SUBSIDIES

Notifications Pursuant to Article XVI:I

Addendum

CANADA

The following notification relates to subsidies paid during the fiscal or crop year 1970-1971, as indicated.

I. GRAIN AND GRAIN PRODUCTS

FEED FREIGHT ASSISTANCE

1. Nature and extent of the subsidy

(a) Background and authority

This programme assists livestock producers in Eastern Canada and British Columbia and grain producers in the prairie provinces by subsidizing freight and storage costs on feed grain used by them for livestock feed. This programme was placed under the jurisdiction of the Canadian Livestock Feed Board in April 1967, although the programme has been in existence since 1941. The authority is the Livestock Feed Assistance Act, 1966, and regulations established by Order in Council.

(b) Incidence

The subsidy is paid to wholesalers or retailers from whom farmers purchase grains or mill feeds. Claims must show that the commodities are fed to livestock and that the amount of assistance has been passed on to the purchaser. No payment is made on grains and feeds for export, nor on cereals used for domestic food consumption.

(c) Amount of subsidy

The estimated freight and storage expenditures on the quantity shipped during the fiscal year 1970-71 were $20,870,799, compared with $21,393,670 in 1969-70.
(d) Estimated amount per unit

Freight and storage payments averaged $7.01 per ton during the 1970-71 fiscal year, compared with $7.12 per ton in 1969-70.

2. Effect of the subsidy

The programme helps to equalize the cost of domestic feeds and feed grains to livestock feeders across Canada.

STORAGE COSTS ON TEMPORARY WHEAT RESERVES

1. Nature and extent of the subsidy

(a) Background and authority

In March 1956, Parliament passed the Temporary Wheat Reserves Act to relieve producers of burdensome storage charges on wheat in commercial storage in Canada.

(b) Incidence

The Act provides for the payment of storage and interest costs on Canadian Wheat Board stocks of wheat in commercial storage in excess of 178 million bushels at the commencement of each crop year.

(c) Amount of subsidy

The amount owing for the 1970-71 crop year, including interest to 31 July 1971, was $63,971,794. This amount was paid by the Government in October 1971 on the eligible wheat stocks of 288.0 million bushels in commercial storage for the 1970-71 crop year.

(d) Estimated amount per unit

Storage and interest payments under the Act amounted to 22.21 Canadian cents per eligible bushel for 1970-71.

2. Effect of the subsidy

This programme has helped western grain producers to obtain a greater share of the price at which their wheat is sold. However, it has tended to distort production patterns at the expense of other grains and the Canadian Government hopes to discontinue this programme in future.
CASH ADVANCES ON FARM STORED GRAINS

1. **Nature and extent of the subsidy**

   **(a) Background and authority**

   The Prairie Grain Advance Payments Act, proclaimed on 25 November 1957, provides that interest-free cash advances may be made to producers by the Canadian Wheat Board through its line of credit with the chartered banks and the interest involved is paid by the Federal Government.

   **(b) Incidence**

   Advances are made to a maximum of $6,000 per producer (including any outstanding balance from prior advances) at a per bushel rate which is fixed for each grain before the beginning of each crop year. The per bushel rates for the 1970-71 crop year were 95 cents for wheat, 50 cents for barley, and 35 cents for oats. The advance may be obtained on one grain only or on a combination of grains by all producers in the Canadian Wheat Board's designated area having a permit book to deliver grain.

   **(c) Amount of subsidy**

   Repayment of advances is made when producers deliver grain as delivery quotas are increased. The amount of interest involved depends on the total amount of advances issued and the rate of repayment. Increased use is made of this Act when delivery opportunities are restricted. Repayment is slower under these conditions causing interest costs to be higher. Interest costs paid by the Government for the 1970-71 crop year amounted to $11,614,203.

   **(d) Estimated amount per unit**

   No statistics have been compiled on the total quantities of grain on which cash advances are obtained each crop year.

2. **Effect of the subsidy**

   Grain producers in western Canada, where the bulk of Canada's grain is produced, do not receive any income until they deliver their grain to the country elevator and the excess of production over marketable quantities must be stored on farms at the producer's expense.

   Cash advances are, in effect, a prepayment of a portion of the initial payments guaranteed by the Government on the basic grades of wheat, oats and barley when delivered by producers. The programme has a two-fold effect on the economy of western Canada. Farmers are able to obtain a portion of the price for their grain when delivery opportunities are restricted instead of having to borrow
money at commercial interest rates. Secondly, millions of dollars are put into
circulation during periods when the cash flow to the grains sector of the economy
would otherwise be seriously restricted due to reduced marketings.

INITIAL PAYMENTS

1. Nature and extent of the subsidy

(a) Background and authority

Under the terms of the Canadian Wheat Board Act, initial payments on the basic
grades of wheat, oats and barley are established each crop year by the Government
having regard to current and prospective market demand and to any other
circumstances which may render a specific level of initial payments advisable.
These initial payments are, in effect, Federal Government guaranteed floor prices,
since any deficit incurred by the Canadian Wheat Board in its marketing operations
is paid by the Government, i.e., if the sales price obtained by the Board is in-
sufficient to cover its operating costs plus the initial payment already received
by producers, the deficit is met by the Government.

(b) Incidence

Very few payments have been necessary to cover deficits during the twenty-
eight years that this practice has been followed. A deficit occurred in the pool
account for barley during the 1970-71 crop year. When a deficit occurs, the
Government payment is made to the Canadian Wheat Board, but the ultimate benefit
goes to the producers in the Wheat Board designated area who have grown the grain
in that pool.

(c) Amount of the subsidy

A deficit of $10,945,327 was incurred by the 1970-71 pool account for barley
and this amount, plus interest, is to be paid to the Wheat Board by the Government.
The 1970-71 pool accounts for wheat and oats show a surplus.

(d) Estimated amount per unit

The sum amounts to 4.77 cents per bushel of barley purchased from producers
by the Board during the 1970-71 crop year.

2. Effect of the subsidy

This subsidy helped to cushion to some extent the effects of the low prices
for barley that prevailed during the period of the pool's operation.
CROP FAILURE ASSISTANCE

1. Nature and extent of the subsidy:

(a) Background and authority

This programme is designed to aid farmers in the spring wheat area (the three Prairie Provinces and the Peace River District of British Columbia) in years of low crop yields arising from drought, flood and other conditions beyond their control. It is authorized under the Prairie Farm Assistance Act of 1939, as amended, and regulations established by Order in Council.

(b) Incidence

Payments are made to all farmers in areas eligible by reason of low yields or impossibility of seeding, at rates ranging from $2 to $4 per acre of cultivated land, with respect to not more than one half of a farmer's cultivated acreage up to a maximum of 400 acres. A minimum payment of $200 applies only when the average acreage yield is five bushels or less per farm. A levy of 1 per cent is deducted from the price a producer receives for wheat, oats, barley, rye, rapeseed or flaxseed. Proceeds of this levy are credited to a special fund (Prairie Farm Emergency Fund) out of which the awards are paid. If the amount in the fund is inadequate to defray the cost of the awards, the Federal Government makes up the deficit. Farmers who participate in a provincial crop insurance scheme are not subject to this levy and are not eligible for benefits under this assistance programme.

(c) Amount of the subsidy

No federal contribution was required in the 1970-71 crop year since the levy collected from producers ($6,714,334) exceeded the claims paid ($3,490,798).

WHEAT INVENTORY REDUCTION PAYMENTS

1. Nature and extent of the subsidy

(a) Background and authority

This special one-year programme was designed to take out of wheat production up to 22 million acres of land in order to reduce storage stocks. The programme was authorized under the Appropriation Act by P.C. 1970-680 on 21 April 1970.

(b) Incidence

Under this programme, farmers were eligible for a payment of $6 for each acre of cultivated land taken out of wheat in 1970 and summer-fallowed or planted to perennial forage. A further $4 per acre was payable with respect to land seeded to forage in 1970 and still in forage on 15 July 1971.
(c) Amount of the subsidy

Payments during the 1970-71 year to 100,000 farmers with respect to 9.6 million acres amounted to $57.6 million. An additional $5.5 million has been paid since the year end.

(d) Estimated amount per unit

This sum amounts to an average of $6 per acre removed from wheat production.

2. Effect of the subsidy

A total of 9.6 million acres were removed from wheat production in 1970 and wheat storage stocks were substantially reduced.

II. LIVESTOCK AND LIVESTOCK PRODUCTS

HOG QUALITY PREMIUMS

1. Nature and extent of the subsidy

(a) Background and authority

This payment was designed to encourage high quality hog production and has been in effect since 1944. This programme was authorized under the Appropriation Act by P.C. 1963-430, 18 March 1963. This quality premium was discontinued on 31 December 1970.

(b) Incidence

Payment was made (on carcasses scoring 105 or more on quality index) to producers who delivered their hogs for slaughter at inspected plants or approved establishments throughout Canada. The farmer received with his settlement statement, a hog premium warrant which was negotiable at par at any chartered bank and the Government reimbursed the bank. From 1 April 1970 to the end of the programme on 31 December 1970, the premium was $1.50 per eligible carcass.

(c) Amount of subsidy

The expenditure for carcasses graded during the 1970-71 fiscal year was $1,344,147.

(d) Estimated amount per unit

The average payment per hog meeting the quality criteria was $1.50 in the 1970-71 fiscal year.
2. **Effect of the subsidy**

The payment of a premium on hogs yielding high grade carcasses assisted producers in improving and maintaining hog quality and in channelling hogs for slaughter to government approved plants. With the introduction of a new and more sophisticated grading system in 1969, it was felt that market prices would automatically reward producers of higher quality hogs. For this reason the Government began a gradual phasing out of the programme until it ended entirely on 31 December 1970.

**LAMB QUALITY PREMIUMS**

1. **Nature and extent of the subsidy**

   (a) **Background and authority**

   This programme was introduced on 14 August 1961 to encourage the production of high quality lambs. It was authorized by P.O. 1961-1122, 4 August 1961, and P.O. 1962-749, 22 May 1962, under General Appropriation Acts. This programme was discontinued on 31 December 1970.

   (b) **Incidence**

   Producers were eligible for premiums on lambs slaughtered at Canadian processing plants where federal carcass grading is available. With his settlement statement, the producer received a lamb premium warrant which was negotiable at par at any chartered bank and the Government reimbursed the bank. From 1 April 1970 until the end of the programme on 31 December 1970 the premium was $1.00 per carcass on those grading Choice.

   (c) **Amount of the subsidy**

   Premium payments on eligible carcasses during the 1970-71 fiscal year totalled $53,092.

   (d) **Estimated amount per unit**

   The average payment per lamb meeting the quality criteria was $1.00 during the 1970-71 fiscal year.

2. **Effect of the subsidy**

   The lamb premium policy was introduced to encourage high quality lamb production. Since then, two major changes in market conditions have made the premium less significant. First, prices have risen. Second, more lambs are being marketed through channels where the premium does not apply. For these reasons, the programme was phased out on 31 December 1970.
WOOL SUPPORT PROGRAMME, DEFICIENCY PAYMENTS

1. Nature and extent of the subsidy

(a) Background and authority

Annual Orders in Council under the Agricultural Stabilization Act have granted authority to the Agricultural Stabilization Board to support wool prices.

(b) Incidence

In fiscal year 1970-71, the Board was authorized to support the price of wool at 45 cents per pound compared with 60 cents per pound in 1969-70. This programme applied to wool of all grades, except rejects, produced in Canada and delivered to registered warehouses in Canada in the above-mentioned period. Payment was calculated as the amount by which 45 cents per pound exceeded the price determined by the Board to be the average market price to producers, f.o.b. Toronto, of representative grades during the period. A wool producer, to be eligible for a deficiency payment under the programme, must have marketed at least 100 pounds of wool of the eligible grades during the fiscal year.

(c) Amount of subsidy

For the fiscal year 1970-71, total payments amounted to $402,521 of which $394,299 covered wool produced in 1970-71 and $8,222 was paid on previous year's programmes.

(d) Estimated amount per unit

In 1970-71, an average deficiency payment of 17.3 cents per pound of eligible wool was paid to producers compared with an average of 29 cents per pound in 1969-70.

2. Effect of the subsidy

Wool prices to producers were stabilized.

III. DAIRY PRODUCTS

1. Nature and extent of the subsidy

(a) General background and authority

At the beginning of the fiscal year 1967-68, administration of the federal dairy stabilization policy was placed under the Canadian Dairy Commission which was established by the Canadian Dairy Commission Act in 1966.
(b) Incidence

Federal dairy stabilization policy consists of supporting the market price of the major dairy products (butter, skim milk powder and cheddar cheese) through an "offer-to-purchase" programme and making direct subsidy payments under a quota system to farmers for milk and cream used for manufacture into dairy products. Cost of export assistance is borne by the producer through a "holdback" from the gross direct subsidy payment.

In 1970-71 the programme was as follows:

(1) Offer to purchase programmes for: first grade cheddar cheese at 47 cents per pound from 1 April 1970 until 7 February 1971 and at 51 cents from 8 February 1971 until 31 March 1971; first grade butter at 65 cents per pound; and first grade skim milk powder at 20 cents per pound from 1 April 1970 until 7 February 1971 and 24 cents per pound from 8 February 1971 until 31 March 1971; and

(2) A gross direct subsidy payment, on an eligibility quota basis, of $1.25 per 100 pounds on manufacturing milk, basis 3.5 per cent butterfat, with an equivalent payment on a butterfat basis for cream. The cost of export assistance was borne by the producer through a holdback from the gross subsidy payment of 26 cents per 100 pounds on deliveries up to the level of the quota and $1.25 per 100 pounds on deliveries in excess of quota.

(c) Amount of subsidy and per unit estimate

(1) Direct manufacturing milk subsidy payments

Net direct payments by the Commission to dairy producers in fiscal year 1970-71 on 1970-71 production amounted to $57,706,582. In addition, $12,698,633 was paid in fiscal year 1970-71 on the balance of 1969-70 production. The total average payment made in fiscal 1970-71 was 73 cents per 100 pounds of manufacturing milk, basis 3.5 per cent butterfat, including the equivalent payments on a butterfat basis for cream.

(2) Skim milk powder, export subsidy

Export assistance paid on dry skim milk powder exported to all major destinations except the United States during the fiscal year 1970-71 amounted to $25,905,396. On the basis of total shipments, export assistance averaged 10.3 cents per pound (shipments included some production from previous years).

(3) Cheddar cheese, export subsidy

In fiscal year 1970-71 export assistance of $3,049,510 was paid on cheese exported to countries other than the United States. On the basis of total shipments (including some 1969-70 production) export assistance averaged 10.2 cents per pound.
(4) Casein and caseinates, production subsidy

In fiscal year 1970-71, the Commission paid a direct production subsidy to dairy plants which manufactured dried casein and caseinates from the skim milk portion of milk delivered by producers. The rate was 32 cents per pound from 1 April 1970 to 15 November 1970; 27 cents per pound from 16 November 1970 to 14 February 1971; and 36 cents per pound from 15 February 1971 to 31 March 1971. The amount paid on the 1970-71 production was $2,292,818, an average of 30.8 cents per pound. In addition, in fiscal year 1970-71 a payment of $119,690 was made on the balance of 1969-70 production, an average of 29.2 cents per pound.

(5) Butter, export subsidy

In fiscal year 1970-71, export assistance of $1,048,420 was paid on butter exports to countries other than the United States. On the basis of total shipments (including some 1969-70 production) the export assistance averaged 26.6 cents per pound.

(6) Other products, export subsidies

In fiscal year 1970-71, the Commission provided assistance on exports of evaporated whole milk ($168,600) and dry whole milk ($240) to countries other than the United States. The average export assistance was 2.0 cents per pound for evaporated whole milk and 6.0 cents per pound for dry whole milk.

2. Effects of subsidies

A fundamental objective of the aggregate Canadian dairy support programme is to keep production of manufacturing milk reasonably within the limits of the amount which can be sold domestically and to discourage surplus production. The quota system for direct subsidy payments is a means to that end, as is the practice of charging export losses to producers. It should be noted that in fiscal year 1970-71 the "holdback" from direct subsidy payments on milk in excess of quota was increased to $1.25 per 100 pounds, compared to 52 cents the previous year. This action represents an intensification of measures designed to limit surplus production while stabilizing the price of manufacturing milk through supporting the prices of the various manufactured products.

IV. EGGS AND POULTRY

BROILER CHICKEN, EXPORT SUBSIDY

1. Nature and extent of the subsidy

(a) Background and authority

Order in Council P.C. 1971-237 of 8 February 1971 authorized the Agricultural Products Board to purchase up to 3 million pounds of broilers and broiler parts for shipment to approved destinations. The Agricultural Products Board was
established under authority of the Emergency Powers Act by Order in Council P.C. 3415 of 31 July 1951, to administer contracts with other countries to buy or sell, agricultural products, and to carry out other commodity operations as considered necessary. The Board was re-established under the Agricultural Products Board Act in 1952.

(b) Incidence

The Board was authorized to purchase these broilers and broiler parts at a price not exceeding 30 cents per pound for broilers, with an appropriate differential for parts, and to sell the product for shipment to approved destinations at a price not less than 16 cents per pound with an appropriate differential for parts. All of these purchases were made in the province of Quebec to help alleviate a severe supply/demand imbalance.

(c) Amount of subsidy

The total loss to the Board was $398,965 including $1,290 which was paid after 31 March 1971.

(d) Estimated amount per unit

The loss incurred by the Agricultural Products Board in the purchase and resale of broilers and broiler parts averaged 13.3 cents per pound.

2. Effect of the subsidy

Canadian broiler chicken prices were strengthened by the removal of this product from the domestic market.

V. SPECIAL PRODUCTS

SUGAR BEETS, PRICE SUPPORT

1. Nature and extent of the subsidy

(a) Background and authority

In 1970-71 (as in the two previous years), the Agricultural Stabilization Board was authorized to support Canada's 1970 sugar beet crop at a national average producer return of $15.98 per standard ton. A standard ton is defined as a ton of sugar beets yielding 250 pounds of refined sugar. Authority was granted under the Agricultural Stabilization Act and Order in Council P.O. 1970-1157 of 30 June 1970.

(b) Incidence

In view of the higher sugar prices prevailing in fiscal year 1970-71, it was agreed by the Board and the Sugar Beet Associations that an interim payment to producers against the estimated final deficiency payment for the 1970 crop would not be made. Sugar beets are now produced in only three provinces, Quebec, Manitoba and Alberta.
(c) **Amount of subsidy**

As stated above, no interim payment was made in fiscal 1970-71 on the 1970 crop. The total final payment to producers for their 1969 crop which was made in fiscal 1970-71 amounted to $1,067,612.

(d) **Estimated amount per unit**

Total deficiency payments on the 1969 crop amounted to $2,483,392 or an average of $2.29 per standard ton.

2. **Effect of the subsidy**

The deficiency payment programme stabilizes prices to sugar beet producers.
<table>
<thead>
<tr>
<th>Commodities</th>
<th>Years</th>
<th>Units</th>
<th>Beginning stocks</th>
<th>Production</th>
<th>Imports</th>
<th>Domestic disappearance</th>
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<td>Chicken meat</td>
<td>1969</td>
<td>&quot;</td>
<td>15,861</td>
<td>609,316</td>
<td>3,539</td>
<td>607,354</td>
<td>851</td>
<td>20,511</td>
</tr>
<tr>
<td></td>
<td>1970</td>
<td>&quot;</td>
<td>20,511</td>
<td>662,604</td>
<td>1,720</td>
<td>652,342</td>
<td>2,059</td>
<td>30,434</td>
</tr>
<tr>
<td></td>
<td>1971</td>
<td>&quot;</td>
<td>30,434</td>
<td>629,133</td>
<td>1,214</td>
<td>633,071</td>
<td>8,330</td>
<td>19,380</td>
</tr>
<tr>
<td>Sugar beets</td>
<td>1969</td>
<td>tons</td>
<td>1,078,221</td>
<td>-</td>
<td>1,078,221</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1970</td>
<td>&quot;</td>
<td>916,906</td>
<td>-</td>
<td>916,906</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1971</td>
<td>&quot;</td>
<td>1,216,000</td>
<td>-</td>
<td>1,216,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Creamery butter</td>
<td>1969</td>
<td>thousand pounds</td>
<td>62,491</td>
<td>350,130</td>
<td>3,360</td>
<td>325,967</td>
<td>4</td>
<td>90,010</td>
</tr>
<tr>
<td></td>
<td>1970</td>
<td>&quot;</td>
<td>90,010</td>
<td>327,793</td>
<td>1,938</td>
<td>329,785</td>
<td>6</td>
<td>89,950</td>
</tr>
<tr>
<td></td>
<td>1971</td>
<td>&quot;</td>
<td>89,950</td>
<td>286,812</td>
<td>3,084</td>
<td>324,014</td>
<td>4,473</td>
<td>51,359</td>
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<tr>
<td>Cheddar cheese</td>
<td>1969</td>
<td>&quot;</td>
<td>84,288</td>
<td>167,686</td>
<td>-</td>
<td>141,978</td>
<td>29,130</td>
<td>80,866</td>
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<tr>
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<td>&quot;</td>
<td>80,866</td>
<td>165,709</td>
<td>-</td>
<td>155,850</td>
<td>29,911</td>
<td>60,814</td>
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<tr>
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<td>1971</td>
<td>&quot;</td>
<td>60,814</td>
<td>190,651</td>
<td>-</td>
<td>160,607</td>
<td>29,352</td>
<td>61,506</td>
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<tr>
<td>Skim milk powder</td>
<td>1969</td>
<td>&quot;</td>
<td>208,959</td>
<td>395,118</td>
<td>-</td>
<td>212,182</td>
<td>238,301</td>
<td>153,594</td>
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<td>1970</td>
<td>&quot;</td>
<td>153,594</td>
<td>362,440</td>
<td>-</td>
<td>133,002</td>
<td>297,154</td>
<td>85,878</td>
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<td>&quot;</td>
<td>85,878</td>
<td>301,077</td>
<td>-</td>
<td>109,065</td>
<td>240,396</td>
<td>37,494</td>
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<tr>
<td>Casein</td>
<td>1969</td>
<td>&quot;</td>
<td>9,378</td>
<td>11,155</td>
<td>1,262</td>
<td>6,434</td>
<td>6,617</td>
<td>8,744</td>
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<td>1970</td>
<td>&quot;</td>
<td>8,744</td>
<td>8,983</td>
<td>2,467</td>
<td>7,994</td>
<td>8,516</td>
<td>3,684</td>
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<td>&quot;</td>
<td>3,684</td>
<td>N/A</td>
<td>2,725</td>
<td>N/A</td>
<td>7,478</td>
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Table I: (cont'd)

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<tr>
<th>Commodities</th>
<th>Years¹/</th>
<th>Units</th>
<th>Beginning stocks</th>
<th>Production</th>
<th>Imports</th>
<th>Domestic disappearance</th>
<th>Exports</th>
</tr>
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<tbody>
<tr>
<td>Evaporated whole milk</td>
<td>1969</td>
<td>thousand pounds</td>
<td>35,822</td>
<td>281,881</td>
<td>-</td>
<td>267,831</td>
<td>6,801</td>
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<td>43,070</td>
<td>256,433</td>
<td>-</td>
<td>258,547</td>
<td>11,873</td>
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<td>&quot;</td>
<td>29,083</td>
<td>264,387</td>
<td>-</td>
<td>255,339</td>
<td>3,574</td>
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<td>Dry whole milk</td>
<td>1969</td>
<td>&quot;</td>
<td>665</td>
<td>2,931</td>
<td>-</td>
<td>2,892</td>
<td>645</td>
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<td>1970</td>
<td>&quot;</td>
<td>59</td>
<td>1,147</td>
<td>-</td>
<td>1,016</td>
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<td>&quot;</td>
<td>180</td>
<td>1,957</td>
<td>-</td>
<td>1,718</td>
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</table>

¹/ Calendar year unless otherwise noted

²/ Crop year 1 August to 31 July

³/ (-) means less than one half of the unit used