This report is made pursuant to the Decision of 5 March 1955, of the CONTRACTING PARTIES, granting a waiver to the United States in connection with import restrictions imposed under Section 22 of the Agricultural Adjustment Act as amended. That Decision provided that the United States would furnish a report to the CONTRACTING PARTIES "showing any modification or removal of restrictions effected since the previous report, the restrictions in effect under Section 22, and the reasons why such restrictions (regardless of whether covered by this waiver) continue to be applied, and any steps it has taken with a view to a solution of the problem of surpluses of agricultural commodities."

Import Restrictions in Effect in 1957

When the Decision of the CONTRACTING PARTIES was made, import controls under Section 22 were in effect for nine commodity groups. Since that time as a result of changed circumstances, in accordance with the procedures required by Section 22, the President permitted controls over three groups of commodities (barley, oats, and tree nuts) to expire. As a result, during 1957-58 import controls are in effect only on these six groups of products: cotton and cotton waste, wheat and wheat products, rye and rye products, peanuts (including peanut oil), flaxseed (including linseed oil), and certain dairy products.

The controls in effect during 1957-58 are the same as those which were in effect in 1956-57, with two exceptions where modifications were made due to changed circumstances, in order to prevent imports of new types of high-butterfat content commodities from rendering ineffective the milk and butterfat program. The two instances in which modifications were made were as follows.

1. Butter substitutes including butter oil - containing 45 percent or more butterfat. On 15 April 1957 the dairy products quotas were amended to include butter substitutes, including butter oil containing 45 percent or more butterfat and classifiable under paragraph 709 of the Tariff Act. For the year ending 31 December 1957, a global quota of 1,800,000 pounds was established. The quota is on a continuing basis, that is, it continues in
effect from year to year unless modified, and permits the entry of no more than 1,200,000 pounds during any calendar year subsequent to 1957.

b. Articles containing 45 percent or more butterfat - except articles already subject to quotas, cheeses, evaporated and condensed milk and products imported in retail packages. The President issued a proclamation on 7 August 1957 prohibiting the importation after that date of articles coming within the above classification.

Neither butter oil, often called anhydrous milk fat, nor Exylone, the product whose importation resulted in the second modification, are known to have entered the United States in commercial quantities prior to 1956. Detailed information concerning these two actions appears later in this report.

1. Actions to reduce new crop supplies

During the past four years, the United States has undertaken massive efforts to bring about the reduction of excess acreage and excess production of these and other commodities which were being produced in excess of total demand.

Pursuant to Congressional legislation, drastic reductions in acreage of cotton and wheat have been made by fixing annually acreage allotments and marketing quotas which were allotted to individual producers. Farmers who do not comply with marketing quotas are subject to severe penalties. The acreage devoted to these crops was further reduced below the acreage allotments by farmers voluntarily placing 16 million acres in the Acreage Reserve under the Soil Bank Program. The magnitude of these efforts to reduce production is evident from the fact that since 1953, farmers in the United States have taken a total of about 40 million acres out of production of wheat and cotton alone. In the case of dairy products, rye, and flaxseed, there is no authority to impose marketing quotas but other steps have been taken to help bring about readjustment of supplies to demand, including reductions in price support and measures to expand consumption.

Since last year, further actions have been taken to reduce new crop supplies.

Acreage allotments and marketing quotes were continued for wheat, cotton, and peanuts at the minimum levels authorized by law.

The Soil Bank Program which was inaugurated with the 1956 crop has been continued for the 1957 crop. This program provides an additional means of reducing agricultural surpluses that were preventing the flexible features of the United States price support program from effectively gearing production to prospective markets at fair prices. Details of this program with respect to various commodities are explained later in this report. The participation of farmers in 1957 was much greater than in 1956.
Under the 1957 Soil Bank Program farmers voluntarily took out of production 12.8 million acres of wheat and slightly more than 3 million acres of cotton, in addition to the reductions which were required by acreage allotments.

The magnitude of the acreage reductions that have been made in the United States is evident from the following data: Acreage planted to wheat has been reduced from 83.9 million acres in 1949 to 78.9 million acres in 1953 and to 49.7 million acres in 1957, the lowest on record (total harvested acreage estimated at 43.2 million, 1 July 1957); acreage of cotton has been reduced from 27.9 million acres in 1949 to 25.2 million in 1953 and to 14.2 million in 1957 (1 July estimate), the lowest since 1878; acreage planted to peanuts for all purposes has been reduced from 2.3 million in 1949 to approximately 1.5 million in 1957 which was 51 percent below the 10-year average.

During this period when those drastic reductions in acreage were being made, the levels of price support were also reduced sharply. For example, the support level for wheat was reduced from $2.24 per bushel for the 1954 crop to $2.00 in 1956 and 1957 and an announced level of $1.78 for the 1958 crop; cotton from 31.7 cents per pound for the 1955 crop to 29.34 cents for the 1956 crop and to 28.81 cents for the 1957 crop (1958 support level not yet announced). The support price for peanuts was reduced from 12.2 cents per pound for the 1955 crop to 11.3 cents for the 1956 crop and to 11.1 cents for the 1957 crop. In the case of dairy products some adjustments have been made in the level of supports. The dairy support program has been handled in a manner that purchases for support have declined from an amount equivalent to 10 percent of total milk production in 1953 to an estimated 4 percent during the current season.

2. Actions to increase consumption

During the past year the United States Government has continued its extensive programs and efforts to encourage increased consumption of the agricultural products which are in surplus supply, in the United States and foreign countries. A summary of these programs and operations is as follows:

a. Donations to the national school lunch program. During the year ending 30 June 1957, a total of 426 million pounds with a cost value of $132 million were donated by the Federal Government to schools for the program conducted under the National School Lunch Act. This amount was more than one-half larger than the quantity donated during the previous year. This program is designed to provide participating children with well-balanced lunches which will supply at least one-third of their daily nutritional requirements. In addition, the Federal Government made cash grants-in-aid to the States totaling $83.9 million for this program. For fiscal year 1957-1958 Federal grants totaling $100 million are authorized. Local contributions greatly exceed the Federal payments.

b. The special school milk program. The purpose of this program is to increase the consumption of fluid milk by children in non-profit schools of high school grade and under, and such non-profit nursery schools, child care
centers, settlement houses, summer camps, and similar non-profit institutions as are devoted to the care and training of underprivileged children on a public welfare or charitable basis. This program is conducted both in schools which have feeding facilities and also in other schools and institutions where space limitations or other factors prevent the establishment of food preparation and service facilities. The program is financed under special legislation which authorized the use of not to exceed $75 million during the fiscal years 1956-57 and 1957-58 for this purpose.

c. Donations to needy persons and institutions in United States.

During the year ending 30 June 1957, a total of 617 million pounds of surplus foods with a cost value of nearly $97 million was donated to needy persons and charitable institutions. The products included were: butter, cheese, wheat flour, frozen turkeys, non-fat dry milk, beans, cornmeal, lard, shell eggs, and rice. During the preceding year, 530 million pounds valued at $140 million were donated for this purpose.

These donations were undertaken partly from funds available under Section 32 of the Act of 24 August 1935 and partly under Title III of P.L. 480, Section 416.

d. Donations to needy in foreign countries. During the year ending 30 June 1957, the United States Government donated to the needy in foreign countries a total of 1.8 billion pounds of surplus foods with a cost value of $225 million compared to 1.2 billion pounds valued at $308 million during the preceding year. The quantity donated in the fiscal year 1957 was about one-half more than the amount in the previous year. These donations were made under the provisions of Title III of P.L. 480 to United States non-profit voluntary agencies, such as the American Red Cross, and to intergovernmental organizations such as UNICEF, who in turn were responsible for arranging for the distribution in foreign countries to needy people to supplement their usual diet. The foods included: beans, cheese, corn, cornmeal, wheat flour, nonfat dry milk solids, rice, and wheat. The items donated in greatest volume in terms of poundage were wheat flour (532 million pounds), nonfat dry milk solids (477 million pounds), cornmeal (268 million pounds), rice (202 million pounds), and cheese (132 million pounds).

e. Foreign disaster relief. Pursuant to the authorization in Title II, P.L. 480, surplus agricultural commodities have been donated also by the United States Government to alleviate suffering following in the wake of floods, earthquakes, hurricanes, droughts, crop shortages, and other national disasters in foreign countries. During the 3-year period ending 30 June 1957 commitments undertaken under this authority amounted to approximately $325 million on the basis of the cost of the commodity, including: bread grains, $164 million; coarse grains, $25 million; fats and oils, $32 million; dry beans, $4 million; dairy products, $55 million; rice, $32 million; cotton, $14 million; and $37 million for payment of ocean transportation of these donations. These donations, as well as those under Title III, have been handled in a way which will not displace or interfere with sales that otherwise might be made.
f. Other programs. The Department of Agriculture is giving increased emphasis to research and promotional activities to develop new and expanded uses for farm products, especially to those which are in surplus supply. It is also cooperating with private organizations and groups in activities designed to expand the utilization of agricultural commodities. For example, private industry groups — notably cotton, dairy products, wheat, peanuts and soybeans, have established special organizations and are expending large sums of private funds to further the increased utilization of these products.

The Department's "Plentiful Foods Program" helps to expand markets for foods which are in plentiful supply by increasing their movement to consumers to establish channels of trade. The Department works through the voluntary cooperation of the food distribution industry and public information media. By placing increased merchandising and informational emphasis on food items which may be temporarily in surplus supply or even a glut on the market, sales are stimulated and demand and consumption are increased to the benefit of the farmer, the distributor and the 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 1957-58 as in 1956-57. As explained in the 1956 report, the annual import quotas for wheat and for wheat products are on a continuing basis, that is, they continue in effect each year until changed.

The quotas in effect for 1957-58, as in the previous year, 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 the 1955-56 report. No import quotas are in effect for wheat classified as unfit for human consumption (e.g. feed wheat, nor wheat imported for seed use).

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 1957 crop season, the Government has in operation several agricultural programs to deal with the wheat surplus problems, including a price support program, an acreage allotment and marketing quota program in connection with the price support program, a Soil Bank Program, and related storage and disposal operations.

Despite the progress that has been made through these programs toward the solution of the surplus problem, it is necessary to continue import quotas on wheat and wheat products in order to prevent imports from materially interfering with these programs. The programs that were in operation in 1957 and the conditions which make it necessary to continue these import restrictions are explained in more detail below:
Programs. The maintenance of a price support for wheat is mandatory every year under Title I of the Agricultural Act of 1949, as amended, within a range of 75 to 90 percent of parity except when producers disapprove of marketing quotas. Marketing quotas for the 1957 crop were approved by about 87 percent of the wheat producers voting in a referendum held in July 1956. Consequently, it was mandatory to maintain a price support within the overall range indicated above. The average support level for the 1957 crop of wheat is $2 per bushel, equal to about 82 percent of parity. This is the same support level as for the 1956 crop, but otherwise is the lowest support level since 1950. A minimum support level of $1.78 has been announced for 1958. This is the legal minimum on the basis of estimated parity.

The program of acreage allotments and marketing quotas under which wheat acreage has been drastically curtailed, was continued for the 1957 crop. Marketing quotas were approved by a much larger percentage of the farmers voting in referendum than the required minimum of two-thirds. In addition to the very drastic restriction of acreage through acreage allotments and marketing quotas, farmers voluntarily withdrew additional land from wheat production by participating in the Soil Bank for 1957.

The national acreage allotment established for the 1957 crop under the marketing quota operation was set at the minimum level of 55 million acres authorized by law.

As indicated in the 1956-57 report the United States Government inaugurated an acreage reserve program during 1956 under the Soil Bank Act. The acreage reserve is that part of the Soil Bank under which farmers agree to reduce their acreage of "basic crops" (wheat, corn, cotton, tobacco, rice, and peanuts) below their established acreage allotments. The objective of this acreage reserve is to help cut down the accumulated surplus and to bring about a better balance between supply and utilization by reducing the quantity of "basic crops" produced. This program provides for payments to farmers who plant less wheat than their farm acreage allotment and who comply with other program requirements. Payments to farmers participating in the 1957 acreage reserve generally are based upon the yield of the land placed in the reserve multiplied by a rate of $1.20 per bushel. About 233,000 wheat producers placed 12.8 million acres in the acreage reserve for 1957. The program is authorized for two more years (1958 and 1959 crops) under the Agricultural Act of 1956. The cost to the Government for the 1957 acreage reserve program for wheat was 231 million dollars.

Several of the wheat programs for the 1958 crop already have been announced. Acreage allotments and marketing quotas will be in effect since 86 percent of the producers voting in a referendum in June 1957 approved marketing quotas. The national acreage allotment established for the 1958 crop is again at the minimum level of 55 million acres. Producers who participate in the acreage reserve program for wheat must, in addition to reducing their wheat acreage below their allotment, meet the new "Soil Bank Base" requirements. This requires that the total harvested acreage in 1958 be held below the "base" by the number of acres placed in the Soil Bank. In effect it precludes the wheat acreage put in the acreage reserve or an equivalent
amount of crop land from being used for the production of any other crop
which although not under allotment would contribute to overall surpluses.

b. Supply Situation - The United States is confronted with a serious
surplus situation on wheat. Despite some improvement in this surplus situ­
ation during 1956-57 the supply of wheat in the United States in 1957-58 is
equivalent to three years' domestic disappearance. Some further improvement in
this surplus situation is expected in 1957-58, the extent will depend on
such factors as the participation by farmers in the Soil Bank program, and
weather conditions, and the level of exports.

The supply of wheat in the United States for the 1957-58 crop year is
estimated at 1,828 million bushels, compared with the 1956-57 record high of
2,039 million bushels.

This supply is made up as follows:

Carryover - The carryover at the start of the marketing year on 1 July
1957 was 905 million bushels, considerably less than the 1,034 million bushels
a year earlier and the lowest since 1953. The wheat carryover in the United
States cannot, barring a major crop failure or an unexpected increase in
foreign demand, be reduced as rapidly as it was built up, from 256 million in
1952 to a peak of 1,036 million bushels in 1955.

Over 90 percent of the wheat carryover on 1 July 1957 was owned by
the Commodity Credit Corporation of the United States Department of
Agriculture. The CCC owned 830 million bushels on that date. These govern­
ment stocks were 38 percent more than a year's normal domestic use.

Production - The 1957 wheat crop is estimated at 915 million bushels,
82 million bushels less than the crop produced in 1956. A crop of 915
million bushels is substantially smaller than in any year since 1943.

Imports - Imports under the quotas referred to above, as well as of
wheat unfit for human consumption and certified seed wheat which are not
covered by quotas, are estimated at 8 million bushels, about the same as the
average in recent years.

Disappearance - Domestic use and exports of wheat in 1957-58
probably will total less than the 1,133 million bushels in 1956-57. Domestic
utilization averages about 600 million bushels and it changes little from year
to year. The extent to which disappearance will vary from the 1956-57 level
will depend upon the volume of exports which in 1956-57 totaled 547 million
bushels, the highest on record.

Carryover at end of season - On the basis of current supply and disap­
pearance indications, it is expected that the carryover of wheat on 1 July
1958 will be less than the 905 million bushels on 1 July 1957. If this
materializes, it would be the third consecutive season in which the total carryover has declined. It is anticipated that about 90 percent of the carryover will be owned or controlled by the CCC, the same as in other recent years.

**Price support activity** - Relatively extensive price support activity is expected again in 1957-58. However, the total quantity placed under support is not expected to differ greatly from the 252 million bushels placed under support in the 1956-57 season. Acquisition may be somewhat less than the 140 million bushels estimated to be acquired from the 1956 crop.

Disposals of CCC-owned wheat in the 1957-58 season will probably be considerably less than the approximately 260 million bushels sold or donated for domestic use and exports in 1956-57. Part of this decrease is due to the program for wheat export under which exports will come primarily from privately-owned stocks. However, dispositions may be somewhat larger than acquisitions in which case there would be a further moderate reduction in the excessively large stocks of wheat owned by CCC by the end of the 1957-58 season.

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

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

a. Acreage used for wheat production has been reduced rather sharply under the 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 55 million acre allotment for 1957 is 30 percent below the acreage seeded to wheat in 1953 prior to the imposition of quotas. When marketing quotas are in effect, any farmer who exceeds his wheat farm acreage allotment becomes ineligible for wheat price support on that farm. Likewise, wheat is ineligible for support if grown on any newly irrigated or drained lands within any Federal project after the enactment of the Agricultural Act of 1956 or produced in violation of provisions which are generally being inserted in new leases of federally-owned land to prevent the production thereon of surplus crops. In addition, any producer who exceeds his marketing quota must pay a penalty of 45 percent of the 1 May parity price on such excess quantity.

b. In 1956 the United States instituted an acreage reserve program under the Soil Bank authorized by the Agricultural Act of 1956. Under this program, payments are being made to farmers who plant less than their acreage allotment. The Act was passed too late to permit extensive operations in the 1956 crop year. Nevertheless, wheat farmers placed nearly 6 million acres in the acreage reserve for 1956 and 12.3 million acres for 1957. Under existing
legislation, the program will continue in effect through the 1959 crop year. The 12.8 million acres placed in the acreage reserve by wheat growers for 1957 was equivalent to 23 percent of the national wheat allotment. This reduction was in addition to the sharp cutbacks which already had occurred under the acreage allotment and marketing quota program cited above. It was made possible under the Soil Bank only because the rate of payment is established at levels which will maintain net farm income from wheat on land placed in the acreage reserve at not less than the levels which would have been attained if farmers had planted the crop. The total cost of this program will be relatively large; $231 million were obligated for wheat reserve participation for 1957.

The result of this expenditure, however, was (1) to reduce the acreage of wheat harvested to the lowest level since 1870, and (2) to reduce the 1957 crop which otherwise would have been harvested by an estimated 160 to 180 million bushels. In order to make the acreage reserve more effective, the program has been tightened up for 1958 by the adoption of the Soil Bank base provision discussed above. This provision, which requires that the total harvested acreage for all crops be held below the base by the equivalent of the number of acres placed in the Soil Bank, will check the tendency to shift production from the allotment crops eligible for participation in the acreage reserve - wheat, cotton, corn, rice, and tobacco - to other crops which contribute to overall surpluses.

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 1958 crop. This is considerably below the $2.24 per bushel for the 1954 crop, the $2.08 for the 1955 crop, and the $2.00 for the 1956 and 1957 crops. It is the lowest support level since the 1946 crop. A support level of $1.78 is equivalent to 75 percent of the estimated parity, the lowest level of support permitted by legislation, and the lowest percentage of parity at which wheat has been supported since 1940.

d. During the 1957-58 marketing year, the United States Government is continuing costly disposal operations aimed at increasing outlets for wheat. These include donations for domestic relief under Section 32 of the Act of 24 August 1935, and donations of wheat and flour for overseas relief under Title II of P.L. 480. Wheat for export under the subsidy program will continue to be obtained generally from free market supplies instead of from sales of CCC-owned stocks, and payments on wheat exports generally will be made in kind, pursuant to the basic change made in the wheat export subsidy program effective 4 September 1956. This program is aimed at returning more responsibility for wheat marketings to the private trade.

While positive actions have been taken by the United States to bring about a more favorable balance between supply and utilization of wheat, the solution to the surplus problem is made more difficult by the fact that wheat is a world crop, produced and used in nearly all countries.
Rye, including Rye Flour and Rye Meal.

1. Section 22 Quotas in Effect 1957-58

Import quotas for rye, include rye flour and rye meal, and are unchanged from that in effect since the beginning of the 1954-55 season, at which time an annual total quota of 186 million pounds became effective. Of this total, equivalent to about 3.3 million bushels of rye grain, not more than 15,000 pounds may be imported in the form of rye flour or rye meal. Furthermore, 182,280,000 pounds (98%) of the quota is allotted for Canada and the remainder of 3,720,000 pounds may be imported from other countries.

Imports of rye were not made subject to continuous control, as was recommended by the Tariff Commission when quotas were placed in effect in 1954, and the import controls maintained during 1955-57 expired on 30 June 1957. In continuing the limitations on imports of rye, including rye meal and rye flour, after 1 July 1957, at the same level, the President limited his Proclamation to the two year period ending 30 June 1959.

2. Need for Continuing Quotas

There has been little significant change in the situation which led to the earlier imposition of import quotas on rye, including rye flour and rye meal. As pointed out in earlier reports, these quotas were imposed because (a) domestic supplies were much larger than domestic utilization, (b) a price support 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 that unrestricted imports would materially interfere with and render ineffective the Department's price support program for rye.

The 1957 crop of rye is being supported at a national average price of $1.15 a bushel, or 70 percent of parity. The 1957 support level for rye is the lowest since 1948. The 1957 support price is 12 cents less than the 1956 rate.

The supply of rye in 1957-58 again is expected to exceed requirements substantially. In view of the smaller total supply, the carryover in 1958 is expected to be somewhat smaller than in some recent years, but above the desirable level.

Total Supply - The total supply of rye, including imports at the quota level, is expected to amount to 36.4 million bushels on the basis of the August crop report. A supply at this level would be below the 41.7 million bushels in 1956-57; however, it would still be considerably above the estimated 1957-58 domestic needs of 24 million bushels, and also above the 10-year average supply of 34.1 million bushels. The total supply is made up of the following:
Carryover - The carryover at the start of the marketing year on 1 July 1957, is estimated at 6.6 million bushels. This reflects an improvement in the surplus situation compared with other recent years, but this was accomplished only because the CCC sold 10 million bushels of its stocks for export, at a loss of over $5 million. Two-thirds of the 1 July carry-over stocks were owned by CCC.

Production - Production of rye in 1957, on the basis of 1 August conditions, is estimated at 26.4 million bushels. The crop is above the 21.5 million bushels produced in 1956 largely because average yields were the highest of record. The 5-year 1951-55 average production was 22.3 million bushels.

Imports - Imports at the quota level would amount to 3.3 million bushels, in addition to which certified seed may be imported ex-quota. Imports totaling 3.4 million bushels in 1957-58 would be about the same as in the last three years when the quota was in effect.

Utilization - Domestic utilization of rye for food, industrial use, feed and seed is expected to amount to 24 million bushels. At this level domestic utilization would be slightly above the quantity estimated to have been used in 1956-57 and nearly 10 percent above the average for the preceding five years.

Exports - Exports in 1957-58 are expected to total about 4 million bushels, substantially below the 10.6 million exported in 1956-57, but above average. Practically all exports will continue to come from CCC-owned stocks at prices reflecting substantial losses to the Government.

Carryover 1 July 1958 - The carryover at the end of the 1957-58 season, on the basis of the above estimates of supply and utilization, is expected to total about 8 million bushels. It is practically certain that a large part of these stocks will be owned by CCC.

Under the conditions outlined above, substantial price support activity is expected in 1957-58 despite import controls. The quantity placed under support will be considerably larger than the 3 million bushels placed under support in 1956-57. Redemptions by farmers probably will be very small, as in other previous years, since the supply exceeds domestic requirements and exports will move primarily from Government stocks. As a result, most of the rye placed under support is likely to be acquired by CCC.

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

Efforts are being continued in 1957-58 to adjust production and use of rye. One approach has been to lower support prices as indicated above.
It is too early to indicate the extent to which Soil Bank operations will directly affect rye production, since land used for production of rye is eligible only under the conservation reserve program, which provides for shifting current crop land to conservation uses under contracts running for several years. However, the application of the Soil Bank base provision which requires that the total harvest acreage in 1958 be held below the base by the equivalent of the number of acres placed in the Soil Bank will tend to prevent a shift of wheat acreage to rye which otherwise might develop. The greater use of rye continues to be encouraged for all practical uses including donations for relief purposes. Through these 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

No change was made in 1957-58 in the Section 22 import controls on flaxseed and linseed oil. These controls are in the form of fees of 50 percent ad valorem which are in addition to the applicable import duties 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 flaxseed situation in the United States did not improve during 1956-57, because the increased demand in 1955-56 proved to be of a temporary nature. It is necessary to maintain these import fees during 1957-58 because (a) domestic supplies were much larger than domestic utilization, (b) a price support program was in effect, and (c) large and increasing quantities of flaxseed available in major exporting countries indicated world prices would be well below United States support levels. Under these conditions it was practically certain that unrestricted imports would materially interfere with and render ineffective the Department's price support program for flaxseed.

The level at which flaxseed is supported has been lowered substantially in the last four years, under the provisions of Title III of the Agricultural Act of 1949, as amended. Flaxseed from the 1957 crop is supported at a national average price of $2.92 per bushel, or 65 percent of parity, reflecting a decrease of 17 cents from the $3.09 average support price for the 1956 crop. Flaxseed from the 1953 crop was supported at a national average of $3.79 per bushel or 80 percent of parity. Thus the decline in the support level in the past four years has been 87 cents per bushel, or 23 percent.

The United States supply of flaxseed in 1957-58 substantially exceeds expected domestic disappearance. With the 1957-58 supply the largest in several years and 1956-57 crushings down 25 percent from a year earlier it cannot be expected that the surplus will be reduced during 1957-58 at a substantial loss to CCC.
Total Supply - The domestic supply of flaxseed is expected to amount to 61 million bushels on the basis of the 1 August crop report. At this level the supply would be substantially above the 53 million bushels of a year earlier, 20 percent above the 1946-55 average supply of 50 million bushels, and the largest since the late 1940's.

The supply is made up as follows:

Carryover - The carryover at the start of the marketing year on 1 July 1957 approximated 20 million bushels, nearly five times as large as a year earlier and the largest of record. Most of the 1 July stocks were owned by CCC.

Production - The 1957 flaxseed crop was estimated at about 41 million bushels on the basis of 1 August conditions. The crop is approximately 15 percent smaller than the 49 million crop of 1956 but over 2 million bushels larger than the 1946-55 average production.

Utilization - Domestic crushings of flaxseed totaled 26 million bushels during 1956-57. It is expected that crushings in the current marketing year will be larger than in 1956-57 when they declined about 9 million bushels from a year earlier. Seeding requirements in 1957-58 will again approximate 4 million bushels.

Exports - Heavy supplies are expected in major exporting countries and world prices probably will be well below the United States support price to farmers. About 50-55 million bushels may be available for export as seed or oil from other countries alone. This is well above a year ago and compares with world exports of 42 million bushels during the calendar year 1956, almost one-third of which was from the United States. However, about 15 million bushels of 1956 crop flaxseed acquired by CCC under the price support program have been sold, generally at world prices, for export during the 1957-58 marketing year.

Carryover 1 July 1958 - On the basis of the supply and disappearance information indicated above, it is expected that the carryover at the end of the 1957-58 marketing season will be about 16 million bushels. If this materializes, it will represent an improved supply situation as compared with 1 July 1957; however, such a carryover still would be 60 percent higher than the average for the period 1951-56. Practically all of the stocks on 1 July 1958 will be owned by CCC.

Price Support Activity - Extensive price support activity is expected again in 1957-58 despite the smaller 1957 crop. The total quantity placed under support will probably not be very much less than the amount put under support from the 1956 crop. It is anticipated that most of the flaxseed placed under support again will be acquired by CCC. However, as indicated above, there is a probability that there will be a moderate reduction by the end of the 1957-58 season in the excessively large stocks of flaxseed.
3. Steps Taken with a View to the Solution of Surpluses

a. Price support levels for flaxseed have been reduced 87 cents per bushel or 23 percent, in the last four years. The support level for the 1957 crop is $2.92 per bushel, or 65 percent of parity, compared with $3.79 per bushel and 80 percent of parity, in 1953.

b. The CCC has succeeded in liquidating nearly all of the abnormally large stocks of flaxseed and linseed oil which were acquired under price support operations in recent years. However, this was done only at a heavy financial expense to the Government. The CCC has realized losses of $150 million on flaxseed and linseed oil since 1 July 1946, and as recently as 1 June 1957 it had almost $37 million invested in flaxseed inventory.

c. The Soil Bank base provision announced in connection with the 1958 Wheat Acreage Reserve could affect acreage planted to flaxseed. This provision requires that the total harvested acreage to be held below the base by the equivalent of the number of acres placed in the Soil Bank. Land currently planted to flax is also eligible under the conservation reserve program, and to the extent to which this land is attracted into the conservation reserve, the program will tend to reduce flaxseed production. The Soil Bank program may also reduce flaxseed production indirectly by providing a means of cutting back production of the basic crops, thereby lessening the need for further reductions in acreage allotments for these crops. Such reductions in the past have resulted in a shift in acreage from these allotment crops to flaxseed.

Through these and other programs, it is hoped ultimately to bring supplies and requirements of flaxseed more in balance. However, production of flaxseed is expanding in other countries and most of this increase in production is moving into export outlets. Under these circumstances, the ability of the United States to eliminate the need for import controls depends not only upon developments in the United States, but also upon developments in other countries producing flaxseed in excess of domestic requirements.

Peanuts and Peanut Oil

1. Controls in Effect for 1957-58

a. Peanuts - No changes were made in 1957-58 in the import quota established for peanuts under Section 22. The peanut quota of 1,709,000 pounds, shelled basis, during any twelve months beginning 1 August (a) is on a continuing basis, that is, it continues in effect from year to year unless modified; (b) includes peanuts whether shelled, unshelled, blanched, salted, prepared, or preserved (including roasted peanuts but not including peanut butter); and (c) is global, that is, no specific country quotas are established.
b. Peanut Oil - No change was made in 1957-58 in the ad valorem fee applicable to imports of peanut oil. Imports of peanut oil - and/or withdrawals of imports from warehouses for consumption - in excess of 80 million pounds during the quota year beginning 1 July are subject to an ad valorem fee of 25 percent in addition to the applicable import duty of 4 cents per pound. This fee likewise is on a continuing basis, unless modified.

2. Reasons Why Such Restrictions Continue to be Applied

During the 1957 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, and related storage and disposal operations. These are described in more detail below. Import controls on peanuts and peanut oil are being continued in 1957-58 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 except when producers disapprove marketing quotas. For the 1957 crop prices are being supported at a national average of $221.40 per short ton, or 81 percent of the parity price as of 1 August 1957, the beginning of the support program year. This is lower than the average support price of about $227.04 for the 1956 crop and of $244.80 for the 1955 crop. In terms of parity, the 81 percent for 1957-58 compares with 86 percent a year earlier and 90 percent for the 1955 crop. The support level in relation to parity is determined in accordance with the law which provides that minimum support be within range of 75 percent to 90 percent of parity according to the relationship of the expected supply to the normal supply. The current support level, which was announced prior to planting time as required, was the minimum permitted on the basis of supplies then in prospect for 1957-58.

Marketing quotas are in effect during the 1957 marketing year. Quotas for 1957, as well as for the 1958 and 1959 marketing years, were approved by 94 percent of peanut farmers voting in a referendum held in December 1956. Farmers can approve peanut quotas for a three-year period with the understanding that they will be imposed only if warranted by the supply situation. The proportion of farmers voting in favor of marketing quotas was much higher than the minimum of two-thirds required by existing legislation.

The national acreage allotment of 1,611,441 acres established for 1957 under the marketing quota operation is the minimum authorized by law adjusted upward by 1,441 acres for Valencia peanuts in accord with provisions of the Agricultural Adjustment Act, as amended. This allotment is about 40,000 acres lower than the acreage allotment established for the 1956 crop, when
adjustments were made for Virginia and Valencia peanuts to provide requirements of the large size peanuts produced primarily in the Virginia-Carolina area. The 1957 acreage allotment is nearly 30 percent below the 10-year average of 2,238,000 acres, picked and threshed. In 1947, the acres picked and threshed totaled 3,777,000 or 110 percent more than the total allotted for 1957.

b. Supply Situation - The United States is confronted with a surplus situation on peanuts. Despite the programs to limit production and dispose of surplus, peanut supplies in 1957-58 in the United States are expected to substantially exceed domestic food and farm use. Data on United States peanut production, domestic consumption including exports as edible peanuts, and price support activity are shown in the table below for the period 1950-57.

<table>
<thead>
<tr>
<th>Crop Year</th>
<th>Production</th>
<th>Domestic Consumption</th>
<th>Acquired Under Price Support</th>
<th>Disposed of as Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>2,025</td>
<td>1,236</td>
<td>800</td>
<td>643</td>
</tr>
<tr>
<td>1951</td>
<td>1,659</td>
<td>1,222</td>
<td>588</td>
<td>396</td>
</tr>
<tr>
<td>1952</td>
<td>1,355</td>
<td>1,270</td>
<td>108</td>
<td>29</td>
</tr>
<tr>
<td>1953</td>
<td>1,574</td>
<td>1,282</td>
<td>297</td>
<td>425</td>
</tr>
<tr>
<td>1954</td>
<td>1,008</td>
<td>1,264</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>1955</td>
<td>1,565</td>
<td>1,192</td>
<td>207</td>
<td>187</td>
</tr>
<tr>
<td>1956</td>
<td>1,602</td>
<td>1,312</td>
<td>317</td>
<td>264</td>
</tr>
<tr>
<td>1957¹</td>
<td>1,590</td>
<td>1,330</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The CCC has or will soon acquire about 312 million pounds, farmers' stock basis, of the 1956-crop peanuts which had been placed under loan and 17 million pounds, shelled basis, of No. 2 peanuts. The CCC held about 165 million pounds, farmers' stock basis, as of 1 August 1957.

The total supply of peanuts in the United States for 1957-58 is expected to be about 2,050 million pounds compared with a 1956-57 supply of 1,990 million pounds. This supply is made up as follows:

The carryover on 1 August 1957 was at a record high of about 455 million pounds, as compared with the 387 million pounds a year earlier. About 35 percent of this carryover was owned by CCC.

Production during 1957 is estimated at 1,590 million pounds on the basis of 1 August crop conditions. This is 12 million pounds less than the crop produced in 1956 and 170 million pounds less than the 10-year average.

¹ Estimate based on 1 August 1957 conditions
Disposition in commercial channels including small quantities exported will be slightly higher in 1957-58 than in 1956-57. This increase will come in part from the tendency for consumption of peanuts to increase in the United States as population increases.

Carryover at the end of the 1957-58 season on the basis of supply and disappearance information now available is expected to be about as high as on 1 August 1957. Domestic utilization for seed and feed purposes and consumption as edible nuts changes little from year to year. With supplies about 50 million pounds higher the only outlet which would appear to afford an opportunity for a substantial reduction in carryover is crushing for oil purposes, the normal outlet for excess peanuts. Approximately 200 million pounds of 1956 crop peanuts were so used during 1956-57.

Price support activity - Under these conditions, it is anticipated that price support operations will be carried on in 1957-58 on about the same scale as during the preceding season when 366 million pounds will be placed under support. With a surplus that will total 250-300 million pounds it is anticipated that a majority of the peanuts under support will be acquired by CCC. Although CCC may be able to sell some of these peanuts back to the trade for edible purposes, acquisitions will, as in the past, provide disposal problems and probably result in substantial losses to CCC.

3. Steps Taken to Solve the Problem of Surplus

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

a. Acreage used for peanut production has been reduced sharply under the acreage allotments and marketing quotas to the adjusted minimum specified by law. The national acreage allotment serves as a basis for determining the size of the individual farm allotments. The national allotment of 1,611,000 acres in 1957 was more than 50 percent less than the 3,296,000 acres from which peanuts were picked and threshed in 1948, the last year in which acreage allotments were not in effect. Despite this reduction in acreage peanut farmers voted overwhelmingly in December 1956 for acreage allotments for three years, or on the 1957, 1958, and 1959 crops. When acreage allotments are in effect any producer who knowingly exceeds his farm acreage allotment is denied price support on any peanuts produced on that farm. In addition, the farmer under the marketing quota regulations must pay a penalty of 75 percent of the loan rate on such excess quantity as is produced.

b. A policy of crushing peanuts for oil has been followed by the CCC when considerable quantities of shelled peanuts accumulated under the price support program. For example, during the 1956-57 season over 365 million pounds of peanuts were placed under loan and by the end of the marketing year about 250 million pounds had been crushed for oil. Only through this type of operation were CCC stock prevented from being higher than the 165 million pounds held on 1 August 1957.
Dairy Products

1. **Section 22 Quotas in Effect**

Import controls are in effect under Section 22 during 1957-58 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. Except for the last two items, the quotas are the same as those reported as being in effect in the 1956-57 report. As pointed out in that report, these quotas are on a continuing basis; that is, they continue in effect from year to year unless modified.

The quotas in effect in the period 1 July 1957-30 June 1958, are as follows: dried cream, 500 pounds; butter, 707,000 pounds; dried whole milk, 7,000 pounds; dried buttermilk, 496,000 pounds; malted milk and compounds, 6,000 pounds; dried skim milk, 1,807,000 pounds; cheddar cheese, 2,780,100 pounds; blue-mold cheese, 4,167,000 pounds; Edam and Gouda cheese, 4,600,200 pounds; Italian (cow's milk) cheese, 9,200,100 pounds; butter oil and butter substitutes, 1,800,000 pounds for the year ending 31 December 1957 after which time an annual quota of 1,200,000 pounds becomes effective; articles containing 45 percent or more butterfat, except articles already subject to quotas, cheeses, evaporated and condensed milk, and products imported in retail packages, no imports after 7 August 1957.

The restrictions imposed on butter oil and other butter substitutes such as Exylone are interrelated and both actions were made necessary because of the efforts of foreign exporters to develop markets in the United States for products with high butterfat content which were not subject to import controls. Neither butter oil nor Exylone are known to have entered the United States in commercial quantities prior to 1956.

Butter oil is a highly concentrated butterfat product, containing 99.5 percent or more butterfat. It was considered in the original Section 22 dairy investigation and omitted from the list of products placed under controls in 1953, because of no history of imports. Virtually all the butter oil produced in this country in recent years has been exported, chiefly as charitable donations to foreign countries under the provisions of P. L. 480. Only about 8 million pounds of butter oil are reported to have been sold for domestic utilization during the period 1952-56. In 1956 substantial imports of butter oil began to enter in July. During the period July-December 1956 about 1,750,000 pounds were imported, largely in the last three months. During January 1957, over 600,000 pounds additional entered. Such entries were obviously displacing United States butterfat, particularly in the production of ice cream. The c.i.f., duty paid, price of butter oil, on the basis of Grade A butter, was equivalent to 52 cents per pound, compared with the support price of domestic butter in the New York area of 60.25 cents per pound. Furthermore, the butter oil was going into ice cream manufacture.
where the price of butterfat, under the various marketing orders, is considerably higher than the price of butterfat for butter. Under these circumstances, the United States had no alternative but to limit the quantity of butter oil which might be imported.

After butter oil was placed under import controls, an entirely new, previously unknown, product began to be imported. This product, called Exylone, also has a high butterfat content, and, like butter oil, its importation was induced by the attractive price for butterfat in the domestic market and by the controls on butter and butter substitutes.

Exylone and similar products are not classifiable as butter or butter substitutes under the technical rules governing the United States classification of imports for tariff purposes; however, such products because of their high butterfat content, and the uses to which they are and can be put, are actually substitutable for butter in important uses.

The importation of Exylone was a result of the quotas on butter and butter oil. The entry of more than 8,900,000 pounds within a six weeks' period, as compared with an annual quota of 707,000 pounds for butter led to action to protect the mandatory price support program for milk and butterfat and their products.

After investigation, including a public hearing, the Tariff Commission decided that any imports of such articles of 45 percent or more of butterfat constitute material interference with the price support program. The Commission pointed out that the intent of the "representative period" provision of Section 22 was to leave at least 50 percent of the established normal import trade undisturbed and that a representative period is a prior period representative of imports under normal trade conditions as contrasted to a period during which imports entered under abnormal or unusual conditions.

Inasmuch as Exylone was unknown a year ago, and found its way into the United States only as a result of the imposition of a quota on butter and action to control large imports of butter oil, the Commission decided that the period during which Exylone entered could not be considered a "representative period". The Tariff Commission recommended that in order to avoid interference with the price support program, no imports be permitted of articles containing 45 percent or more butterfat, except articles already subject to quotas, cheeses, evaporated and condensed milk, and products imported in retail packages.

The President found that the importation of such articles would constitute interference and ordered the recommended limitation to be applied to this product.
2. Need for continuing Import Quotas on Dairy Products

The United States Government has continued to encourage domestic consumption of dairy products with gratifying progress. Aggregate domestic utilization in terms of whole milk equivalents has been at a record level during the past year.

Nevertheless, supply and demand conditions made it necessary to purchase relatively large quantities of butter, cheddar cheese, and non-fat dry solids in order to carry out the requirements of the price support program in 1956-57 and there are prospects of further relatively large purchases in 1957-58. Under these circumstances, it is necessary to continue restrictions on imports of certain manufactured dairy products in 1957-58 to prevent imports of these products from materially interfering with and rendering ineffective the mandatory program for supporting prices to producers for milk and butterfat and the utilization of dairy products acquired under this price support program.

Title II of the Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support prices to producers of milk and butterfat at such levels from 75 to 90 percent of parity as is necessary to assure an adequate supply. It requires this support to be carried out through loans on, or purchases, of milk and its products.

The announced United States average support prices for the marketing year 1 April 1957 to 31 March 1958 are $3.25 per hundred pounds for manufacturing milk and 58.6 cents per pound for butterfat in farm separated cream. These support prices are 82 percent of the parity equivalent price for manufacturing milk and 79 percent of parity price for butterfat. A year ago, the support prices were 84 percent and 81 percent of parity, respectively. The lower percentage of parity this year is due to the increase in parity prices since a year ago.

In carrying out this price support responsibility in 1957-58, the CCC of the United States Department of Agriculture continued to confine its price support purchases to butter, cheddar cheese, and nonfat dry milk, the dairy products that can be most readily purchased, stored, handled, and utilized in available outlets. However, as explained in the 1955-56 report, the purpose of these purchases (as well as their effect) is to support the prices of milk and butterfat in all uses. The support is accomplished by removing from the market, in the form of butter, cheddar cheese, and nonfat dry milk, all of the milk and butterfat produced in excess of the quantities that can be commercially marketed in domestic and export outlets in any form, at prices corresponding to the support prices to producers for milk and butterfat.
In 1957-58, as well as in the previous years in which import controls have been in effect, the levels at which the Department of Agriculture has found it necessary to purchase these three dairy products in order to carry out the requirements of price support legislation for dairy products, have been sufficiently above prices of dairy products in foreign markets to attract imports of dairy products into the United States, if no import controls were in effect. Under these circumstances, in the absence of restrictions, imports of dairy products would increase, CCC's price support purchases would increase correspondingly, and to that extent CCC would support returns to producers for milk and butterfat in the exporting countries. The Section 22 import controls continue to be needed to assure against this possibility.

Except for 1951-52, the United States Government has acquired significant quantities of butter, cheese, and nonfat dry milk solids under price support (see Table 1). Price support purchases in recent years have ranged from the equivalent of a small fraction of a percent of total milk production in 1951-52 to 10 percent in 1953-54. The percentages declined during each of the three following marketing years, until in the 1956-57 marketing year, purchases were equivalent to 4.0 percent of milk production and consisted of about 154 million pounds of butter, 197 million pounds of cheese, 798 million pounds of nonfat dry milk.

Substantial price support purchases have continued to be made in the 1957-58 marketing year.

With pasture conditions averaging the best in thirty years, milk production in the first four months of the 1957-58 marketing year was higher than in the preceding year. Although the increase in the production of milk was mostly channeled into fluid consumption outlets during the early months of the 1957-58 marketing year, government price support purchases of butter and cheese were somewhat larger than a year earlier. Purchases in the period April through July of the current marketing year were 114 million pounds of butter, 103 million pounds of cheese, and 351 million pounds of nonfat dry milk.

Statistics with respect to milk production and utilization in the United States in recent years are shown in the attached Table 2.

It should be pointed out that the increased supply of dairy products is not due to an increase in the number of dairy farms or to an expansion in dairy cattle numbers. On the contrary, the number of dairy cows has declined in recent years and the number of farms with milk cows has been declining, even more rapidly than the number of milk cows during the past decade. Many of the remaining dairy farms are expanding their scale of operations and becoming more specialized.

The number of farms with milk cows has been declining more rapidly than the number of milk cows during the past decade, consequently, many dairy farms are expanding their scale of operations and becoming more specialized.
Meat-animal prices were conducive to relatively heavy sales of cull stock from dairy herds during much of this period. This increased the average productivity of cows remaining in milk herds, as did widespread use of artificial insemination. Record supplies of grains have tended to result in increased milk production per cow also as they contributed to a price relationship favorable to dairying and to increased feeding of concentrates. Most important perhaps has been the improved technology on feed production, feed handling, labor utilization and other phases of dairy farm management.

### Milk Cows, Milk Production, and Utilization 1949-1955

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of milk cows on farm</th>
<th>Production</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>thousands</td>
<td>per cow</td>
<td>total</td>
</tr>
<tr>
<td></td>
<td>pounds</td>
<td>million</td>
<td>pounds</td>
</tr>
<tr>
<td>1945-49</td>
<td>23,362</td>
<td>4,999</td>
<td>116,623</td>
</tr>
<tr>
<td>1950</td>
<td>21,944</td>
<td>5,314</td>
<td>116,602</td>
</tr>
<tr>
<td>1951</td>
<td>21,505</td>
<td>5,333</td>
<td>114,681</td>
</tr>
<tr>
<td>1952</td>
<td>21,338</td>
<td>5,374</td>
<td>114,671</td>
</tr>
<tr>
<td>1953</td>
<td>21,691</td>
<td>5,542</td>
<td>120,221</td>
</tr>
<tr>
<td>1954</td>
<td>21,581</td>
<td>5,657</td>
<td>122,094</td>
</tr>
<tr>
<td>1955</td>
<td>21,193</td>
<td>5,810</td>
<td>123,128</td>
</tr>
<tr>
<td>1956</td>
<td>20,927</td>
<td>6,006</td>
<td>125,698</td>
</tr>
</tbody>
</table>

Figures on utilization show an increase in quantities being used for fluid purposes and a leveling off in the quantities used for manufacturing purposes. Fluid milk consumption in the United States has been increased steadily each year from 52.0 billion pounds in 1948 to 59.7 billion pounds in 1956. A further increase is expected in 1957. On the other hand, the quantity manufactured into dairy products has remained relatively stable except for a decline in 1951 and 1952 when milk production also declined. The 61.6 million pounds used for manufacturing purposes in 1956 was about equal to the 1954 volume and only 1.5 million pounds more than the 1945-49 average.

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

The United States has continued its effort to cope with existing surpluses so as to avoid disruption of either domestic or export markets and at the same time, the United States has sought to put into operation basic corrective measures of a longer range character to deal with the surplus problem. From 1953 to 1957, price supports have been reduced from an average of 90 percent of parity to 82 percent of parity equivalent for manufacturing milk and from 90 percent to 79 percent for butterfat. As pointed out, the number of dairy farms and dairy cows on farms have been reduced.
The United States has continued to encourage the maximum domestic utilization of milk and milk products, with the result that domestic utilization in terms of milk equivalents has been at a record high level during the past year. The United States has also exercised special care to avoid sales that would disrupt domestic and foreign markets, and, for this reason, only limited quantities could be sold commercially for domestic consumption and exports. Therefore, it has continued to be necessary to use the products to the greatest extent in other outlets.

Domestic and foreign donations and sales at token prices for domestic and foreign school lunch and welfare uses continued during 1956-57 to be the principal outlet for dairy products acquired under the support program. It was only through the donation and sale of large quantities for these purposes, at a heavy loss, that CCC liquidated stocks of butter and nonfat dry milk in a merchantable position during the latter part of 1956-57. Increased utilization in these outlets has been made possible by legislation authorizing the CCC to pay additional costs involved in processing, repackaging and certain transportation costs of dairy products donated for school lunch and welfare uses, both in the United States and in foreign countries. The legislation also has authorized CCC donation to United States military agencies for their increased use.

The utilization of CCC-owned dairy products in the 1956-57 marketing year is shown below.

<table>
<thead>
<tr>
<th></th>
<th>Butter</th>
<th>Cheddar Cheese</th>
<th>Nonfat Dry Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial domestic sales</td>
<td>1.9</td>
<td>1.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Animal food sales</td>
<td>---</td>
<td>---</td>
<td>20.1</td>
</tr>
<tr>
<td>Donations for domestic use</td>
<td>68.6</td>
<td>117.3</td>
<td>130.3</td>
</tr>
<tr>
<td>Donations for foreign use</td>
<td>1.1</td>
<td>123.7</td>
<td>427.7</td>
</tr>
<tr>
<td>Commercial export sales</td>
<td>14.0</td>
<td>11.2</td>
<td>73.5</td>
</tr>
<tr>
<td>Noncommercial, export sales</td>
<td>2.8</td>
<td>---</td>
<td>78.9</td>
</tr>
<tr>
<td>ICA transfers</td>
<td>18.3</td>
<td>34.3</td>
<td>56.1</td>
</tr>
<tr>
<td>United States Army transfers</td>
<td>23.9</td>
<td>1.8</td>
<td>---</td>
</tr>
<tr>
<td>Other</td>
<td>1.5</td>
<td>0.1</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>132.1</td>
<td>289.5</td>
<td>787.9</td>
</tr>
</tbody>
</table>

1 Donations to schools, charitable institutions and needy persons.
2 Donations to United States welfare agencies for needy persons outside United States.
3 Primarily under Title II of P.L. 480 for relief purposes abroad.
4 Includes butter sold for extending cocoa butter, for liquid milk recombining, transferred to the Veterans Administration, and donation of nonfat dry milk for research use.
As a result of the utilization of CCC supplies, as indicated above, the uncommitted CCC inventory of butter on 31 March 1957 was only 27 million pounds. The CCC cheese inventory on 31 March 1957 was 207 million pounds compared with 228 million pounds a year earlier and the nonfat dry milk compared with 46 million pounds a year earlier. On 31 July 1957, these uncommitted stocks were as follows: butter, 95 million pounds; cheddar cheese, 191 million pounds; nonfat dry milk solids, 66 million pounds.

In addition to the above programs to encourage increased consumption of stocks acquired, the United States Government, in order to reduce the price support purchases of dairy products, is continuing in 1957-58 at considerable cost, the special programs to increase the consumption of fluid milk by children at schools and playgrounds, military personnel and veteran's hospital patients.
### TABLE 1

Milk Production and Price Support Purchases, 1950 to date

<table>
<thead>
<tr>
<th>Marketing year beginning 1 April</th>
<th>Milk Production</th>
<th>PURCHASES</th>
<th>Purchases as percent of Milk Production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million lbs.</td>
<td>million lbs.</td>
<td>million lbs.</td>
</tr>
<tr>
<td>1950-1951</td>
<td>116,164</td>
<td>119.4</td>
<td>108.1</td>
</tr>
<tr>
<td>1951-1952</td>
<td>114,313</td>
<td>.2</td>
<td>.8</td>
</tr>
<tr>
<td>1952-1953</td>
<td>116,480</td>
<td>143.3</td>
<td>75.2</td>
</tr>
<tr>
<td>1953-1954</td>
<td>121,761</td>
<td>380.2</td>
<td>456.0</td>
</tr>
<tr>
<td>1954-1955</td>
<td>121,673</td>
<td>210.5</td>
<td>153.4</td>
</tr>
<tr>
<td>1955-1956</td>
<td>125,180</td>
<td>177.6</td>
<td>157.4</td>
</tr>
<tr>
<td>1956-1957</td>
<td>125,698</td>
<td>154.4</td>
<td>197.2</td>
</tr>
</tbody>
</table>

1. Milk equivalent of butter and cheese purchases, fat solids basis. 
   (Butter x 2C and cheese x 10). Milk equivalent of nonfat dry milk solids not included to avoid duplication with butter.

2. Less than .05 percent

3. Preliminary
### Table 2

**Production and Utilization of Milk, United States 1945-56**

(In millions of pounds)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Milk production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On farms</td>
<td>116,623</td>
<td>116,602</td>
<td>114,681</td>
<td>114,671</td>
<td>120,221</td>
<td>122,094</td>
<td>123,128</td>
<td>125,698</td>
</tr>
<tr>
<td>Total</td>
<td>117,623</td>
<td>117,302</td>
<td>115,181</td>
<td>115,071</td>
<td>120,521</td>
<td>122,294</td>
<td>123,228</td>
<td>125,698</td>
</tr>
<tr>
<td><strong>Utilization (milk equivalent)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufactured in plants</td>
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<tr>
<td>Creamery butter, total</td>
<td>26,754</td>
<td>28,641</td>
<td>24,906</td>
<td>24,378</td>
<td>28,877</td>
<td>29,652</td>
<td>28,435</td>
<td>28,944</td>
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<tr>
<td>From whey cream</td>
<td>800</td>
<td>838</td>
<td>817</td>
<td>815</td>
<td>932</td>
<td>961</td>
<td>945</td>
<td>965</td>
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<tr>
<td>Net</td>
<td>21,954</td>
<td>27,803</td>
<td>24,089</td>
<td>23,563</td>
<td>27,945</td>
<td>28,691</td>
<td>27,490</td>
<td>27,979</td>
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<td><strong>Choose</strong></td>
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</tr>
<tr>
<td>American</td>
<td>8,822</td>
<td>8,972</td>
<td>8,791</td>
<td>8,551</td>
<td>10,239</td>
<td>10,475</td>
<td>10,058</td>
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<td>Other</td>
<td>2,514</td>
<td>2,883</td>
<td>2,773</td>
<td>3,008</td>
<td>3,104</td>
<td>3,258</td>
<td>3,461</td>
<td>3,713</td>
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<tr>
<td><strong>Canned Milk</strong></td>
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<tr>
<td>Evaporated</td>
<td>6,956</td>
<td>6,177</td>
<td>6,221</td>
<td>6,087</td>
<td>5,448</td>
<td>5,397</td>
<td>5,490</td>
<td>5,408</td>
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<tr>
<td>Sweetened Condensed</td>
<td>305</td>
<td>143</td>
<td>135</td>
<td>124</td>
<td>96</td>
<td>58</td>
<td>78</td>
<td>149</td>
</tr>
<tr>
<td><strong>Bulk Condensed</strong></td>
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<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unsweetened</td>
<td>349</td>
<td>537</td>
<td>558</td>
<td>539</td>
<td>558</td>
<td>599</td>
<td>639</td>
<td>665</td>
</tr>
<tr>
<td>Sweetened</td>
<td>139</td>
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<td>102</td>
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<td><strong>Dry Whole Milk</strong></td>
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<td></td>
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<td><strong>Frozen Products</strong></td>
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<tr>
<td>Ice cream and other products^1</td>
<td>8,207</td>
<td>8,196</td>
<td>8,489</td>
<td>8,941</td>
<td>9,221</td>
<td>9,150</td>
<td>9,640</td>
<td>10,007</td>
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<tr>
<td>Fat from other products^2</td>
<td>1,316</td>
<td>1,302</td>
<td>1,488</td>
<td>1,400</td>
<td>1,424</td>
<td>1,404</td>
<td>1,480</td>
<td>1,530</td>
</tr>
<tr>
<td>New milk and cream^3</td>
<td>6,891</td>
<td>6,894</td>
<td>7,001</td>
<td>7,541</td>
<td>7,797</td>
<td>7,746</td>
<td>8,160</td>
<td>8,477</td>
</tr>
<tr>
<td>Other factory products^4</td>
<td>628</td>
<td>724</td>
<td>939</td>
<td>936</td>
<td>967</td>
<td>1,052</td>
<td>1,123</td>
<td>1,232</td>
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<tr>
<td>Total factory products^5</td>
<td>53,932</td>
<td>55,170</td>
<td>51,603</td>
<td>51,305</td>
<td>57,053</td>
<td>58,074</td>
<td>57,401</td>
<td>58,618</td>
</tr>
<tr>
<td>Farm Butter</td>
<td>6,135</td>
<td>5,160</td>
<td>4,746</td>
<td>4,215</td>
<td>3,876</td>
<td>3,562</td>
<td>3,310</td>
<td>2,966</td>
</tr>
<tr>
<td><strong>Fluid Consumption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm</td>
<td>12,360</td>
<td>11,300</td>
<td>11,300</td>
<td>11,200</td>
<td>10,500</td>
<td>10,100</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Non-farm</td>
<td>40,580</td>
<td>41,600</td>
<td>42,800</td>
<td>43,700</td>
<td>44,600</td>
<td>46,100</td>
<td>48,200</td>
<td>49,700</td>
</tr>
<tr>
<td>Exports and Storage^6</td>
<td>2</td>
<td>56</td>
<td>116</td>
<td>79</td>
<td>146</td>
<td>45</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>Other^7</td>
<td>1,426</td>
<td>842</td>
<td>1,167</td>
<td>1,224</td>
<td>1,306</td>
<td>1,159</td>
<td>1,000</td>
<td>1,219</td>
</tr>
</tbody>
</table>
Includes an allowance for milk produced by cows not on farms.

Milk equivalent of butter and condensed milk used in ice cream.

Includes dry cream, malted milk, dry part skim milk, dry ice cream mix, and cottage cheese.

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.

Includes an allowance for fluid consumption on farms not producing milk.

Net movement of whole milk or cream into export or storage channels.

Residual, including minor uses and any inaccuracies of independently determined production and use items.

Cotton and Cotton Waste

1. Section 22 Quotas in Effect

Import quotas are in effect under Section 22 for short staple cotton, long staple cotton, harsh or rough cotton, and designated cotton waste during the 1957-58 cotton marketing year. The quotas are the same as those reported as being in effect in 1956-57. The 1957-58 import quotas for cotton which, as pointed out in the 1956-57 report, continue in effect each year unless changed, are as follows:

a. Short staple cotton - Cotton under 1 1/8 inches (other than rough or harsh under ¼ inch) — 14,516,882 pounds annually during the quota year beginning 20 September.

b. Long staple cotton - Cotton 1 1/8 inches and longer — 45,656,420 pounds annually during the quota year beginning 1 August.

c. Harsh or rough cotton under ¼ inch — 70,000,000 pounds annually during the quota year beginning 20 September.

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

The import quotas in effect on cotton 1 1/8 inches or more in staple length and on harsh or rough cotton of less than ¼ inch are on a global basis. Quotas in effect on cotton under 1 1/8 inches other than the above harsh or rough and on designated cotton mill waste are on a country basis.
2.  Need for Continuing Import Quotas on Cotton and Cotton Waste

During the 1957 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, a Soil Bank 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 make necessary the continuation of these import restrictions are explained in detail below:

**Upland cotton**

**a. Programs** — Price support for upland cotton is mandatory every year under Title I of the Agricultural Act of 1949, as amended, within an overall range of 75 to 90 per cent of parity except when producers disapprove marketing quotas. About 92 per cent of the cotton producers voting in a referendum held in December 1956 approved marketing quotas. Consequently, price support for the 1957 crop was mandatory.

The 1957 crop of upland cotton is being supported at an average level reflecting 78 per cent of parity as at 1 August, the beginning of the marketing year. This is the lowest percentage of parity at which upland cotton has been supported since the 1940 crop, and compares with a support level of 82 1/2 per cent and 90 per cent of parity for the 1956 and 1955 crops.

The United States average support level for 1957 crop middling 7/8 inch upland cotton is 28.81 cents per pound. This is .53 cents per pound below the level of 29.34 for 1956 and compares with 31.70 cents per pound in effect for the 1955 crop.

Acreage allotments and marketing quotas are also in effect for the 1957 crop. As pointed out above, marketing quotas were approved by a much larger percentage of the farmers voting in a referendum than the minimum of two-thirds of the voters required. When marketing quotas are in effect, any producer who does not comply with his farm acreage allotment is denied price support and also must pay a heavy penalty (50 per cent of the 15 June parity price) on his excess cotton.

The national acreage allotment established for 1957 under the marketing quota operation was set at the minimum level authorized by law. The national acreage allotment of 17.6 million acres compares with an allotment of 18.1 million acres established for the 1955 crop and 21.4 million acres established for the 1954 crop. Except for the slightly lower allotment in 1956, it is the smallest acreage allotment established since 1938 when allotments and marketing quotas were first imposed under the Agricultural Adjustment Act of 1938.
In 1957, the United States Government also had in operation an acreage reserve program for cotton under the Soil Bank Act, which was put into effect for the first time in 1956. This program provides for payments to farmers who plant less than their cotton farm acreage allotment and who comply with other program requirements. The objective of this acreage reserve is to bring about a better balance between supplies and utilization by reducing the quantity of new-crop cotton produced. Payments to farmers participating in the acreage reserve generally are based upon the normal yield of the land placed in the reserve multiplied by 15 cents a pound. Slightly more than 3 million acres were put in the acreage reserve by cotton growers, thereby leaving a maximum of slightly less than 14.6 million acres of the allotment from which cotton could be harvested in 1957. About 14.1 million acres were in cultivation on 1 July 1957, the smallest since records began in 1909 and smaller than the harvested acreage in any year since 1878.

b. Supply situation for Upland Cotton - The United States Government made substantial progress during 1956-57 in liquidating stocks of cotton acquired under price support, reversing the six years uninterrupted upward trend in the supply of upland cotton in the United States. The supply for the 1957-58 season is estimated at about 23 million bales compared to 27.8 million a year ago. Disappearance is expected to be between 13.3 and 14.8 million bales. The supply is made up as follows:

Carryover - The carryover on 1 August 1957, the start of the marketing year, was 11.2 million running bales - about 3 million bales smaller than the record high of a year earlier. The cotton carryover in the United States increased each year from the post-World War II low of about 2.2 million bales on 1 August 1951, to the record high of August 1956. A substantial part of the 1957 carryover was controlled by the Commodity Credit Corporation of the Department of Agriculture. However, the quantity owned or held as collateral on loans by the CCC was about 4.6 million bales smaller than at the start of the 1956-57 marketing year. Prior to the 1957-58 season the quantity owned or controlled by the CCC at the start of the marketing year had increased each year since 1 August 1951.

Production - The 1957 upland cotton crop was estimated at 11.7 million running bales (11.8 million 500-pound bales) as at 1 August 1957. This is nearly 1.4 million bales or about 11 per cent less than the quantity produced in 1956, and 20 per cent less than the 1955 crop. A crop of this size would be the smallest since 1950.

Imports - Imports of upland cotton (including short staple Asiatic type) under the quotas referred to above are expected to amount to about 50,000 bales approximately the same quantity imported in 1956-57.
Disappearance - Domestic consumption and exports of upland cotton in 1957-58 probably will be between 13.3 million and 14.8 million bales. The centre of this range about 14 million bales would be more than 2 million bales below 1956-57, but larger than any other season since 1951-52. Domestic consumption is expected to be slightly higher in 1957-58 than the 8.6 million bales during 1956-57 and at about the 1952-56 average. Exports will help account for the relatively large disappearance in 1957-58, and also for disappearance being lower than in 1956-57. Exports are likely to range between 4.5 and 6.0 million bales. The 1957-58 estimate of United States cotton exports is necessarily based on preliminary information on the production and consumption of cotton abroad; however, export sales were extraordinarily large in 1956-57 when foreign countries replenished the very small stocks they held at the beginning of the season. A further large build-up of stocks in importing countries is not expected in 1957-58.

Carryover 1 August 1958 - Preliminary supply and disappearance information indicates a prospective carryover of upland cotton on 1 August 1958, smaller than that of 1957. A specific estimate of carryover cannot be made until more information is available. It should be recognized that small variations in production, consumption, stocks, and exports of other countries, can cause rather large variations in exports of United States cotton.

Price support activity - While it is too early in the season to determine the specific quantity of cotton that will be placed under price support, it is anticipated that price support activity during 1957-58 will be relatively heavy. The current crop is expected to be larger than domestic consumption. Since exports of cotton primarily are coming from CCC stocks, this situation would point to continued large acquisitions of cotton by CCC from the 1957 crop.

Extra long staple cotton

a. Programs - Price support for the future crops of extra long staple cotton is required by legislation enacted by Congress in 1957 to be continued at the same level as for the 1956 crop - 75 per cent of parity, whenever producers do not disapprove marketing quotas. In December 1956, 95 per cent of the extra long staple cotton producers voting in a referendum approved marketing quotas for the 1957 crop of extra long staple cotton. Consequently, price support at 75 per cent of parity for the 1957 crop is mandatory. A United States average support level of 59.75 cents per pound has been announced for 1957 crop American Egyptian extra long staple cotton, and 54.75 cents per pound for Sea Island and Sealand cotton.

Acreage allotments and marketing quotas were continued for the 1957 crop of extra long staple cotton. When marketing quotas are in effect, any producer who does not comply with his farm acreage allotment is denied price support on cotton, and also must pay a heavy penalty (the higher of 50 per cent of the 15 June parity price or 50 per cent of the support price) on his excess cotton.
The national acreage allotment for 1957 is 89,357 acres, nearly double the 1956 allotment of 45,305 acres. After a build-up of supplies over a period of several years, this larger allotment resulted from a decline in the United States supply of extra long staple during 1956-57 as disappearance increased and imports decreased.

b. Supply situation - Substantial progress was made during 1956-57 in liquidating stocks of extra long staple cotton acquired under the price support program. Legislation providing for the withdrawal of 50,000 bales of domestic extra long staple in the United States stockpile of strategic materials was approved in July 1957. Although this cotton was transferred to CCC on 1 August 1957 for sale, it still is technically in the stockpile and becomes a part of the United States supply only as it is sold. The law referred to above provides that the cotton will be sold at not less than the higher of 105 percent of the current support price plus reasonable carrying charges, or the current market price as determined by CCC.

The supply is made up as follows:

**Carryover** - the carryover on 1 August 1957 is estimated at 50,000 bales compared with 128,000 bales a year earlier. This does not include the 50,000 bales transferred as at that date from the stockpile to CCC for sale. The carryover for the preceding four seasons ranged from 94,000 on 1 August 1953 to 175 thousand bales on 1 August 1955.

**Production** - The 1957 crop, estimated at 93.3 thousand bales as at 1 August 1957, is up substantially from 1956 and largely offsets the decline in the carryover.

**Imports** - Imports of long staple cotton will depend largely upon the supply available from Egypt and its price in relation to that of American-Egyptian cotton. The quota was not filled in 1956-57 largely because of the shipping situation and other factors growing out of the Suez crisis and also because prices of foreign growth of extra long staple generally fluctuated above prices of American-Egyptian cotton.

**Disappearance** - It is expected that domestic use and exports of extra long staple cotton in 1957-58 will probably be around 175,000 bales, approximately the same as during 1956-57. Domestic consumption might be slightly higher in 1957-58 than the estimated 115,000 bales during 1956-57. It is difficult at this time, to make any precise estimate of exports during 1957-58. Important unknown factors are the pricing of Egyptian and other extra long staple cotton for export and the volume of these exports.

**Carryover 1 August 1958** - A specific estimate of carryover on 1 August 1958 obviously cannot be made until more information is available particularly on exports and also on sales of stockpile cotton transferred to CCC.
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 1957-58, the United States is continuing and intensifying 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 and by the additional voluntary curtailment through the Soil Bank Program; (b) reduction of the level of price supports; 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

Further steps were taken by the United States Government in 1957 to reduce production of cotton. The national acreage allotment was established at 17.6 million bales, which is the minimum level permitted by law for the 1957 crop. This allotment and the 1956 allotments were the lowest allotments established since 1938 when allotments and marketing quotas were first established for cotton under the Agricultural Adjustment Act of 1938. The national allotment prior to World War II was never established below 27.2 million acres.

In addition, the United States continues the Soil Bank Program under which, in 1957, farmers voluntarily took three million acres of land out of cotton. This reduction was in addition to the drastic curtailment made through the acreage allotment program. Under existing legislation, the program will continue in effect through the 1959 crop year. These reductions are in addition to the sharp cutbacks which already have occurred and which are discussed above. They are made possible under the Soil Bank only because the rate of payment is being established at levels which on the average will maintain net farm income from cotton at the levels which would have been obtained if farmers had planted the crop. The acreage in cultivation on 1 July 1957 was estimated at 14.1 million acres, which will result in the smallest harvested acreage in any year since 1878. The drastic extent to which the United States has reduced cotton acreage in order to reduce excess supplies, is indicated by the fact that acreage in cultivation on 1 July has been reduced from 24.3 million acres in 1953 to 15.6 million in 1956 and 14.1 million acres in 1957. The steps taken by the United States to reduce production have resulted in a drop in the United States cotton crop from 16.3 million running bales in 1953 to 13.1 million bales in 1956, and to an even smaller crop in 1957. This is a drop of around 20 per cent in production in four years.
The United States has been and still is cutting production sharply. At the same time other countries have greatly increased acreage and their share of the total world production. It is too early to estimate the 1957 world production, but cotton production in other countries of the free world increased from 13.9 million bales in 1953 to 15.6 million bales in 1956. Total foreign production rose from an average of 13.6 million bales in the period 1945-49 to 25.2 million bales in 1955-56.

B. Reduction in Price Support

The price support for the 1957 crop of upland cotton was fixed at a United States average of 28.81 cents per pound for Middling 7/8-inch cotton at average location. This level reflects 78 per cent of the parity price of 36.93 cents per pound on 1 August and represents a substantial reduction from the support price of 82% per cent of the parity for the 1956 crop and 90 per cent of parity for the 1955 crop.

In April 1957, 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 future level of support be 75 per cent of parity. Prior to this amendment, the level of support was dependent on the supply and demand relationship within a range of 75 per cent to 90 per cent of parity.

C. Market Stabilization and surplus Disposal Operations

During the past year the United States has continued its programs for market stabilization and surplus disposal. Much progress has been made toward achieving a better balance between supply and utilization.

The United States Government has continued to hold large stocks and to market them in such a manner as to avoid disrupting domestic and foreign markets, while at the same time, cutting back domestic production drastically, and encouraging maximum utilization of cotton and cotton textiles.

The United States has continued its export sales policy which was adopted in 1956, and which was explained in last year's report. Under this policy the CCC offers to sell for export any upland cotton owned by CCC, on a competitive bid basis, so as to keep United States cotton prices competitive in foreign markets.

Under this 1956-57 program, CCC sold 7,747,200 bales of upland cotton for export by 15 August 1957. In addition, 3,600,880 bales had been sold for export between 16 August 1957 and 31 July 1958 as at 15 August 1957.