**GENERAL AGREEMENT ON TARIFFS AND TRADE**

**CONTRACTING PARTIES**
Seventeenth Session

**UNITED STATES AGRICULTURAL ADJUSTMENT ACT**

*Sixth Annual Report by the United States Government under the Decision of 5 March 1955*

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Summary

The following report, submitted in accordance with the decision of the Contracting Parties of March 5, 1955, shows that:

(1) Because of changed circumstances, found to exist by the tariff Commission, additional imports of specified cheeses have been authorized by the President.

(2) In another Section 22 investigative action, the United States Tariff Commission found that imports of articles containing cotton were not materially interfering with certain USDA programs; its recommendation that import regulation of such articles was not warranted was accepted by the President on August 23, 1960.

(3) For almonds, the Tariff Commission was evenly divided on the need for additional import regulations under Section 22. The President accepted the finding that restrictions on almond imports were not warranted during the 1959/60 marketing season.

No other Section 22 actions were taken, or were in process, during the period covered by the report. No new import controls were imposed under Section 22 and the United States has continued to relax Section 22 restrictions as circumstances permit.

Section 22 import regulations are currently in effect for wheat and wheat products, cotton and cotton waste, rye and rye flour including meal, flaxseed and linseed oil, peanuts and peanut oil, tung nuts and tung oil, and certain manufactured dairy products. Import quotas for tung nuts and tung oil are now scheduled to terminate on October 31, 1960; for rye and flour on June 30, 1961; all others are subject to continuing regulation.

Steps taken to solve the problem of surpluses of agricultural commodities continue along the same general line as in recent years. They include further reductions in price support levels for some commodities, the setting of acreage allotments and marketing quotas at minimum levels required by law, continued emphasis on taking crop land out of production, and increased efforts to increase consumption both at home and abroad.

Despite the progress made as a result of these programs, it was necessary to continue the Section 22 controls enumerated above to prevent imports from materially interfering with price support programs or other operations of the Department of Agriculture.
Background

A decision of the Contracting Parties of March 5, 1955, granted 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 an annual report be made which includes:

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 imported 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 restrictive domestic controls are in operation through the acreage allotment and marketing quota programs. The report also reviews flaxseed, 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 August 24, 1935. It directs the President of the United States on the basis of an investigation and report by the United States Tariff Commission to regulate the importation of commodities whenever he finds that such importation renders or tends to render ineffective or materially interferes with any price support or other program or operation relating to agricultural commodities undertaken by the Department of Agriculture. The legislation also provides for the modification of import regulations established under its terms in order to meet changing circumstances. The complete text of Section 22 is published as an Annex to the Decision in BISD, Third Supplement, page 36.

Current Situation

During the period from preparation of the previous report until August 1, 1960, three investigations were conducted by the U.S. Tariff Commission pursuant to Section 22. These investigations were instituted
to determine whether (1) a relaxation of the import quota on certain cheeses was warranted by changed circumstances, (2) there was a need (a) to impose on the cotton content of imported articles a fee equivalent to the per-pound export subsidy rate on raw cotton, and (b) to limit imports of almonds in order to prevent material interference with USDA marketing agreements and order programs for almonds. On the basis of the investigations and reports by the Tariff Commission the President:

(1) modified the import quota on certain cheeses. The President's proclamation increases the annual quota for Edam and Gouda cheeses from 4,600,200 pounds to 9,200,100 pounds. It also increases the annual quota on Italian type cheeses from 9,200,100 pounds to 11,500,100 pounds.

(2) decided that import regulation of articles containing cotton was not warranted.

(3) decided that restrictions on almond imports were not warranted under Section 22 during the 1959/60 marketing year.

Details of the foregoing actions have been included in notifications to the GATT Secretariat and to the countries affected. At the present writing, August 1960, no other actions under Section 22 were pending or in process.

Thus, there are now in effect import regulations under Section 22 on the following items: wheat and wheat products, cotton of certain specified staple lengths and cotton waste, rye and rye flour including meal, flaxseed 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 October 31, 1960 and June 30, 1961, respectively.
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. Continuing emphasis was given to taking general crop land out of production under the conservation reserve program.

3. Price supports were further reduced for some 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, particularly with respect to wheat.

Acreage allotments and marketing quotas were in effect during 1959-60 and 1960-61 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 56.6 million acres in 1960 compared with 58 million acres in 1959, 79 million acres in 1953 and 84 million acres in 1949.

The Administration's request for more flexibility in establishing support levels for wheat and for peanuts is now under consideration by the Congress. For cotton such flexibility was provided by the Agricultural Act of 1958. The cotton program is discussed in a later section of this report.

Operations under the Soil Bank Act continued on a relatively large scale in 1960 with emphasis on the conservation reserve program, under which farmers agree to withdraw general crop land from production for varying periods of three to ten years. Approximately 29 million acres of crop land are now withdrawn from production under this program. More than half of all crop land in the program is in the 10 Great Plains States, the heart of the wheat surplus problem. Each acre of crop land put in the conservation reserve reduces the acreage available for harvested crops.

Price supports for most controlled commodities have been reduced substantially in recent years, and for some the supports were further reduced for the current crop year. The extent of the reductions from 1954 to 1960 is shown in the following table:
Price support levels: Section 22 commodities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Average support price 1/</th>
<th>Support level as a percent of parity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$2.24</td>
<td>$1.81</td>
</tr>
<tr>
<td>Cotton, upland 2/</td>
<td>$3.158</td>
<td></td>
</tr>
<tr>
<td>Choice A 2/</td>
<td></td>
<td>$0.30</td>
</tr>
<tr>
<td>Choice B 2/</td>
<td></td>
<td>$0.247</td>
</tr>
<tr>
<td>Cotton, extra long staple</td>
<td></td>
<td>$0.5304</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$0.122</td>
<td>$0.09675</td>
</tr>
<tr>
<td>Dairy products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Butterfat</td>
<td>$0.562</td>
<td>$0.566</td>
</tr>
<tr>
<td>Milk 3/</td>
<td>$3.15</td>
<td>$3.06</td>
</tr>
<tr>
<td>Tung nuts</td>
<td>$1.56</td>
<td>$1.535</td>
</tr>
<tr>
<td>Flaxseed</td>
<td>$3.14</td>
<td>$2.38</td>
</tr>
<tr>
<td>Rye</td>
<td>$1.43</td>
<td>$0.90</td>
</tr>
</tbody>
</table>

1/ National average support rate.
2/ See Cotton commodity section of this report for explanation of "Choice A" and "Choice B".
3/ For manufacturing.
4/ Not announced.

The foregoing paragraphs summarize very briefly administrative decisions and proposals which have been made during the past year. Previous reports have noted the importance of natural forces which also play a vital part in determining the harvest in any given season, as well as the increasingly significant role played by technological advances in recent years. Growing conditions have once again been generally favorable thus far in 1960 and the August Crop Report issued by the United States Department of Agriculture indicates the preliminary all-crop production index to be 119 percent of the 1957-59 average, exceeding the all-time record levels of the past two years. Planted acreage for 1960 harvest totals about 333 million acres, nearly 5 million less than last year, and with one exception the lowest in over 40 years—reflecting increasing yields per unit.

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 programs is as follows:
1. **The Special Milk Program for Children** - This program was undertaken in the United States to increase consumption of fluid milk by children in (a) nonprofit schools of high school grade and under and (b) nonprofit nursery schools, child care centers, settlement houses, summer camps, and similar nonprofit institutions devoted to the care and training of children. The program is financed under special legislation which authorized the use of not to exceed $85 million during fiscal year 1959-60 and $95 million during fiscal year 1960-61 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. The program not only contributes to improving nutrition, but also expands outlets for fluid milk.

2. **Military and Veterans Administration Milk Program** - This program is designed to encourage increased consumption of fluid milk by military and veteran personnel. Under this program, authority for which was extended through December 1961 under the Agricultural Act of 1958, the CCC has been paying about half the cost of milk representing above-normal purchases. This program has resulted in tripling the volume of milk served by military installations or facilities.

3. **Donations to the National School Lunch Program** - This program, 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 9 months ending March 31, 1960, 236 million pounds of food with a cost value of $63 million was donated by the Federal Government to schools participating in the program. The amount donated was slightly higher than the 221 million pounds donated during the same period a year earlier. In addition to these food donations, the Federal Government made cash grants in aid to the States totaling nearly $94 million during fiscal year 1959-60. 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 program is conducted under authority provided by Section 116 of the Agricultural Act of 1949, as amended, and Section 32 of the Act of August 24, 1935. Under the program during the 9 months ending March 31, 1960, a total of nearly 500 million pounds of surplus foods was donated to needy persons and charitable institutions. This compares with 662 million pounds in the first nine months of the preceding fiscal year. The products donated included dry edible beans, butter, cheddar cheese, cornmeal, flour, nonfat dry milk, lard, dried eggs and rice.

The decline of 25 percent in the volume of donations to needy persons and institutions during a period where donations for school lunches increased 7 percent resulted largely from a decline in (1) the number of needy recipients and (2) the volume of surplus butter and cheese. Schools, under the priority rules established, continued to receive the
available stocks of butter and cheese. In addition to the reduced availability of surplus dairy products there was a steady decline in the number of needy recipients during fiscal year 1960. In March 1960 there were nearly 30 percent fewer such persons than a year earlier.

5. Donations to Needy Persons in Foreign Countries - The authority for this program is Title III of P.L. 480. Donations were made to U.S. nonprofit voluntary agencies such as the American Red Cross, or intergovernmental 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 program the U.S. Government donated more than 1.3 billion pounds of surplus foods to needy persons in foreign countries during the first three quarters of fiscal year 1959-60. This food had a cost value of approximately $100 million. These donations differed little from those of the same period a year earlier in terms of volume; but, because of the more limited availability of surplus dairy products their value was 35 percent lower. The foods donated included corn, cornmeal, nonfat dry milk, rice, wheat, and wheat flour.

6. Foreign Disaster Relief - This program embodies the donation of surplus agricultural commodities for disaster purposes. Authority is contained in Title II of P.L. 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 six years ending June 30, 1960, in which the program has been in effect, commitments undertaken amounted to $501 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, nonfat dry milk, rice, rye flour, wheat and wheat flour.

7. Sales of Surplus Agricultural Commodities for Foreign Currencies - Under the authority of Title I of Public Law 480 the United States Government sells to other Governments, for foreign currencies, surplus agricultural commodities under procedures designed to insure that the amounts are additional to those which the foreign countries concerned could purchase with foreign exchange, with due safeguards against disruption of world prices of agricultural commodities or normal patterns of commercial trade. Sales agreements have been entered into with 38 countries under this program, involving a total export market value of about $4.8 billion through June 30, 1960, including about $1 billion during the last 12 months. Actual shipments under the agreements have reached the aggregate value of $3.6 billion.
Among other things, currency accruing from Title I sales is used for economic and market development activities abroad, providing an additional stimulus to foreign consumption of agricultural products.

8. Other Programs - As a means of increasing utilization, the Department of Agriculture is giving additional emphasis to research and promotional activities to develop new and expanded uses for farm products, both at home and abroad, especially those which are in surplus supply. In performing these responsibilities, it is cooperating with private organizations and groups undertaking programs to expand the utilization of agricultural commodities. As indicated in previous reports, 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" program to expand markets for foods which are in plentiful supply. The purpose of this program is to increase movement of these foods through established channels of trade. This program is operated in cooperation with food distribution, industry and public information media. Experience under the program has indicated that by emphasizing food items which may be in temporary surplus, or even a glut on the market, increased merchandising 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 import 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 1960-61 as in 1959-60. As explained in 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 1951, except for a temporary suspension 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 May 29, 1960, as in 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 1960-61 season, the Government will have in operation a number of programs pertaining to wheat, including a price support program, and acreage allotment and marketing quota program in connection with the price support program, and related storage and disposal operations. Also a Soil Bank program has been in effect since 1956, to retire land from production of crops, including wheat.

Despite the many steps that have been taken to stabilize production and bring supplies into better balance with requirements, a serious imbalance continues. 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 programs. The conditions which make it necessary to continue these import restrictions are explained in more detail below:

a. Programs. The maintenance of 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 percent 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 80.8% of the wheat producers voting in a referendum held in July, 1959. In the referendum held in July, 1960, for the 1961 crop of wheat, 87.3% of the producers who voted approved marketing quotas. The average support level for the 1960 crop of wheat is $1.78 per bushel, equal to 75
percent of parity, the legal minimum. A minimum support level of $1.78 also has been announced for the 1961 crop, which is the legal minimum on the basis of 75 percent of estimated parity for wheat as of the beginning of the 1961-62 marketing year. Since 1954, when the average support price was $2.24 per bushel, it has been dropped 46 cents, which is equal to 21 percent.

The program 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 1961 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.

One of the efforts to curb surpluses is through the Soil Bank Conservation Reserve Program. Through March 15, 1960, contracts had been signed covering 305,000 farms, on which there were 96 million acres of farm land. Over 28 million acres of cropland on these contract farms were withdrawn from crop production and diverted to conservation cover, of which over 3 million acres otherwise would have been planted to wheat. The rental for 1960 alone on these contract farms amounts to more than $336 million. In addition, the cumulative obligation of the Government for establishing conservation cover is estimated at about $177 million.

b. Supply Situation - The United States continues to be confronted with supplies of wheat well in excess of requirements. The U. S. total supply in 1960-61 is now estimated at about 2,667 million bushels, based on the July, 1960 Crop Report. Such a supply is 237 million bushels larger than the previous record amount in 1959-60. The 1960-61 supply is equivalent to over 4 years domestic requirements, estimated for this year at 617 million bushels. This vast supply of wheat has accumulated in the United States despite the many Government-sponsored programs which have been in effect to reduce acreage and to maximize utilization. These adjustment programs to date have been more than offset by unprecedently high yields per acre during recent years.

The 1960-61 supply is made up as follows: The beginning carryover on July 1, 1960, was a record 1,313 million bushels, 13 million more than on July 1, 1959, but 132 million more than on the same date in 1958. In recent years the CCC has owned or controlled over 90 percent of the U. S. carryover; and this was true also on July 1, 1960, when the CCC had in inventory 1.2 billion of the 1,313 million bushel carryover, and about 56 million bushels were covered by loans outstanding under the farm "reseal" program. The U. S. carryover of wheat on July 1, 1961, is expected to be about 1,550 million bushels, the largest in history. This is an increase of 237 million over the current year. Production in 1960 is now estimated at 1,347 million bushels, second only to the
record crop in 1958. This production is 230 million bushels larger than anticipated domestic requirements and exports under the various foreign aid and subsidy programs in 1960-61. The 1960 crop came from only 56.6 million planted acres, compared with 78.9 million planted acres in 1953 (the 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 quota) are estimated at 7 million bushels during 1960-61, the same as in 1959-60.

Utilization - Domestic disappearance in 1960-61 is estimated at 617 million bushels, 8 million more than in 1959-60. Exports of wheat, including flour, in 1960-61 are presently estimated to total 500 million bushels, compared with about 510 million in 1959-60, and 43 million in 1958-59.

Price support activity in 1960-61 is expected to be very large. It is expected that about 500 million bushels of 1960 wheat will be placed under support, and about 100 million bushels will be delivered to CCC during April-June, 1961. The CCC acquired about 515 million bushels from the larger 1958 crop, and about 190 million bushels from the smaller 1959 crop.

As noted above, the CCC owned 1.2 billion bushels of wheat on July 1, 1960, all acquired by deliveries from farmers under price support operations. Dispositions of wheat by CCC during 1960-61 are presently estimated to total 160 million bushels, compared with 150 million bushels disposed of in 1959-60. It is anticipated that CCC stocks will increase to about 1,425 million bushels on July 1, 1961, 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 solution of the problem of the wheat surplus generally have been discussed above. Briefly, they are as follows:

a. Severe Acreage Limitations Continue 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, counties, and individual farms. The minimum 55 million acre national allotment for the years 1954 through 1961 is 30 percent below the acreage seeded to wheat in 1953, prior to the imposition of production control programs. 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 4.5 per-
cent of the May 1 parity price on the excess quantity, or he must
store the excess under seal for possible sale in a subsequent year when
he plants less than his normal allotment in accordance with a pre-
scribed formula. Wheat has been ineligible for support if grown on
newly irrigated or drained lands within any Federal project since 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 Program has been in effect
each year since 1956. To date farmers have retired from the production
of all field crops over 28 million acres under this program, over 3
million acres of which otherwise would have been planted to wheat.

c. Downward adjustments have been made in the wheat price support
levels. A national average support price of $1.78 per bushel has been
announced for the 1960 crop; and the minimum support price for the 1961
crop also has been announced at $1.78 per bushel. This is considerably
below the $2.24 per bushel for the 1954 crop, $2.08 for the 1955 crop,
and $2.00 for the 1956 and 1957 crops. The support levels are the low-
est since the 1946 crop. The support rates for these last 4 years are
equivalent to 75 percent of parity, the lowest level of support per-
mited by existing legislation, and the lowest percentage of parity at
which wheat has been supported since 1950.

d. During the 1960-61 marketing year, the U. S. 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 P. L. 480. Wheat for export under the subsidy program including
shipments under Title I of P. L. 480, 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 program
effective September 4, 1956. This program 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 has directed the Secretary of Agriculture to explore
with other interested nations how surplus agricultural products could
be used in a program of Food for Peace. Implementing this directive,
meetings attended by high officials of Canada, Australia, France,
Argentina and the United States have been held. A primary purpose
of these meetings has been to discuss the issue of surplus wheat and
how it might be used to improve the economies of underdeveloped
countries. A committee on wheat utilization was established to pursue this matter. The Committee has just completed a study on how wheat could be used more effectively in economic development in India, Indonesia, and Japan. 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 to support programs of 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 September 20.

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

(1) 39,590,778 pounds annually during the quota year beginning August 1, for cotton having a staple length of 1-3/8 inches or more.

(2) 6,065,612 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 6,065,612 pounds not more than 1,500,000 pounds shall consist of rough or harsh cotton, white in color, and having a staple length of 1-5/32 inches or more but less than 1-3/8 inches, and not more than 4,565,612 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 September 20.

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 programs, including a price support, an acreage allotment and marketing quota program, conservation reserve program, and related surplus operations. Despite the progress made as a result of these programs, it is necessary to continue import quotas on cotton and cotton waste in order to prevent imports from materially interfering with these domestic programs and related operations. These programs and the conditions which made necessary the continuation of these import restrictions are explained in detail below.
Upland Cotton

a. Programs - The Agricultural Act of 1958 provided a new price support program 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 percent of parity.

The 1960 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 75 percent of parity. The U. S. average support level for 1960 crop Middling 7/8-inch upland cotton produced on Choice A farms is 28.97 cents per pound. Price support for such cotton will be carried out through a purchase program. Farms whose operators elected the B program for 1960 could plant up to 40 percent more than their allotments. The average support level basis Middling 7/8-inch for cotton produced on these farms is 23.18 cents, or 60 percent of parity, and price support will be carried out through a loan program.

Acreage allotments and marketing quotas were established for the 1960 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 percent of the June 15 parity price) on his excess cotton.

The national acreage allotment established for 1960 under the marketing quota operation was set at the minimum level authorized by law. The total allotment available for planting upland cotton was 17.5 million acres, which compares with 17.3 million acres for 1959. The 1960 upland allotment includes about 1.2 million acres added to the allotments for about 62,000 farms whose operators elected the Choice(B) program.

In 1960, the United States Government also has in operation a conservation reserve program under the Soil Bank Act. This program provides for payments to farmers who divert land to soil conserving crops and uses. It is estimated that under this program more than 600,000 acres were taken out of production in 1960.

b. Supply Situation for Upland Cotton - Total supply for the 1960-61 marketing year is estimated at 21.7 million bales, compared with 23.2 million for 1959-60. The 1960 planted acreage is estimated at 16.2 million acres. This compares with 15.7 million acres in 1959 and is the largest acreage planted to upland cotton since 1956, but is 5.0 million acres smaller than the average for 1949-58.

Carryover - Carryover August 1, 1960, is estimated at 7.3 million bales, compared with 8.7 million on August 1, 1959.
Production - The 1960 crop is estimated (August Crop Report) at
14.2 million bales, compared with 14.4 million in 1959.

Imports - Imports in 1960-61 are expected to be about the same as
the 57,000 bales estimated for 1959-60. Most of the imports are Mexican
upland and Asiatic short harsh cotton.

Disappearance - Total disappearance in 1960-61 is estimated at
roughly 11.5 to 15.0 million bales, compared with about 16.0 million
bales in 1959-60, due mostly to a possible decline in exports from
about 7.0 million bales in 1959-60 to roughly 5.5 to 6.0 million in
1960-61. Domestic consumption may also decline from about 8.9 million bales
in 1959-60 to 8.75 million in 1960-61.

Price support activity - It is estimated that the amount of Choice
B cotton placed under loan will be comparatively minor in 1960-61.
The market price will, therefore, be influenced largely by the Choice
A sales price which will be handled under a purchase program.

Long Staple Cotton 1/

a. Programs - Price support for the 1959 crop and future crops
of long staple cotton is required by law at not more than 75 percent
nor less than 60 percent of the parity price. The minimum loan rate
for eligible qualities of extra long staple cotton are based on the
average rate of 53.07 cents per pound, net weight, for American-
Egyptian cotton and 48.07 cents per pound, net weight, for Sea Island
and Sea Island cottons. These levels reflect 65 percent of parity for extra
long staple cotton.

Acreage allotments and marketing quotas were continued for the 1960
crop of these growths. When marketing quotas are in effect, any pro-
ducer 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 percent of the June 15 parity price or 50 percent of the support
price) on his excess extra long staple cotton.

The national acreage allotment for 1960 is 65,000 acres, which
compares with a 1959 allotment of 71,000 acres and a 1958 allotment of
83,000 acres.

b. Supply situation - Current stocks of CCC-acquired extra long
staple cotton from 1958 and prior crops total about 42,000 bales.

1/ For purposes of statistical comparison, references in the fol-
lowing discussion to "extra" long-staple cotton (staple length of
1-3/8" 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, de-
scribed in section 1.b.(2), as cotton having staple length of 1-1/8"
or more but less than 1-3/8", 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.
Of the 1959 crop of extra long staple cotton about 25,000 bales had been acquired under the price support loan procedure up to the close of business July 31, 1960. Legislation providing for the withdrawal of 50 thousand bales of domestic extra long staple in the U. S. stockpile of strategic materials was approved in July 1957. Although this cotton was transferred to CCC on August 1, 1957, for sale, it still is technically in the stockpile and becomes a part of the U. S. supply only as it is sold. The law referred to above provides that the cotton will be sold at not less than 105 percent 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 16,399 bales, leaving 33,601 bales available for sale.

The supply is made up as follows:

**Carryover** - The carryover of extra long staple cotton in the United States on August 1, 1959, was estimated at about 188,000 bales, including unsold cotton released from the stockpile, but does not include cotton still in the stockpile. This compares with 114,900 bales on hand a year earlier.

**Production** - Production in 1960 on 62,600 acres planted will be 68,200 bales, according to the August estimate of the Crop Reporting Board. This compares with 70,600 bales produced in 1959 on 67,900 acres planted.

According to present legislation, if quotas are proclaimed, the marketing quota for 1961 will be not less than 90 percent of the marketing quota for 1958 or 66,590 bales. An announcement will be made by the Secretary of Agriculture, not later than October 15, relating to the need for acreage allotments in 1961.

**Imports** - Imports of extra long staple cotton in 1960-61 are expected to equal the import quota of 82,500 bales (39,590,778 pounds). As in 1959-60, the import quota for 1960-61 has been filled. Roughly three-fourths of imports are from Egypt and the remainder from Peru, Sudan, and others.

**Disappearance** - Disappearance in 1959-60 is estimated at 125,000 bales, consisting of 122,000 bales consumed and 3,000 exported, mostly to Pakistan under P. L. 480 financing. In 1960-61, domestic consumption is expected to be about the same as in 1959-60, and exports under existing conditions are expected to be small.

**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 program.
3. Steps Taken to Reduce the Surplus of Cotton

During 1960-61, 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; and (c) market stabilization and surplus disposal programs to avoid disruption of domestic and foreign markets and to dispose of the surplus in an orderly manner.

a. Reduction of Production - The United States Government continued the above efforts in 1960 to reduce production. The national acreage allotment was established at 17.3 million acres which is the minimum level permitted by law for the 1960 crop. Present allotments are considerably lower than the national allotments established prior to World War II, which exceeded 27.2 million acres.

In addition, the United States continued the conservation reserve provisions of the Soil Bank under which, in 1960, it is estimated farmers voluntarily took over 600,000 acres of land out of cotton. This reduction was in addition to the curtailment made through the acreage allotment program. The 1960 planted acreage of all cotton was estimated at 16.3 million acres. This is 3 percent more than the 15.8 million acres planted in 1959, but is substantially smaller than the 1949-58 average of 21.3 million acres. The increase to 16.3 million in 1960 is due in part to the election by some farmers to use the "Choice B" plan. Steps taken by the United States to reduce production resulted in a drop in the U. S. cotton crop from 16.3 million running bales in 1953 to 10.9 million bales in 1957. In early August, the 1960 crop was estimated at 14.3 million bales, as compared with 14.5 million bales in 1959.

b. Price Support - The price support for the 1960 crop of upland cotton was fixed at a U. S. average of 28.97 and 23.18 cents per pound for Middling 7/8-inch cotton at average location for Choice (A) and Choice (B) cotton, respectively. This level reflects 75 and 60 percent of the parity price, 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 percent nor less than 60 percent of the parity price. In 1960, the level of support was fixed at 65 percent of parity, the same as in 1958 and 1959.

c. Market Stabilization and Surplus Disposal Operations - During the past year the United States has continued its programs 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, 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 makes U. S. cotton available for export in such a manner as to keep U. S. cotton prices competitive in foreign markets.

The payment-in-kind program is being continued in 1960-61. Under this program, 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 August 1, 1960, a payment rate of 6 cents per pound has been announced by the Department. The rate will be subject to change without prior notice. As of July 29, 1960, about 863,000 bales had been registered for export under this program.
Rye, including Rye Flour, and Rye Meal

1. Section 22 Quotas in Effect 1960-61

Regulations covering imports of rye, including certain rye products, have been in effect under the provisions of Section 22 since April 1, 1951, on the basis of annual quotas of approximately 3.3 million bushels. As noted in previous reports, however, imports of rye are not subject to continuous regulation. Existing regulations are now scheduled to be terminated on June 30, 1961. The most recent extension (August, 1959) established a two-year quota at approximately 6.6 million bushels, and specified that any over-shipments in 1959-60 would have to be deducted from the normal quota for 1960-61.

2. Need for Continuing Quotas

As pointed out last year import quotas were extended because (a) domestic supplies were much larger than domestic utilization, (b) a price support program 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—at least for the current crop season—that unrestricted imports would materially interfere with and render ineffective the Department's price support program for rye.

The 1960 crop of rye is being supported at a national average price of 90 cents per bushel or 60 percent of parity, the same as for the 1959 crop. Support prices for rye have been lowered repeatedly in recent years. The 1959 and 1960 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 U. S. supply of rye in 1960-61 is expected to total 42.4 million bushels, consisting of carryover stocks, plus 1960 production, plus imports. A supply at this level would be 4.5 percent more than the estimated 1960-61 domestic needs of 24 million bushels plus desirable carryover stocks of 5 million bushels. The total supply is made up of the following:

Carryover - The U. S. carryover at the start of the marketing year on July 1, 1960, has been reported at 10.4 million bushels, compared with 12.7 million a year earlier, and the 5-year 1953-57 average of 12.2 million bushels. The CCC owned 5 million bushels of rye on July 1, 1960, acquired under price support operations, equal to about half of U. S. carryover stocks. The carryover of rye in 1960 was twice as large as would be considered desirable.
Production - Production of rye in 1960, on the basis of the August Crop Report, is estimated at 31.1 million bushels. This crop was produced from 1,576,000 harvested acres, with a yield of 18.8 bushels per acre. The 5-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 of 4.4 million bushels were authorized in 1959-60. Under the existing presidential proclamation, imports totaling 2.4 million bushels can be expected in 1960-61. Such imports during these two years will include about 200,000 bushels of rye seed for planting purposes, permitted ex-quota.

Utilization - Domestic use of rye for food, industrial purposes, seed, and seed in 1960-61 is expected to total 24 million bushels, about the same as in other recent years.

Exports - Exports in 1960-61 are expected to total about 5 million bushels, about the same as in 1959-60. Practically all exports prior to July 1, 1958, came from CCC-owned stocks, at prices reflecting substantial losses to the Government. Under the export-subsidy payment-in-kind program instituted by the CCC on July 1, 1958, the majority of the rye exports have come from privately owned stocks, and only grain equivalent in value to the subsidies has come directly from CCC.

Carryover July 1, 1961 - The carryover at the end of the 1960-61 season, on the basis of the above estimates of supply and utilization, is expected to total about 15 million bushels. It is practically certain that over half of these carryover stocks will be owned by CCC, as in other recent years.

Under the conditions outlined above, substantial price support activity is expected in 1960-61 despite the fact that import controls will continue in effect. The U. S. supply of rye in 1960-61 exceeds domestic requirements and desirable carryover stocks by 15 million bushels. It is likely that at least 7 or 8 million bushels will be placed under price support, and the bulk of this will be delivered to CCC in 1961. The Corporation, therefore, is likely to continue to incur heavy losses in disposing of its inventories.

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

Efforts are being continued in 1960-61 to bring production and use of rye into better balance with requirements. One approach, as indicated above, has been to lower support prices. Another approach has been to compete on world markets by subsidizing exports.

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 4.2 million acres in 1960, and part of this decline can be attributed to the Soil Bank programs.

Greater utilization of rye continues to be encouraged, including donations for relief purposes at home and abroad. Through those and other programs it is hoped ultimately to bring the supply and requirements into better balance.
Flaxseed, Including Linseed Oil

1. Section 22 Controls in Effect

The restrictions on flaxseed and linseed oil imports are in the form of fees of 50 percent ad valorem, which are in addition to the respective import duties. No change was made in 1959-60 in the Section 22 import restrictions on flaxseed and linseed oil. As pointed out in previous reports, the United States has not bound the import duty on either flaxseed or linseed oil to any country under GATT.

2. Reasons Why Such Restrictions Continue to be Applied

The price support program will continue in effect under the provisions of the Agricultural Act of 1949, as amended. The U. S. supply of flaxseed in 1960-61 is now indicated to be somewhat smaller than in 1959-60, but it will be in excess of domestic requirements plus a desirable carryover. The U. S. outlook is for continuing surplus supplies and deliveries of flaxseed to CCC in 1960-61. Sizable exportable supplies of flaxseed and linseed oil are available from both Canada and Argentina, much of which in the absence of U. S. import controls, would probably be shipped to this country.

3. The Supply Situation

a. Total Supply - An above average yield for flaxseed in 1960 on the reduced acreage planted resulted in a crop of 28.4 million bushels which, with beginning stocks of 3.1 million bushels, resulted in U. S. supplies in 1960-61 totaling 31.5 million bushels, compared with 37.4 million in 1959-60, and the 1954-58 average of 50.5 million bushels. The 1960 crop, although less than average in recent years, still is 3.4 million bushels in excess of domestic requirements in 1960-61.

b. Utilization - Due to reduced domestic requirements for linseed oil, U. S. crushings of flaxseed have declined considerably in recent years, from 35.0 million bushels in 1955-56, to 27.3 million in 1957-58, and 23.4 million in 1959-60. In 1959, for the first time since 1956, CCC was compelled to contract-crush some of its stocks of flaxseed because the oil is less burdensome to store than flaxseed. All indications are that U. S. crushings in 1960-61 will not total over 22 million bushels.

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 1959. The drop in domestic utilization has been in part due to lowered industrial demands for linseed oil, caused largely by the competition of water-based paints with oil-based paints (using plastics instead of oil) and the substitution of soya oil and other available low-priced oils in the manufacture of paints and other products.
In recent years seed uses have averaged about 3 million bushels per year, but in 1960 only an estimated 2.3 million bushels was so used. U. S. farmers planted only 3.5 million acres for harvest in 1960, compared with 3.9 million in 1958, 5.6 million in 1957, and 5.9 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 reduction in price support rates.

c. Exports - U. S. exports of flaxseed as seed in 1959-60 amounted to 8.0 million bushels, most of which came from CCC stocks acquired under price support operations. It is expected that exports in 1960-61 will not exceed 2 to 3 million bushels. The outlook is for sizable exportable supplies also in other countries, particularly Canada and Argentina in the 1960-61 marketing year. The CCC generally has to sell its flaxseed to U. S. exporters on the basis of world prices, for export either as seed or oil. Such prices usually are substantially below U. S. domestic prices, resulting in substantial losses to the U. S. Government.

d. Carryover on July 1, 1961 - It is now estimated that the U. S. carryover of flaxseed in 1961 will be about 5 million bushels, assuming that during the current year 22 million bushels will be crushed, 3 million bushels will be used for planting purposes, and 2 million bushels will be exported as seed. Such a carryover would be less than average in recent years, but would be considerably larger than in 1960, and would be somewhat larger than is considered desirable under the present conditions. U. S. supplies of flaxseed in both 1959-60 and 1960-61 have been well in excess of domestic requirements; and the carryover-stocks at the end of both years would have been much larger if the CCC had not conducted programs to bring about reduced production, and to increase disposals of flaxseed and linseed oil through export channels.

l. Price Support Activity - The 1960 crop of 28.1 million bushels of flaxseed is about 3 million more than U. S. domestic requirements of 25 million bushels in 1960-61. It is likely that farmers will place at least 3 million bushels of the 1960 crop under price support, most of which probably will be delivered to CCC.

Since the beginning of price support operations on flaxseed in 1961, the CCC has acquired and disposed of 99.3 million bushels of this oilseed crop. In disposing of these acquisitions, including flaxseed converted to oil, the CCC incurred losses of $168.8 million, equal to an average of $1.70 per bushel.

A total of 55.6 million pounds of oil resulting from the contract crushing of 2.8 million bushels of flaxseed in 1959 has been sold on competitive bids at an average of 10.1 cents per pound. Losses to CCC on these contract crush operations totaled $1,155,000 or 2 cents per pound.
5. Steps Taken to Reduce the Surplus

a. The support price for flaxseed has been lowered repeatedly in the last seven years, from a national average of $3.79 per bushel for the 1953 crop to $2.38 for the 1959 and 1960 crops, a reduction of 37 percent. The current support price 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 Program, which has been in effect since 1956, has resulted in land being retired from production of field crops including flaxseed. To date over 28 million acres have been retired from crop production under the Soil Bank Conservation Reserve Program, and some of this land otherwise would have been planted to flaxseed.

c. Many 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.

These programs 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 flaxseed can be brought into better balance with requirements.

However, the outlook for the current year beginning July 1, is for supplies of flaxseed in Canada and Argentinian, two major exporting countries, to be exceptionally large. 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 flaxseed in excess of domestic needs.
Peanuts and Peanut Oil

Controls in Effect for 1959-60

a. Peanuts - No changes were made in 1959-60 in the import quota established for peanuts under Section 22. The peanut quota of 1,709,000 pounds, shelled basis, during any 12 months beginning August 1, (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 - Under Section 22 an ad valorem fee of 25 percent is imposed, in addition to the import duty of 4 cents per pound, on imports of peanut oil in excess of 80 million pounds during the quota year beginning July 1.

2. Reasons Why Such Restrictions Continue to be Applied

During the 1960 crop season the United States Government has in operation several programs for peanuts. These include a price support program, an acreage allotment and marketing quota program in connection with the price support program, a purchase program 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 are being continued in 1960-61 to prevent imports from materially interfering with these programs and operations.

a. Programs - Price support for peanuts is mandatory each year under Title I of the Agricultural Act of 1949, as amended, at a level of 75 percent to 90 percent of parity when producers have approved marketing quotas. For 1960 the preplanting level of support has been announced at a minimum national average of $201.24 per short ton, or 78 percent of effective parity for 1960. This support is higher than the average support price of $193.50 for the 1959 crop but slightly below that of $213.20 for the 1958 crop. In terms of parity, the 78 percent for 1960-61 compares with 75 percent a year earlier and 81 percent for the 1958 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 percent to 90 percent of parity according to the relationship of the expected supply to the normal supply. The increase in the support price is largely the result of difficulty in milling out the usual quantity of prime edible grades from the 1959 crop. As a result of this difficulty, the supply-percentage required by the statutes in determining the minimum level of price support produced a level of support at 78 percent of parity instead of the 75 percent calculated for the 1959 price support.
On December 15, 1959, peanut farmers voted in a referendum to determine whether or not they desired marketing quotas for the 1960, 1961, and 1962 marketing years. The quotas were approved by 94.9 percent of the farmers voting in the referendum. A favorable vote of two-thirds or more was required to place the quotas in effect.

The national acreage allotment of 1,611,761 acres established for 1960 under the marketing quota operation is the minimum authorized by law adjusted upward by 1,761 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 percent below the 10-year (1949-58) average of 1,696,000 acres, picked and threshed. In 1957, the acres picked and threshed totaled 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 program to limit production and dispose of surplus, peanut supplies in 1960-61 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 each of the marketing years 1950-60.

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Imports</th>
<th>Domestic Consumption</th>
<th>Acquired</th>
<th>Disposed</th>
<th>Stocks, under of as end of Price Support: Surplus: year</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>2,035</td>
<td>24</td>
<td>1,269</td>
<td>800</td>
<td>645</td>
<td>332</td>
</tr>
<tr>
<td>1951</td>
<td>1,659</td>
<td>-</td>
<td>1,200</td>
<td>588</td>
<td>375</td>
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<tr>
<td>1952</td>
<td>1,356</td>
<td>-</td>
<td>1,286</td>
<td>107</td>
<td>64</td>
<td>422</td>
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<tr>
<td>1953</td>
<td>1,574</td>
<td>-</td>
<td>1,279</td>
<td>297</td>
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<td>3</td>
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<td>1956</td>
<td>1,608</td>
<td>6</td>
<td>1,275</td>
<td>376</td>
<td>270</td>
<td>456</td>
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<td>1,436</td>
<td>2</td>
<td>1,395</td>
<td>127</td>
<td>138</td>
<td>361</td>
</tr>
<tr>
<td>1958</td>
<td>1,827</td>
<td>2</td>
<td>1,372</td>
<td>381</td>
<td>304</td>
<td>514</td>
</tr>
<tr>
<td>1959 (Prelim.)</td>
<td>1,592</td>
<td>2</td>
<td>1,414</td>
<td>250</td>
<td>274</td>
<td>440</td>
</tr>
<tr>
<td>1960 (Est.)</td>
<td>1,626</td>
<td>2</td>
<td>1,414</td>
<td>234</td>
<td>234</td>
<td>420</td>
</tr>
</tbody>
</table>

The total supply of peanuts in the United States for 1960-61 is expected to be 2,068 million pounds compared with an average supply of 1,991 million pounds for the 5 years 1955-59. The composition of the supply for 1960 and recent years may be seen in the above.
Price support activity - The price support activity carried out by CCC in the 1959-60 marketing season and announced for the 1960-61 marketing season includes provisions whereby farmers may receive price support through farm stored loans, purchase agreements, or warehouse loans through grower peanut associations. In the 1960-61 season, however, no individual producer may receive more than $50,000 in price support advances without a 20 percent decrease in production. During the 1959-60 marketing year 317 million pounds were placed under loan, but 117 million pounds were redeemed. For the 1960-61 year it is anticipated that nearly 270 million pounds will be placed under loan of which about 86 million pounds will probably be redeemed.

Purchase program for edible grades of less than top quality - For the last four years (1956-60) the CCC has operated what is termed a "No. 2 program." This program provides a means whereby shellers may offer to CCC up to 200 pounds of shelled edible peanuts of less than No. 1 quality for each ton of farmers stock peanuts purchased which were eligible for price support. By this program, 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 1959-60 marketing year, about 50 million pounds farmers' stock equivalent were acquired under this program. For the 1960-61 year it is expected that a similar quantity will be acquired.

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 three 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 1960 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 1959 for continuation of acreage allotments for the three years, 1960, 1961, and 1962. 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 percent of the loan rate on such excess quantity as is produced.

b. A policy for selling surplus peanuts for crushing into oil or for export has been followed by the CCC when excessive quantities of peanuts have accumulated under the price support program. During the 1958-59 year CCC sold about 233 million pounds of peanuts, farmers' stock basis, for domestic crushing purposes, about 59 million pounds for export, and an additional 9 million pounds for Section 22 School Lunch Program use.
During the 1959-60 year CCC has sold about 27½ million pounds, farmers' stock basis, for domestic crushing or export. Data on movement are incomplete, but it is estimated that about 70 million pounds of these were exported. In addition, CCC sold about 10 million pounds for the Section 22 School Lunch Program and about 19 million pounds for unrestricted domestic edible use.

c. Beginning in 1956, a program was inaugurated by the Department as prescribed by legislation to place acreages used in the production of farm crops, particularly the surplus crops, in a "soil bank". This soil bank program originally had two phases. The first of these was an acreage reserve wherein a rent was paid to the farmer for holding out of production acreages normally used for specific crops. The second was the placing of acreages for longer than one year in a "conservation reserve" wherein the land was to be used for conservation practices and not the production of normal saleable farm commodities. In recent years the "soil bank" program has been modified by placing the primary emphasis on the conservation reserve phase. It is estimated that in 1960 approximately 1½ thousand acres of land which would otherwise have been in the production of peanuts will be in the conservation reserve.
Tung Nuts and Tung Oil

1. Controls in Effect for 1959-60

a. Tung oil - Restrictions on the importation of tung oil under Section 22 are now scheduled to expire on October 31, 1960 unless extended.

Importation of tung oil has been limited to 26 million pounds per year by a proclamation dated September 9, 1957. The first year's quota covered the period September 9, 1957 to October 31, 1958, but for the other years the quota year has begun on November 1 and ended on October 31. For the first quota period the proclamation provided for imports not in excess of a monthly rate of 1,150 thousand pounds through January 1958. For the second and third marketing years not more than one-fourth of the annual quota could be imported during the first quarter. Of the annual quota of 26 million pounds, 22,100,000 pounds could be imported imported from Argentina, 2,964,000 pounds from Paraguay, and 936,000 pounds from other countries. The proclamation on tung oil was clarified on April 28, 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 April 28, 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 program for tung nuts and reducing substantially the amount of domestically produced tung oil utilized by domestic industry.

Since the domestic annual production of tung oil is normally less than the present level of consumption, some imports are needed but without restriction supplies from Argentina and other countries are practically certain to be received in such a quantity as to reduce materially the amount of domestic oil which could sell in domestic markets at price support levels. If unrestricted imports are allowed over a period of years, the CCC would accumulate large quantities of domestically produced oil. Under normal supply and demand situations throughout the world these surplus supplies could be sold only at serious loss to the United States Government.

a. Price Support Program - Price support for tung nuts is mandatory at a level of not less than 65% nor more than 90 percent 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 percent of parity is permitted. The price support program is implemented through purchase agreements on tung nuts and purchase agreements and loans on tung oil. The 1959 crop of tung nuts were supported at $53.50 per ton with an equivalent of 20.9 cents per pound for tung oil. In 1958, tung nuts were supported at $53.89 per ton with equivalent oil at 21 cents per pound. The 1958 and 1959 support price have both reflected 65 percent of the parity for tung nuts. Support price for the 1960 crop of tung nuts and the oil equivalent value will be announced prior to November 1, 1960.

b. Supplies during 1959-60 - The estimated domestic production of oil from 1959 crop tung nuts is 34 million pounds. This quantity together with 26 million pounds to be imported during the 1959-60 marketing year, and with carryover stocks of 38.5 million pounds, makes an availability of 98.5 million pounds for the current marketing year.

c. Consumption of tung oil - Estimated consumption of tung oil for the 1959-60 marketing year is 45 million pounds. This is near the average of the five years 1954-58.

d. Sales of surplus oil - During the 1959-60 marketing year the CCC will have sold approximately 15 million pounds of oil on competitive bid for export at not less than world price. Losses to the United States Government on these sales are estimated to be about 6 cents per pound or a total of about $900,000. Through sales for export, the CCC has been able to reduce the surplus sufficiently to cause the inventory on November 1, 1960, to be near that of a year earlier.

e. Carryover - With production plus imports again in excess of consumption, the carryover of tung oil at the beginning of the 1960-61 marketing year is expected to be 38 million pounds with stocks largely held by the Commodity Credit Corporation of the Department of Agriculture.

f. Estimates for 1960-61 - The 1960 crop is estimated to produce 30 million pounds of oil. The supply available, including stocks but excluding imports, will be about 68 million pounds or 23 million pounds in excess of the next year's consumption.

g. Price relationships - The supported United States price for tung oil in the past year has been from 5 to 7 cents above the world market.

3. Steps Taken to Solve the Problem of Surplus

As already noted, domestic production of tung oil is less than domestic consumption. It has also been shown that total supplies, including imports, will be in excess of requirements. Under existing price relationships, it could be demonstrated that a closer balance would result through more stringent regulation of imports. Nevertheless, the United States has maintained import quotas without change since September, 1957.
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 percent or more butterfat. The quotas are the same as those reported as being in effect in the 1958-59 report, except for certain cheeses.

The quotas in effect in the period July 1, 1960-June 30, 1961, 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, 4,187,000 pounds; Edam and Gouda cheese, 9,200,100 (previously 4,600,200 pounds); Italian (cow's milk) cheese, 11,500,100 pounds (previously 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 percent 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 program, the Department of Agriculture purchased, in the marketing year 1959-60, the equivalent of 3.3 billion pounds of milk—about 2.8 percent of total milk production. This compared with purchases of 3.4 billion pounds and 3.0 percent of total output in the 1957-58 season.

Government purchases of butter were somewhat less than a year earlier. Purchases of cheese, on the other hand, were up slightly from the previous year. Production of butter as well as that of cheese was 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 nonfat dry milk in the 1959-60 marketing year approximated that of a year earlier, while Government acquisitions were moderately lower. Government purchases were down because of increased consumption.

(c) The realized cost of programs for the stabilization of milk and butterfat prices and related programs in the fiscal year ended June 30, 1959, totaled 379 million dollars.

The utilization of Government-owned dairy products in the 1959-60 marketing year (April 1-March 31) 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 June 30, 1960, were 18.9 million pounds of butter, no cheese, and 243.2 million pounds of nonfat dry milk.

The special programs 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) Milk production in 1959 was again down slightly (about 1 percent, the same as in the previous year). Production per cow continued to increase, but milk cow numbers were down. Production in 1960 is expected to be somewhat above last year's. 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 20 years. Output of butter in the years 1935-39 averaged 2.2 billion pounds annually. In 1959, butter production totaled 1.5 billion pounds with about two-thirds of this total being produced in five Northcentral 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 1959, however, output of American cheese totaled 1.0 billion pounds. Output of canned milk has declined in the last decade. Production of nonfat dry milk has shown phenomenal growth in the past 10 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 milkfat in dairy products consumed, has declined over the past two decades. Per capita consumption of milkfat in all forms in 1959 was equal to 25.6 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—cheese 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 37 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) The support price for manufacturing milk was established at $3.06 per hundred pounds and for butterfat at 56.6 cents per pound as of April 1, 1958. The same dollars and cents support levels have continued in effect since that time, and, as announced in early 1960, they will prevail through March 31, 1961. Because the parity price for milkfat and the parity equivalent price for manufacturing milk increased approximately 1 percent during the 1959-60 marketing year the support levels reflect 76 percent of parity and the parity equivalent, respectively, as of the beginning of the current marketing year as compared with 77 percent a year earlier.

(f) On a whole-milk-equivalent basis, purchases of butter for price support purposes, April through June 1960, have been about the same as during the comparable period for 1959, and purchases for the marketing year will probably be at about the level of last year. Purchases of nonfat dry milk will probably be somewhat above the level of purchases last year.
Table 1. Production and utilization of milk, United States, 1952-59

(in millions of pounds)

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</thead>
<tbody>
<tr>
<td>Milk production</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>On farms</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>124,883</td>
<td>124,396</td>
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<td>Total</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>124,883</td>
<td>124,396</td>
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<td>Utilization (Milk equiv.)</td>
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<tr>
<td>Manufactured in plants</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Creamery butter, total</td>
<td>24,617</td>
<td>29,421</td>
<td>30,259</td>
<td>28,951</td>
<td>29,613</td>
<td>29,925</td>
<td>30,629</td>
<td>29,457</td>
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<td>From whey cream</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>
<td>23,802</td>
<td>28,489</td>
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<td>28,003</td>
<td>28,626</td>
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<td>Cheese</td>
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<td>American</td>
<td>8,551</td>
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<td>10,475</td>
<td>10,073</td>
<td>9,936</td>
<td>9,944</td>
<td>9,503</td>
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<td>3,104</td>
<td>3,258</td>
<td>3,480</td>
<td>3,788</td>
<td>3,486</td>
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<td>3,391</td>
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<td>Canned milk</td>
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<tr>
<td>Evaporated</td>
<td>6,087</td>
<td>5,144</td>
<td>5,397</td>
<td>5,490</td>
<td>5,397</td>
<td>5,200</td>
<td>4,591</td>
<td>4,513</td>
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<td>Sweetened condensed</td>
<td>124</td>
<td>96</td>
<td>58</td>
<td>78</td>
<td>164</td>
<td>140</td>
<td>125</td>
<td>134</td>
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<td>Bulk condensed</td>
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<tr>
<td>Unsweetened</td>
<td>539</td>
<td>558</td>
<td>599</td>
<td>644</td>
<td>701</td>
<td>772</td>
<td>780</td>
<td>842</td>
</tr>
<tr>
<td>Sweetened</td>
<td>102</td>
<td>105</td>
<td>80</td>
<td>90</td>
<td>104</td>
<td>108</td>
<td>113</td>
<td>121</td>
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<tr>
<td>Dry whole milk</td>
<td>774</td>
<td>794</td>
<td>718</td>
<td>835</td>
<td>847</td>
<td>839</td>
<td>741</td>
<td>764</td>
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</tbody>
</table>

(See footnotes at end of table)
Table 1. Production and utilization of milk, United States, 1952-59—continued

(in millions of pounds)

<table>
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<tr>
<td>Frozen products</td>
<td></td>
<td></td>
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<tr>
<td>Ice cream and other products</td>
<td>8,941</td>
<td>9,221</td>
<td>9,150</td>
<td>9,651</td>
<td>9,968</td>
<td>10,182</td>
<td>10,472</td>
<td>11,275</td>
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<tr>
<td>Fat from other products 2/</td>
<td>1,400</td>
<td>1,424</td>
<td>1,404</td>
<td>1,480</td>
<td>1,510</td>
<td>1,635</td>
<td>1,722</td>
<td>1,868</td>
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<tr>
<td>Net from milk &amp; cream</td>
<td>7,541</td>
<td>7,797</td>
<td>7,746</td>
<td>8,171</td>
<td>8,458</td>
<td>8,547</td>
<td>8,750</td>
<td>9,407</td>
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<tr>
<td>Other factory products 3/</td>
<td>936</td>
<td>967</td>
<td>1,052</td>
<td>1,131</td>
<td>1,218</td>
<td>1,262</td>
<td>1,214</td>
<td>1,247</td>
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<tr>
<td>Total factory products 4/</td>
<td>51,544</td>
<td>57,597</td>
<td>58,681</td>
<td>57,995</td>
<td>59,239</td>
<td>59,224</td>
<td>58,675</td>
<td>57,969</td>
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<tr>
<td>Farm butter</td>
<td>4,215</td>
<td>3,876</td>
<td>3,562</td>
<td>3,310</td>
<td>2,963</td>
<td>2,719</td>
<td>2,411</td>
<td>2,108</td>
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<tr>
<td>Fluid milk consumption</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Farm 5/</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>9,100</td>
<td>8,800</td>
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<tr>
<td>Non-farm</td>
<td>13,700</td>
<td>14,600</td>
<td>16,100</td>
<td>18,200</td>
<td>19,700</td>
<td>21,100</td>
<td>21,100</td>
<td>22,100</td>
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<tr>
<td>Total</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>60,200</td>
<td>60,900</td>
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<tr>
<td>Fed to calves</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>2,892</td>
<td>2,825</td>
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<tr>
<td>Exports and storage 6/</td>
<td>79</td>
<td>-141</td>
<td>-45</td>
<td>26</td>
<td>-4</td>
<td>65</td>
<td>-62</td>
<td>8</td>
</tr>
<tr>
<td>Other 7/</td>
<td>985</td>
<td>755</td>
<td>552</td>
<td>406</td>
<td>510</td>
<td>489</td>
<td>767</td>
<td>586</td>
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</tbody>
</table>

1/ Includes an allowance for milk produced by cows not on farms.
2/ Milk equivalent of butter and condensed milk used in ice cream.
3/ Includes dry cream, malted milk, dry part skim milk, dry ice cream mix, and cottage cheese.
4/ Includes net milk equivalents of butter and frozen dairy products to avoid double counting of milk from which fat was reused in making a second dairy product.
5/ Includes an allowance for fluid consumption of farms not producing milk.
6/ Net movement of whole milk or cream into export or storage channels.
7/ 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 1959-60

<table>
<thead>
<tr>
<th>Marketing year beginning April 1</th>
<th>Milk production Mil. lb.</th>
<th>Milk equivalent of total purchases as percent of milk production Percent</th>
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</thead>
<tbody>
<tr>
<td>1951-52</td>
<td>114,313</td>
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<td>1952-53</td>
<td>116,480</td>
<td>3.2</td>
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<td>1953-54</td>
<td>121,761</td>
<td>10.1</td>
</tr>
<tr>
<td>1954-55</td>
<td>121,626</td>
<td>4.7</td>
</tr>
<tr>
<td>1955-56</td>
<td>124,797</td>
<td>4.1</td>
</tr>
<tr>
<td>1956-57</td>
<td>125,374</td>
<td>4.0</td>
</tr>
<tr>
<td>1957-58</td>
<td>125,700</td>
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<tr>
<td>1958-59</td>
<td>125,077</td>
<td>2.7</td>
</tr>
<tr>
<td>1959-60</td>
<td>124,838</td>
<td>2.6</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 nonfat dry milk not included to avoid duplication with butter.