, $3.06 per hundred-weight for manufacturing milk and 56.6 cents per pound for butterfat. These prices are 77 per cent of the parity equivalent price for manufacturing milk and 77 per cent of parity for butterfat. Prices for manufacturing milk in the 1957-58 marketing year were supported at 82 per cent of the parity equivalent price or $3.25 per hundred-weight and 58.6 cents for butterfat, or 79 per cent of parity.

(f) On a whole-milk equivalent basis, purchases of butter and cheese for price support purposes, April through June 1959, have been about the same as during the comparable period for 1958 and purchases for the marketing year will probably be somewhat below the level of last year. Purchases of non-fat dry milk will probably not vary substantially from the level of purchases last year.
### Table 1
Production and utilization of milk, United States, 1951-58

(in millions of pounds)

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<td></td>
<td></td>
<td></td>
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<tr>
<td>On farms</td>
<td>114,681</td>
<td>114,671</td>
<td>120,221</td>
<td>122,094</td>
<td>123,128</td>
<td>125,474</td>
<td>125,939</td>
<td>125,236</td>
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<tr>
<td>Total</td>
<td>115,181</td>
<td>115,071</td>
<td>120,521</td>
<td>122,294</td>
<td>123,228</td>
<td>125,474</td>
<td>125,939</td>
<td>125,236</td>
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<td><strong>Utilization (Milk equivalent)</strong></td>
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<td>Manufactured in plants:</td>
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<tr>
<td>Creamery butter, total</td>
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<td>24,617</td>
<td>29,421</td>
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<td>28,951</td>
<td>29,613</td>
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<td>From whey cream</td>
<td>817</td>
<td>815</td>
<td>932</td>
<td>961</td>
<td>948</td>
<td>987</td>
<td>999</td>
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<td>Net</td>
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<td>28,626</td>
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<td>American</td>
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<td>Evaporated</td>
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<td>5,397</td>
<td>5,490</td>
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<td>96</td>
<td>58</td>
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<td>164</td>
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<td>Unsweetened</td>
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<td>718</td>
<td>835</td>
<td>847</td>
<td>839</td>
<td>653</td>
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1 Includes an allowance for milk produced by cows not on farms.
### Table 1 - continued

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<td>Ice cream and other products</td>
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<td>967</td>
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<td>57,995</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm&lt;sup&gt;4&lt;/sup&gt;</td>
<td>11,300</td>
<td>11,200</td>
<td>10,500</td>
<td>10,100</td>
<td>10,000</td>
<td>9,900</td>
<td>9,300</td>
<td>9,200</td>
</tr>
<tr>
<td>Non-farm</td>
<td>42,800</td>
<td>43,700</td>
<td>44,600</td>
<td>46,100</td>
<td>48,200</td>
<td>49,700</td>
<td>51,100</td>
<td>51,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54,100</td>
<td>54,900</td>
<td>55,100</td>
<td>56,200</td>
<td>58,200</td>
<td>59,600</td>
<td>60,400</td>
<td>60,500</td>
</tr>
<tr>
<td><strong>Fed to calves</strong></td>
<td>3,449</td>
<td>3,348</td>
<td>3,334</td>
<td>3,344</td>
<td>3,291</td>
<td>3,166</td>
<td>3,042</td>
<td>2,891</td>
</tr>
<tr>
<td><strong>Exports and storage&lt;sup&gt;5&lt;/sup&gt;</strong></td>
<td>116</td>
<td>79</td>
<td>-141</td>
<td>-45</td>
<td>25</td>
<td>-4</td>
<td>65</td>
<td>-18</td>
</tr>
<tr>
<td><strong>Other&lt;sup&gt;6&lt;/sup&gt;</strong></td>
<td>1,167</td>
<td>985</td>
<td>755</td>
<td>552</td>
<td>406</td>
<td>510</td>
<td>489</td>
<td>853</td>
</tr>
</tbody>
</table>

1. Milk equivalent of butter and condensed milk used in ice cream.
2. Includes dry cream, malted milk, dry part skim milk, dry ice cream mix and cottage cheese.
3. Includes net milk equivalents of butter and frozen dairy products to avoid double counting of milk from which fat was re-used in making a second dairy product.
4. Includes an allowance for fluid consumption of farms not producing milk.
5. Net movement of whole milk or cream into export or storage channels.
6. Residual, including minor uses and any inaccuracies of independently determined production and use items.
## Table 2
Milk production and price support purchases, marketing years 1951-52 to 1958-59

<table>
<thead>
<tr>
<th>Marketing year beginning 1 April</th>
<th>Milk production</th>
<th>Purchases</th>
<th>Milk equivalent of total purchases as percentage of milk production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Butter</td>
<td>Cheddar cheese</td>
</tr>
<tr>
<td>1951-1952</td>
<td>114,313</td>
<td>.2</td>
<td>11.0</td>
</tr>
<tr>
<td>1952-1953</td>
<td>116,480</td>
<td>143.3</td>
<td>75.2</td>
</tr>
<tr>
<td>1953-1954</td>
<td>121,761</td>
<td>380.2</td>
<td>473.4</td>
</tr>
<tr>
<td>1954-1955</td>
<td>121,673</td>
<td>210.5</td>
<td>153.4</td>
</tr>
<tr>
<td>1955-1956</td>
<td>124,797</td>
<td>177.6</td>
<td>157.4</td>
</tr>
<tr>
<td>1956-1957</td>
<td>125,374</td>
<td>154.4</td>
<td>197.2</td>
</tr>
<tr>
<td>1957-1958</td>
<td>125,804</td>
<td>215.3</td>
<td>250.8</td>
</tr>
<tr>
<td>1958-1959</td>
<td>125,236</td>
<td>150.2</td>
<td>34.7</td>
</tr>
</tbody>
</table>

1 Milk equivalent of butter and cheese purchases, fat solids basis (butter x 20 and cheese x 10).
Milk equivalent of non-fat dry milk not included to avoid duplication with butter.