This report is submitted in accordance with the Decision of the CONTRACTING PARTIES of 5 March 1955, granting a waiver to the United States in connexion 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".

In keeping with the language of the waiver, all commodities currently under Section 22 are included in this report, regardless of the applicability of Article XI or other provisions of the GATT. For example, it includes a report on wheat, cotton and peanuts, where domestic controls are in operation through the acreage allotment and marketing quota programmes. Also, it discusses import controls for almonds and flaxseed, including linseed oil, where controls are in the form of additional import fees rather than quotas. None of these fee items is bound against increase in Schedule XX of the GATT.

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

Current Situation

During the period from preparation of the previous report until 1 August 1958, five investigations resulting in changes in import controls were concluded under Section 22, as follows:

1 Basic Instruments and Selected Documents, Third Supplement, page 32
one import control was terminated (short harsh cotton);
two import controls were modified (long-staple cotton, modified
to provide separate quotas for different staple lengths; and
tung oil, modified to include the oil content of tung nuts); and
two new import controls were added (tung oil and almonds) for
specified periods.

Details of the foregoing actions were included in notifications to
the GATT secretariat and to the countries affected during the course
of the year. Notifications were also submitted that on the basis of
investigations and reports by the Tariff Commission it was not found
necessary to impose import restrictions on dates and dried figs and
fig paste.

Thus, there are now in effect import regulations under Section 22
on the following items: wheat and wheat products, cotton and cotton
waste, rye and rye products, peanuts (including peanut oil), flaxseed
(including linseed oil), almonds, certain manufactured dairy products,
and tung oil (including tung nuts). All of the foregoing commodities
are subject to continuing regulation except rye, almonds, and tung.
For the latter group, annual import quotas were established ending
30 June 1959 for rye; 30 September 1958 for almonds; and 31 October
1960 for tung.

Steps taken to Solve the Problem of Agricultural Surpluses

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

1. Acreage allotments and marketing quotas were continued, where
required by law, at the lowest levels permitted.

2. The acreage reserve programme was continued for cotton, and
wheat.

3. Price support levels were reduced for most commodities under
control.

4. New legislation was requested giving the Secretary of Agriculture
more flexibility in establishing the price support levels for dairy
products and the basic commodities, including wheat, cotton and peanuts.
Legislation was approved at the recent Session of Congress which permits
the support level of cotton to drop to a minimum of 65 per cent of parity
by 1962, as compared with a 75 per cent minimum at present. No action
was taken by Congress on the Secretary's request for dairy products,
peanuts and wheat.
Acreage allotments and marketing quotas were in effect during 1957-58 and 1958-59 for three of the commodities under control - wheat, cotton, and peanuts. These are the only commodities under control for which acreage allotments coupled with marketing quotas are authorized by law.

As pointed out in previous reports, marketing quotas have brought about drastic reductions in the acreage planted to these crops. For example, acreage planted to wheat was reduced to 56 million acres in 1958, the second lowest on record, compared with 79 million acres in 1953 and 84 million acres in 1949. Cotton acreage was reduced to 12.4 million acres in 1958 compared with around 25 million acres in 1953 and 28 million acres in 1949. Peanut acreage was reduced to 1.5 million acres in 1958 compared with 2.3 million acres in 1949.

Operations under the acreage reserve part of the Soil Bank Programme continued on a relatively large scale for the 1958 crop. As explained in the previous report, the acreage reserve provides additional means for reducing surpluses by encouraging a farmer to plant a smaller acreage than his farm acreage allotment. Details concerning the acreage reserve as applied to individual commodities are contained in the commodity sections of this report.

Price support levels for most controlled commodities were reduced during the 1957 crop season, and were further reduced for the current crop year. The extent of the reductions is illustrated in the following table:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>1956</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>bu.</td>
<td>2.00</td>
<td>2.00</td>
<td>1.82</td>
</tr>
<tr>
<td>Cotton</td>
<td>lb.</td>
<td>.2934</td>
<td>.2881</td>
<td>.3123</td>
</tr>
<tr>
<td>Dairy Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Butterfat</td>
<td>lb.</td>
<td>.586</td>
<td>.586</td>
<td>.566</td>
</tr>
<tr>
<td>Milk**</td>
<td>cwt.</td>
<td>3.25</td>
<td>3.25</td>
<td>3.06</td>
</tr>
<tr>
<td>Peanuts</td>
<td>lb.</td>
<td>.114</td>
<td>.111</td>
<td>.107</td>
</tr>
<tr>
<td>Rye</td>
<td>bu.</td>
<td>1.27</td>
<td>1.18</td>
<td>1.10</td>
</tr>
<tr>
<td>Flaxseed</td>
<td>bu.</td>
<td>3.09</td>
<td>2.92</td>
<td>2.78</td>
</tr>
<tr>
<td>Tung Nuts</td>
<td>ton</td>
<td>53.76</td>
<td>52.13</td>
<td>65</td>
</tr>
</tbody>
</table>

* National average support rate

** For manufacturing
In this discussion of steps taken to reduce surpluses it is significant to mention, as a footnote perhaps, the distinction between the forces - natural and administrative - which operate in the field of agriculture. The foregoing paragraphs summarize very briefly administrative decisions and proposals which have been made during the past year. Yet these necessarily go hand-in-hand with the natural forces such as technological advances and weather conditions which combine in any particular season to produce a given crop. As an excellent illustration of this fact, the following is quoted from the lead paragraph of the July Crop Report issued by the United States Department of Agriculture:

"Total crop out-turn equalling any previous year now appears likely for 1958. Total harvested acreage for all crops is expected to be slightly larger than in 1947 from the smallest total planted acreage in forty years of comparable record."

(Underlining has been added to quotation.)

It may be noted that continued favourable weather since that time gave promise in mid-August that 1958 will be by far the nation's biggest crop year.

**Actions taken to Increase Consumption**

As one means of utilizing the surplus, the United States continued its efforts to encourage increased consumption in the United States and abroad of those agricultural products which are in surplus supply and under import control. A summary of the action taken under these programmes to encourage consumption is as follows:

1. **The Special School Milk Programme** - This programme was undertaken in the United States to increase consumption of fluid milk by children in (a) non-profit schools of high school grade and under; and (b) non-profit nursery schools, child care centres, settlement houses, summer camps, and similar non-profit institutions devoted to the care and training of underprivileged children on a public welfare or charitable basis. The programme is financed under special legislation which authorized the use of funds not to exceed $75 million during fiscal year 1957-58 for this purpose. It is conducted both in schools which have feeding facilities and in schools and institutions where factors prevent the establishment of food preparation and service facilities. Authority for the school milk programme was extended for three years under legislation passed by Congress in 1958 authorizing $75 million. The programme not only contributes to improving nutrition, but also expands outlets for fluid milk.

2. **Military and Veterans Administration Milk Programme** - The OCC has been paying about half the cost of milk purchased by military agencies and veterans' hospitals over their normal purchases. Under this programme, consumption of milk by military personnel has been more than doubled. Authority for the programme was extended for three years under the Agricultural Act of 1958.
3. Donations to the National School Lunch Programme - During the year ending 30 June 1958, 245 million pounds of food with a cost value of $75 million was donated by the Federal Government to schools under the programme conducted under the National School Lunch Act. This programme is designed to provide participating children with well-balanced lunches which will supply children with one-third of their daily nutritional requirements. The amount donated was smaller than the 418 million pounds donated during 1956-57. In addition to these food donations, the Federal Government made cash grants in aid to the States totalling nearly $84 million during 1957-58. Federal donations represent only part of the food made available since local contributions greatly exceed the Federal payments.

4. Donations to Needy Persons and Institutions in the United States - During the year ending 30 June 1958, a total of nearly 850 million pounds of surplus foods was donated to needy persons and charitable institutions. This compares with 1,062 million pounds in the preceding year. The products donated included dry edible beans, butter, cheddar cheese, cornmeal, dried eggs, grapefruit sections, flour, non-fat dry milk, peanut butter and rice. These donations were undertaken under section 416 of the Agricultural Act of 1949, as amended, and section 32 of the Act of 24 August 1935.

5. Donations to Needy Persons in Foreign Countries during the Year ending 30 June 1958 - The United States Government donated almost 2 billion pounds of surplus foods to needy persons in foreign countries. This food had a cost value of $273 million. These donations slightly exceeded the 1.8 billion pounds with a cost value of $225 million donated in the preceding year.

Donations were made under Title III of P.L. 480 to US non-profit voluntary agencies such as the American Red Cross, or inter-governmental agencies such as UNICEF which, in turn, were responsible for arranging for the distribution in foreign countries to needy people to supplement the usual diets. The foods donated included cheese, corn, cornmeal, non-fat dry milk solids, rice, wheat and wheat flour.

6. Foreign Disaster Relief - Surplus agricultural commodities were donated again for disaster purposes pursuant to Title II of P.L. 480. These donations are made to alleviate suffering following hurricanes, floods, earthquakes, droughts, crop shortages and other natural disasters in foreign countries. These donations, as well as those referred to above, have been made in a way which will not displace or interfere with sales that otherwise would be made. During the four years ending 30 June 1958, the programme has been in effect, commitments undertaken amounted to nearly $400 million on the basis of the cost of the commodity. They included the following commodities: barley, dry edible beans, butter, cheddar cheese, corn and cornmeal, cotton, cottonseed oil, grain sorghums, non-fat dry milk solids, rice, rye flour, wheat and wheat flour.
7. **Other Programmes** - As a means of increasing utilization, the Department is giving increased emphasis to research and promotional activities to develop new and expanded uses for farm products, especially those which are in surplus supply. In performing these responsibilities, it is co-operating with private organizations and groups undertaking programmes to expand the utilization of agricultural commodities. As reported in the previous report, private industry groups in cotton, dairy products, wheat, peanuts, and soybeans have established special organizations to increase utilization of these products.

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

**WHEAT AND WHEAT PRODUCTS**

1. **Section 22 Quotas in Effect**

The import quotas established under Section 22 for wheat classified as fit for human consumption and certain wheat products (flour, semolina, crushed and cracked wheat, and similar products) remain the same in 1958-59 as in 1957-58. As explained in the 1957 report, the annual import quotas for wheat and for wheat products are on a continuing basis. They have not been changed significantly since they were established in 1941, except that they were suspended for a short period during World War II due to emergency conditions existing at that time.

The quotas in effect for the quota year beginning 29 May 1958, as in the previous years, are 800,000 bushels of wheat and 4 million pounds of wheat products. Separate quotas continue in effect for individual countries at the same levels indicated in previous reports. No import quotas are in effect for wheat classified as unfit for human consumption (feed wheat); and registered or certified seed wheat for planting purposes, as well as wheat for experimental purposes, may be imported ex-quota under stipulated conditions.

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

The United States Government has continued to carry out extensive measures for the solution of the wheat surplus problem. During the 1958-59 season, the Government will continue to have in operation a number of programmes pertaining to wheat, including a price support programme, an
acreage allotment and marketing quota programme in connexion with the price support programme, a soil bank programme, and related storage and disposal operations.

Despite the many steps that have been taken to stabilize production and bring supplies into better balance with requirements, the surplus situation continues. It will be necessary to maintain import quotas on wheat and wheat products in order to prevent imports from materially interfering with the price support and related programmes. The conditions which make it necessary to continue these import restrictions are explained in more detail below:

(a) Programmes - The maintenance of a price support for wheat is mandatory every year under Title I of the Agricultural Act of 1949, as amended, within a range of 75 to 90 per cent of parity, unless more than one-third of the producers voting in a referendum disapprove of marketing quotas. Marketing quotas for the 1959 crop were approved by 84.1 per cent of the wheat producers voting in a referendum held in July 1958. The average support level for the 1958 crop of wheat is $1.82 per bushel, equal to 75 per cent of parity, the legal minimum. A minimum support level of $1.81 has been announced for the 1959 crop, which is the legal minimum on the basis of estimated parity on 1 July 1959. Since 1954, when the average support price was $2.24 per bushel, it has been dropped 42 cents, equal to 19 per cent.

The programme of acreage allotments and marketing quotas under which wheat acreage has been drastically curtailed has been continuously in effect since 1954, and will be continued for the 1959 crop. As noted above, marketing quotas were approved by a much larger percentage of the farmers voting in referendum than the required minimum of two-thirds. The national acreage allotment established for each wheat crop since 1954 has been the minimum of 55 million acres authorized by law.

As indicated in previous reports, the United States Government inaugurated an acreage reserve programme 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 farm 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 programme provides for payments to farmers who plant less wheat than their farm acreage allotments and who comply with other programme requirements. Payments to farmers participating in the acreage reserve programme generally are based upon the productivity of the land placed in the reserve. About 233,200 wheat producers placed 12.8 million acres in the acreage reserve for the 1957 crop. For the 1958 crop, 174,566 farmers participated and retired 5.3 million acres from the production of wheat. No other crops could be planted on this idled land except grass or cover crops for conservation purposes. The cost to the Government for the 1957 acreage reserve programme for wheat was $231 million; the cost of this programme for 1958 was $105 million. The average payment per acre in 1958 was slightly less than $20 per acre for the 5.3 million acres of wheat land retired from production.
Producers who participated in the 1958 acreage reserve programme for wheat, in addition to reducing their wheat acreages below their allotments, were required to meet the new "soil bank base" requirements. Under this regulation the total harvested acreage for all crops had to be held below the acreage base by the number of acres placed in the soil bank. In effect it precluded 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.

In addition, under the conservation reserve of the soil bank programmes for 1956-58 farmers retired 10.4 million acres from the production of any crops, much of which otherwise would have been planted to wheat. The 1959 goal for the conservation reserve is an additional 12.5 million acres which, if achieved, would make a total 22.9 million acres in this programme during four years. The proposed average payment for the 1959 programme is $13.50 per acre, compared with an average of about $10.00 per acre during the previous years. The new higher rate should cause land of higher average productivity to be put in the conservation reserve, even though payments per unit of productivity may not be increased over the payments in contracts of the previous years.

In the 1958 conservation reserve sign-up, which closed on 15 April 1958, 64,572 farmers signed applications for contracts to place 4.0 million acres in the programme for "approved practice" payments of $36.5 million, and annual rental payments of $35.0 million. In addition, annual payments of $56.8 million are obligated this year for the 5.4 million acres put in the conservation reserve programme in 1956 and 1957, and $25.8 million still is obligated for payment of practices approved in previous years and expected to be carried out in 1958-59. This makes a total of $154.1 million that will be paid in 1958-59 for the conservation reserve programme. With the payments of $105.1 million for the 5.3 million acres signed up in the 1958 wheat acreage reserve programme, this makes a total outlay of $259.2 million which the United States Government is paying to farmers this year for the retirement of wheat land under the acreage reserve programme, plus the retirement of land under the conservation reserve programme, much of which otherwise might have been planted to wheat. Present intentions are to discontinue the acreage reserve programme for 1959 basic crops, but to greatly expand the conservation reserve programme in the years ahead.

(b) Supply Situation - The United States continues to be confronted with a very serious surplus situation with wheat. The US total supply in 1958-59 is now estimated at 2,312 million bushels, based on the August 1958 Crop Report. Such a supply is 267 million bushels larger than the previous record amount in 1956-57. The 1958-59 supply is equivalent to nearly four years domestic requirements, estimated for this year at 609 million bushels.
This vast supply of wheat has accumulated in the United States despite the many Government-sponsored programmes which have been in effect to reduce acreage and to maximise disappearance. This build-up in wheat supplies has happened primarily because of unprecedented high yields of the 1958 winter wheat crop.

The 1958-59 supply is made up as follows. The beginning carry-over on 1 July 1958, was 881 million bushels, 28 million less than on the same date in 1957, and 152 million less than in 1956, but 108 million more than the 1952-56 average. In recent years the CCC has owned 90 per cent or more of the carry-over, and this was true also on 1 July 1958, when the CCC owned 834 million of the 881 million bushel carry-over. Despite the reduced carry-overs in the last two years, the very large 1958 crop will result in a carry-over on 1 July 1959 of about 1,303 million bushels, the largest in history. Production in 1958 is now estimated at 1,421 million bushels, a record size crop. This production alone is 412 million bushels larger than anticipated domestic and export requirements in 1958-59. The 1958 crop came from only 56.0 million planted acres, whereas the previous record 1947 crop came from 78.3 million planted acres. The large 1958 production resulted from record high yields averaging 26.9 bushels per planted acre (28.1 bushels per harvested acre) of winter wheat. Imports of millable wheat and of wheat flour under the quotas referred to above, plus imports of wheat unfit for human consumption and seed wheat for planting purposes (both outside the quota) are estimated at 10 million bushels during 1958-59, compared with 11.0 million in 1957-58, and the 1952-56 average of 9.8 million bushels.

Utilization - Domestic disappearance in 1958-59 is estimated at 609 million bushels, 25 million more than in 1957-58, but approximately the same as in other recent years. Exports of wheat, including flour, in 1958-59 are presently estimated to total 400 million bushels, compared with 402 million in 1957-58, and 549 million in 1956-57. Based on supplies and disappearance during 1958-59 as outlined above, the carry-over at the end of the year will be approximately 1,303 million bushels, an increase of 422 million bushels over the 1958 carry-over. This will reverse the downward trend in US carry-over stocks which has gone on during the past three years. It is anticipated that the CCC will own about 90 per cent of the record-large carry-over in 1959, as in other recent years.

Price support activity in 1958-59 is expected to be very large, perhaps the largest in history. It is likely that in excess of 500 million bushels of 1958 wheat will be placed under support, and at least 400 million bushels will be delivered to the CCC during April-June 1959. Such acquisitions by the CCC would be approximately twice as large as in 1958.
The CCO owned 833 million bushels of wheat on 1 July 1958, all acquired by deliveries from farmers under price support operations. Dispositions of wheat by CCO during 1958-59 are presently estimated to total 146 million bushels, including 29 million donations, the total being considerably less than the 169 million sales and donations in 1957-58, and 292 million bushels in 1956-57. Part of this decrease is due to the programme for wheat exports adopted by the CCO on 4 September 1956, under which exports come primarily from privately owned stocks, and only wheat which is equivalent in value to the export subsidies and wheat for certain donation and barter programmes comes from CCO stocks. It is anticipated that CCC stocks will increase to well over 1.1 billion bushels on 1 July 1959 - a new all-time record high.

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

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

(a) Severe Acreage Limitations in Effect - Acreage used for wheat production has been reduced very sharply under 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 minimum 55 million acre allotments for 1958 and 1959 are 30 per cent below the acreage seeded to wheat in 1953, prior to the imposition of allotments and quotas. When marketing quotas are in effect (as they have been every year since 1953), the production on the allotted acres becomes the producer's marketing quota and if he exceeds his farm wheat acreage allotment he becomes ineligible for price support on the entire production of wheat from his farm. Any producer who exceeds his marketing quota must pay a penalty of 45 per cent of the 1 May parity price on the excess quantity, or he must store the excess under seal for possible sale in a subsequent year when he plants under his allotment in line with a prescribed formula. Wheat is ineligible for support if grown on newly irrigated or drained lands within any Federal project after the enactment of the Agricultural Act of 1956 or produced in violation of provisions which generally are being included in new leases or Federally owned land, to prevent the production thereon of surplus crops.

(b) Soil Bank - In 1956 the United States instituted an acreage reserve programme, authorized by the Soil Bank Act of 1956. Under this programme, cash payments are being made to farmers who plant less than their acreage allotments of the "basic" crops including wheat. Wheat farmers placed nearly 6 million acres in the acreage reserve for 1956, 12.8 million acres for 1957, and 5.3 million acres for 1958. The 12.8 million acres placed in the acreage reserve by wheat growers for 1957 was equivalent to 23 per cent of the national wheat allotment, and the 5.3 million acres for 1958 was 10 per cent of the allotment. These reductions were in addition to the sharp cutbacks which already had occurred under the acreage allotment and marketing quota programmes.
cited above. It was made possible under the soil bank only because the rates of payment are established at levels which will maintain net farm income from wheat on land placed in the acreage reserve at the approximate levels which would have been attained if the participating farmers had planted the crop. The cost of this programme is relatively large; $231 million were obligated for wheat reserve participation for 1957, and the cost for 1958 will amount to about $105 million. Payments to participating farmers under the wheat acreage reserve programme during the past year averaged about $20 per acre for the land idled from production of any crops. The result of this expenditure in 1957 was to reduce the land planted to wheat to 49.9 million acres, the lowest since 1870; and the production was lowered by about 175 million bushels. In 1958 the land planted to wheat was reduced to 56.0 million acres, 30 per cent less than in 1953; and the production was lowered by about 130 million bushels below what it otherwise would have been. In order to make the acreage reserve programme more effective in 1958, as noted above, a total harvested acreage "base" was established for each participating farm, and the farmer was required to hold his total harvested acreage for all crops below the base by the equivalent of the number of acres placed in the soil bank, to check the tendency to shift production from the allotment crops eligible for participation in the acreage reserve to other crops which contribute to the overall surpluses.

In addition, as noted above, a conservation reserve programme has been in effect each year since 1956. To date farmers have retired from the production of any crops 10.4 million acres under this programme, much of which otherwise would have been planted to wheat. The 1959 goal for the conservation reserve is an additional 12.5 million acres which, if achieved, would result in 22.9 million acres in this programme during the four years. Present intentions are to discontinue the acreage reserve programme in 1959, but to greatly enlarge the conservation reserve programme in future years.

(c) Downward adjustments have been made in the wheat price support levels. A national average support price of $1.82 per bushel has been announced for the 1958 crop; and the minimum support price for the 1959 crop has been announced at $1.81 per bushel. This is considerably below the $2.24 per bushel for the 1954 crop, the $2.08 for the 1955 crop, and the $2.00 for the 1956 and 1957 crops. The 1958 and 1959 support levels are the lowest since the 1946 crop. The support rates for the 1958 and 1959 crop are equivalent to 75 per cent of parity, the lowest level of support permitted by existing legislation, and the lowest percentage of parity at which wheat has been supported since 1940.

(d) During the 1958-59 marketing year, the United States Government is continuing disposal operations aimed at increasing outlets for wheat. These include donations for domestic relief under section 416 of the Agricultural Act of 1949, as amended, and donations of wheat and flour for overseas relief
under Titles II and III of P.L. 480. Wheat for export under the subsidy programme will continue to be obtained generally from free market supplies instead of from sales of CCC-owned stocks, and payments on wheat export subsidies generally will be made in kind, pursuant to the basic change made in the wheat export programme effective 4 September 1956. This programme is aimed at returning more responsibility for wheat marketings to the private trade.

While many positive steps have been taken by the United States to bring about a better balance between supply and utilization of wheat, the solution to the surplus problem is made more difficult by the fact that wheat is also produced in large amounts and surplus stocks exist in a number of other countries.
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 and designated cotton waste during the 1958-59 cotton marketing year. There have been some changes in import quotas during the past year. Harsh or rough cotton under 3/4 inch is no longer subject to quotas. Also, the quota for long staple cotton (1-1/8 inches and longer) for 1958-59 and subsequent years has been subdivided on the basis of staple length. The 1958-59 import quotas for cotton which, as pointed out in previous reports, 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 3/4 inch) - 14,516,882 pounds annually during the quota year beginning 20 September.

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

(1) 39,590,778 pounds for extra long staple having a staple length of 1-3/8 inches or more.

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

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

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

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

During the 1958 crop season, the United States Government has continued its extensive efforts to deal with the cotton surplus problem. It has had in operation several programmes, including a price support, an acreage allotment and marketing quota programme, a soil bank programme, and related surplus operations. Despite the progress made as a result of these programmes, it is necessary to continue import quotas on cotton and cotton waste in order to prevent imports from materially interfering with these domestic programmes and related operations. These programmes and the conditions which make necessary the continuation of these import restrictions are explained in detail below.
Upland Cotton

(a) Programmes - Price support for 1958 crop upland cotton was mandatory under Title I of the Agricultural Act of 1949, as amended, within an overall range of 75 to 90 per cent of parity because about 93 per cent of the cotton producers voting in a referendum held in December 1957 approved marketing quotas. Beginning with the 1959 crop, the price support authority for upland cotton is changed by the Agricultural Act of 1958. That legislation permits a gradual transition to a more flexible price support by 1962, when the overall range widens to 65 to 90 per cent of parity.

The 1958 crop of upland cotton is being supported at an average level reflecting 81 per cent of parity as of 1 August, the beginning of the marketing year. This compares with a support level of 78 per cent, 82-1/2 per cent, and 90 per cent of parity for the 1957, 1956, and 1955 crops.

The United States average support level for 1958 crop middling 7/8 inch upland cotton is 31.23 cents per pound. This is 2.4 cents per pound above the level of 28.81 for 1957 and compares with 29.34 cents per pound in effect for the 1956 crop.

Acreage allotments and marketing quotas are also in effect for the 1958 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 1958 under the marketing quota operation was set at the minimum level authorized by law. The national acreage allotment of 17.6 million acres is about the same as for the 1957 crop and compares with an allotment of 17.4 million acres for the 1956 crop, 18.1 million acres for the 1955 crop, and 21.4 million acres for the 1954 crop. Except for the slightly lower allotment in 1956, it is the smallest acreage allotment established since allotments and marketing quotas were first imposed under the Agricultural Adjustment Act of 1938.

In 1958, the United States Government also had in operation an acreage reserve programme for cotton under the Soil Bank Act, which was put into effect for the first time in 1956. This programme provides for payments to farmers who plant less than their cotton farm acreage allotment and who comply with other programme 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 about 16 cents a pound. Nearly 5 million acres were put in the acreage reserve by cotton growers, thereby leaving a maximum of slightly less than 12.7 million acres of the allotment from which cotton could be harvested in 1958. The 1958 planted acreage is estimated at 12.6 million acres, 12 per cent less than the 14.3 million acres planted in 1957,
and compares with the 1947-56 average of 23.2 million acres. About 12.4 million acres were in cultivation on 1 July 1958, 12 per cent less than the 14.1 million acres in cultivation on 1 July 1957, and 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 1957-58 in liquidating stocks of cotton acquired under price support. The supply for the 1958-59 season is estimated at about 20 million bales compared to 22.2 million a year ago and 27.4 million two years ago. Disappearance is expected to be between 12.0 and 13.0 million bales. The supply is made up as follows:

Carry-over - The carry-over on 1 August 1958, the start of the marketing year, was about 8.7 million running bales - about 2.5 million bales smaller than a year earlier. The cotton carry-over 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 14.7 in August 1956. A substantial part of the 1958 carry-over 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 1.8 million bales smaller than at the start of the 1957-58 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 1958 upland cotton crop was estimated at 11.4 million running bales (11.5 million 500-pound bales) as of 1 August 1958. This is nearly 0.6 million bales or about 5 per cent above the quantity produced in 1957, and 13 per cent less than the 1956 crop.

Imports - Imports of upland cotton (including short staple Asiatic type) under the quotas referred to above are expected to amount to about 50,000 to 60,000 bales, approximately 30,000 less than was imported in 1957-58.

Disappearance - Domestic consumption and exports of upland cotton in 1958-59 may be about one million bales less than in 1957-58. Domestic consumption is expected to be slightly less in 1958-59 than the 8.0 million bales during 1957-58. Exports will largely account for disappearance being lower than in 1957-58. Exports are likely to be around 4.5 million bales. The 1958-59 estimate of United States cotton exports is necessarily based on preliminary information on the production and consumption of cotton abroad.

Carry-over 1 August 1959 - Preliminary supply and disappearance information indicates a prospective carry-over of upland cotton on 1 August 1959, nearly one million bales smaller than that of 1958. It should be recognized, however, 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 1958-59 will be relatively heavy. The current crop is expected to be larger than domestic consumption. Since a large part of the exports of cotton are coming from CCC stocks, this situation would point to fairly large acquisitions of cotton by CCC from the 1958 crop.

Extra Long Staple Cotton

(a) Programmes - Price support for the 1958 crop and future crops of extra long staple cotton is required by legislation enacted by Congress on 2 July 1958, which provides that the level of support for extra long staple cotton shall be not more than 75 per cent nor less than 60 per cent of the parity price. Representatives of the producers requested this legislation be enacted so the price of extra long staple cotton would be more competitive and to encourage the growth of markets which would permit increased production. A United States average support level of 54 cents per pound, net weight, has been announced for 1958-crop American-Egyptian extra long staple cotton, and 49 cents per pound for Sea Island and Sealand cotton, such levels reflecting 65 per cent of the current parity price.

Acreage allotments and marketing quotas were continued for the 1958 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 1959 is 62,286 acres, or about 6,000 less than the 1957 allotment of 62,357 acres.

(b) Supply situation - Current stocks of CCC-acquired extra long staple cotton from 1956 and prior crops total about 1,400 bales. Approximately 39,000 bales of 1957-crop extra long staple cotton, now under price support loan, had been acquired at the close of business 31 July 1958. Legislation providing for the withdrawal of 50 thousand bales of domestic extra long staple in the United States stockpile of strategic materials was approved in July 1957. Although this cotton was transferred to CCC on 1 August 1957, for sale, it still is technically in the stockpile and becomes a part of the United States supply only as it is sold. The law referred to above provides that the cotton will be sold at not less than 105 per cent of the current support price plus reasonable carrying charges, or the current market price as determined by CCC. Sales of stockpile cotton during 1957-58 totalled 8,560 bales, leaving 41,440 bales available for sale.
The supply is made up as follows:

**Carry-over** - The carry-over on 1 August 1958 is estimated at about 73,000 bales compared with 53 thousand bales a year earlier. This does not include the cotton remaining from that transferred from the stockpile to CCC for sale. The carry-over for the preceding four seasons ranged from 53 thousand on 1 August 1957 to 176 thousand bales on 1 August 1955.

**Production** - The 1958 crop is estimated at 79 thousand running bales as of 1 August 1958.

**Imports** - Imports of long staple cotton will depend largely upon the supply available from Egypt and the Sudan and its price in relation to that of American-Egyptian cotton, but it is most likely that the quota will be filled. Thus imports will be substantially larger than in 1957-58 when approximately one-half of the import quota was filled with ordinary long staple (upland) from Mexico.

**Disappearance** - It is expected that domestic use and exports of extra long staple cotton in 1958-59 will probably be around 130,000 bales, much higher than in 1957-58. Domestic consumption might be slightly higher in 1958-59 than the estimated 100 thousand bales during 1957-58. It is difficult at this time to make any precise estimate of exports during 1958-59, but an increase is expected. Important unknown factors are the pricing of Egyptian and other extra long staple cotton for export and the volume of these exports.

**Carry-over 1 August 1959** - A specific estimate of carry-over on 1 August 1959 cannot be made until more information is available, particularly on exports.

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

### 3. Steps Taken to Reduce the Surplus of Cotton

During 1958-59, the United States is continuing its efforts to reduce the surplus of cotton. These efforts, in general, have been along the following lines: (a) reduction of production through the use of acreage allotments and marketing quotas; (b) holding the level of price supports as close as possible to the minimum required by law; and (c) market stabilization and surplus disposal programmes to avoid disruption of domestic and foreign markets and to dispose of the surplus in an orderly manner.

(a) **Reduction of Production** - Further steps were taken by the United States Government in 1958 to reduce production of cotton. The national acreage allotment was established at 17.6 million acres which is the minimum level permitted by law for the 1958 crop. This allotment and the 1956 and 1957 allotments were the lowest allotments established since 1938 when allotments and marketing quotas were first established for cotton under the Agricultural Adjustment Act of 1938. The national allotment prior to World War II was never established below 27.2 million acres.
In addition, the United States continued the soil bank programme under which, in 1958, farmers voluntarily took nearly five million acres of land out of cotton. This reduction was in addition to the drastic curtailment made through the acreage allotment programme. These reductions are in addition to the sharp cutbacks which already have occurred and which are discussed above. They were made possible under the soil bank only because the rate of payment was established at levels which on the average would 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 1958 was estimated at 12.4 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 to 14.1 million acres in 1957 and 12.4 million acres in 1958. The steps taken by the United States to reduce production have resulted in a drop in the United States' cotton crop from 16.3 million running bales in 1953 to 10.9 million bales in 1957. In early August, the 1958 crop was estimated at 11,393,000 bales.

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 1958 world production, but cotton production in other countries of the free world increased from 13.9 million bales in 1953 to about 16.4 million bales in 1957. 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) Price Support - The price support for the 1958 crop of upland cotton was fixed at a United States average of 31.23 cents per pound for Middling 7/8-inch cotton at average location. This level reflects 81 per cent of the parity price on 1 August and, even though it is somewhat higher than the 1957 level of support, it is the minimum required by existing legislation on the basis of the current supply situation.

In July 1958, the Congress amended Title I of the Agricultural Act of 1949 (the legislation which requires that the price of extra long staple cotton be supported) to provide that the level of support shall be no more than 75 per cent nor less than 60 per cent of the parity price. In 1957 the level of support was fixed at 75 per cent of parity.

(c) Market Stabilization and Surplus Disposal Operations - During the past year the United States has continued its programmes 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 the 1956 report. Under this policy the CCC offers to sell for export any upland cotton owned by CCC, on a competitive bid basis, so as to keep United States cotton prices competitive in foreign markets.
CCC sold 7,747,200 bales of upland cotton for export under the 1956-57 programme and about 5,8 million bales under the 1957-58 programme. In addition, as of 1 August 1958 about 690,264 bales had been sold for export between 1 August 1958 and 31 July 1959.

The 1958-59 export sales programme is being supplemented by a "payment-in-kind" programme to encourage exports from commercial stocks. Under this programme, exporters who register with CCC their export sales of upland cotton from commercial stocks, can earn a payment-in-kind from CCC stocks. The programme applies only to exports on and after 1 August 1958. A payment rate of 6.50 cents per pound has been announced by the Department. The rate will be effective until changed and will be subject to change without prior notice. As of 1 August 1958 about 103,639 bales had been registered for export under this programme.
RYE, INCLUDING RYE FLOUR, AND RYE MEAL

1. Section 22 Quotas in Effect 1958-59

Import quotas for rye, including rye flour and meal, are unchanged from those 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 per cent) of the quota is allotted for Canada and the remainder of 3,720,000 pounds may be imported from all 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. Prior to the end of the 1958-59 season, a review will be made to determine whether circumstances require the reimposition of controls beyond 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 meal. As pointed out in earlier reports, these quotas were imposed because (a) domestic supplies were much larger than domestic utilization, (b) a price support programme was in effect, and (c) large quantities of rye were available in exporting countries at prices below United States support levels. Under these conditions, it was practically certain and continues to be practically certain that unrestricted imports would materially interfere with and render ineffective the Department's price support programme for rye.

The 1958 crop of rye is being supported at a national average price of $1.10 per bushel, or 70 per cent of parity. The 1958 support level for rye is the lowest since 1945. The 1958 support price is 8 cents less than the 1957 rate, 17 cents less than the 1956 rate, and 34 cents less than the 1954 rate.

The supply of rye in 1958-59 is considerably greater than in 1957-58 and, as in other recent years, it will exceed domestic plus export requirements substantially. The carry-over of rye in 1958 is twice as large as would be considered desirable, and it is likely to increase by one-third in 1959.

Total Supply - The total supply of rye in 1958-59, including imports at the quota level, is expected to amount to 47.6 million bushels on the basis of the August Crop Report. A supply at this level would be 30 per cent greater than in the previous year, and it would be 83 per cent more than the estimated 1958-59 domestic needs of 26 million bushels. It will be 20 per cent above the five-year 1952-56 average supply of 39.8 million bushels. The total supply is made up of the following:
Carry-over - The carry-over at the start of the marketing year on 1 July 1958 is estimated at 10.1 million bushels compared with 6.6 million a year earlier. The CCC-owned 6.1 million bushels of rye on 1 July 1958, acquired under price support operations, equal to 50 per cent of the United States' carry-over stocks.

Production - Production of rye in 1958, on the basis of the August Crop Report, is estimated at 34.1 million bushels. This crop was produced from 1,863,000 harvested acres, with a yield of 18.3 bushels per acre, the highest yield of record. The five-year 1952-56 average production was 22.2 million bushels, from an average of 1,658,000 harvested acres, and an average yield of 13.3 bushels per acre.

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 1958-59 would be about the same as in the last four years when the quota was in effect.

Utilization - Domestic use of rye for food, industrial purposes, feed and seed in 1958-59 is expected to total 26 million bushels, about the same as in other recent years.

Exports - Exports in 1958-59 are expected to total about 7 million bushels, compared with 10.7 million exported in 1956-57, and 3.5 million exported in 1957-58. Practically all exports prior to 1 July 1958 came from CCC-owned stocks, at prices reflecting substantial losses to the Government. Thereafter, under the new export-subsidy payment-in-kind programme instituted by the CCC, the majority of the rye exports will come from privately-owned stocks, and only grain equivalent in value to the subsidies will come from the CCC.

Carry-over 1 July 1959 - The carry-over at the end of the 1958-59 season, on the basis of the above estimates of supply and utilization, is expected to total about 15 million bushels. It is practically certain that a large part of these carry-over stocks, probably at least 11 million bushels, will be owned by the CCC.

Under the conditions outlined above, increased price support activity is expected in 1958-59, despite the import controls in effect. The quantity placed under support will be considerably larger than the 7.7 million bushels placed under support in 1957-58. Redemptions by farmers probably will be very small, as in previous years, since the supply substantially exceeds domestic requirements. As a result, most of the rye placed under support is likely to be acquired by the CCC, and the Corporation can be expected to incur heavy losses in disposing of the inventories.

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

Efforts are being continued in 1958-59 to bring production and use of rye into better balance. One approach has been to lower support prices as indicated above.
It is not possible to determine exactly the extent to which soil bank operations directly affect rye production, since land used for production of rye is eligible only under the conservation reserve programme, which provides for shifting current crop land to conservation uses under contracts running for several years. We know, however, that acreage planted to rye has been reduced from 5.1 million in 1955 to 4.4 million acres in 1958. Also, the application of the soil bank "base" provision, which requires that the total harvested 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 shifts of wheat acreage to rye which otherwise might take place. Greater use of rye continues to be encouraged, including donations for relief purposes at home and abroad. Through these and other programmes it is hoped ultimately to bring the supply and requirements into better balance.

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, and no changes are anticipated in 1958-59. These controls are on a continuing basis and are in the form of fees of 50 per cent 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 improved very little during 1957-58, despite a relatively short crop in 1957, caused by adverse weather. Supplies in 1957-58 were reduced 10 per cent below the five-year 1952-56 average, but they still amounted to 67 per cent more than domestic requirements. It will be necessary to maintain existing import fees during 1958-59 because (a) the outlook is for domestic supplies substantially in excess of domestic needs, (b) the price support programme will continue in effect under the provisions of Title III of the Agricultural Act of 1949 as amended, and (c) large quantities of surplus flaxseed are available in major exporting countries at prices below the United States support level. Under these conditions, it is practically certain that unrestricted imports would materially interfere with and render ineffective the Department of Agriculture's price support programme for flaxseed.

The support price for flaxseed has been lowered repeatedly in the last five years, from a national average of $3.79 per bushel for the 1953 crop to $2.78 for the 1958 crop, a reduction of 27 per cent. The 1958 support price of $2.78 is 14 cents less than the 1957 support level.

Total Supply - The domestic supply of flaxseed in 1958-59 is estimated at 46 million bushels, consisting of a carry-over of 9.2 million bushels, and a 1958 crop of 37 million bushels on the basis of the August Crop Report. This supply is well in excess of 1958-59 requirements, presently estimated at 30 million bushels. The CCC owned 3.2 million bushels of the 1958 United States'
carry-over, equal to one-third of the carry-over stocks. The 1958 carry-over would have been much larger if the CCC had not disposed of 16 million bushels of its inventory, acquired under price support operations, during the summer of 1957. These sales were made mostly for export, at heavy loss to the CCC.

Utilization - United States' crushings of flaxseed declined from 35.0 million bushels in 1955-56 to 26.2 million in 1956-57, 27.3 million in 1957-58, and they are not expected to exceed 26.0 million in 1958-59. Crushings during the five years 1952-56 averaged 29.3 million bushels. The drop in crushings in recent years resulted from lowered industrial demands for linseed oil, due largely to the substitution of soya oil and other available low-priced vegetable oils in the manufacture of paints and other products. The only other domestic requirement for flaxseed is as seed for planting purposes. United States' farmers planted only 4.1 million acres in 1958, a decline of 26 per cent from the 1957 planted acreage, and 18 per cent less than the 1952-56 average. Present indications are that farmers will not increase their plantings significantly in the next few years; therefore requirements for seed are not likely to exceed 3.0 to 3.5 million bushels per year. Total domestic use of flaxseed in 1958-59 is now estimated at 29 to 30 million bushels, 10 per cent less than the five-year 1952-56 average.

Exports - United States' exports of flaxseed in 1953-59 are not likely to exceed 5 million bushels, most of which will be from CCC stocks, acquired under price support operations for the 1957 crop. The outlook is for heavy supplies in major exporting countries, and world prices are likely to be below the United States price support level to farmers. About 35 million bushels may be available for export as seed or oil from other countries.

Carry-over 1 July 1959 - On the basis of supply and disappearance information indicated above, it is expected that the United States' carry-over in 1959 will be slightly above that in 1958, i.e., about 10 million bushels. If this happens, it is anticipated that the CCC will own about one-half of the carry-over next year.

Price Support Activity - With a crop of 37 million bushels of flaxseed harvested in 1958, it is expected that farmers will place well in excess of 5 to 6 million bushels under price support, and at least 3 to 4 million bushels will be delivered to the CCC in 1959.

The CCC acquired 3.1 million bushels of the 1957 crop under price support operations, and it is expected that the loss to the Corporation will be 2.8 million in liquidating these stocks. Present indications are that acquisitions and losses from the 1958 crop will be even larger. The CCC has incurred losses of $166 million on flaxseed and linseed oil since 1 July 1946, including $16 million during 1957-58. As of 1 July 1958, the CCC owned 3.1 million bushels of flaxseed, for which a reserve of $32.6 million had been set aside, indicating a probable loss of 84 cents per bushel in disposing of these stocks.
3. Steps Taken to Reduce Surpluses

(a) Price support levels for flaxseed have been cut repeatedly from $3.79 per bushel in 1953, based on 80 per cent of parity, to $2.78 in 1958, based on 65 per cent of parity, a reduction of $1.01 per bushel, equal to 27 per cent in the last five years. The 1958 support rate is 14 cents below the 1957 rate.

(b) The soil bank base provision in effect for the 1958 acreage reserve programme contributed towards the substantial reduction which took place in acreage planted to flaxseed in 1958. This provision required that the total harvested acreage for all crops be held below the base by the equivalent number of acres placed in the acreage reserve. In 1958, farmers placed 5.3 million acres of wheat land in the acreage reserve, and none of this idled land could be planted to flaxseed or any other crop. The acreage reserve programme also has resulted in some reduction in flaxseed production indirectly by providing a means of cutting back production of the basic crops, thereby lessening the need for further reductions in acreage for these crops. Such reductions in the past have resulted in a shift in acreage from these allotment crops to flaxseed. Also to date, 10.4 million acres have been retired from crop production under the conservation reserve programme of the soil bank, and some of this land otherwise could have been planted to flaxseed. The acreage reserve programme for the basic crops will be discontinued in 1959, but the present goal is to expand the conservation reserve programme by 12.5 million acres in the coming year. The 1958 acreage reserve programme for the six basic crops, including wheat, cost the Government $696.3 million, and the 1958 conservation reserve programme cost $154.1 million, the total outlay for both programmes being $850.4 million.

Through these and other programmes, it is hoped ultimately to bring supplies and requirements of flaxseed more in balance. However, the outlook is for continuing large surplus supplies of flaxseed in other countries, and most of this will move into export outlets including the United States if existing import controls were to be relaxed. 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 1958-59

(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 per cent in addition to the applicable import duty of 4 cents per pound. This fee likewise is on a continuing basis, unless modified.

2. Reasons why such Restrictions continue to be applied

During the 1958 crop season the United States Government has in operation several programmes for peanuts. These include a price support programme, an acreage allotment and marketing quota programme in connexion with the price support programme, and related storage and disposal operations. These are described in more detail below. Import controls on peanuts and peanut oil are being continued in 1958-59 to prevent imports from materially interfering with these programmes and operations.

(a) Programmes - Price support for peanuts is mandatory each year, under Title I of the Agricultural Act of 1949, as amended, at a level of 75 per cent to 90 per cent of parity except when producers disapprove marketing quotas. For the 1958 crop prices are being supported at a minimum national average of about $213.20 per short ton, or 81 per cent of the August 1958 parity price. This is lower than the average support price of $221.40 for the 1957 crop and of $227.04 for the 1956 crop. In terms of parity, the 81 per cent for 1958-59 compares with 81.4 per cent a year earlier and 86 per cent for the 1956 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 per cent to 90 per cent 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 1958-59.

Marketing quotas are in effect during the 1958 marketing year. Quotas for 1958, as well as for the 1959 marketing year were approved by 94 per cent 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 favour of marketing quotas was much higher than the minimum of two-thirds required by existing legislation.

The national acreage allotment of 1,612,388 acres established for 1958 under the marketing quota operation is the minimum authorized by law adjusted upward by 2,388 acres for Valencia peanuts in accord with provisions of the Agricultural Adjustment Act, as amended. This allotment is about the same as for 1957. The 1958 acreage allotment is about 14 per cent below the ten-year (1948-1957) average of 1,874,000 acres, picked and threshed. In 1947, the acres picked and threshed totaled 3,377,000 or more than double the total allotted for 1958.

(b) Supply situation - The United States is confronted with a surplus situation on peanuts. Despite the programmes to limit production and dispose of surplus, peanut supplies in 1958-59 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 1950-1958.

<table>
<thead>
<tr>
<th>Year beginning 1 August</th>
<th>Production</th>
<th>Domestic Consumption</th>
<th>Acquired under Price Support</th>
<th>Disposed of as Surplus</th>
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<td>1958 **</td>
<td>1,657</td>
<td>1,366</td>
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</tr>
</tbody>
</table>

* Preliminary
** Estimated

The total supply of peanuts in the United States for 1958-59 is expected to be about 2,019 million pounds compared with a 1957-58 supply of 1,904 million pounds. This supply is made up as follows:

The carryover on 1 August 1958 is expected to be about 360 million pounds, as compared with 456 million pounds a year earlier. About 30 per cent of the 1957 carryover was owned by CCC.
Production during 1958 the basis of the 1 August crop report is 1,657 million pounds. This is 212 million pounds more than the crop produced in 1957.

Imports will account for about 2 million pounds.

Disposition of shelled edible peanuts in commercial channels including small quantities exported is expected to be larger than in 1957. On a farmers stock basis, however, commercial disappearance may not be quite as large as last year. The exceptionally poor quality of the 1957 crop resulted in low out-turn of edible grades of kernels from farmers stock. Commercial use of shelled edible grades has been increasing about 8 per cent a year for two years.

Carry-Over on 1 August 1959 on the basis of supply and disappearance information now available is expected to be somewhat greater than on 1 August 1958. Domestic utilization for seed and feed purposes and consumption as edible nuts, changes little from year to year. With supplies for 1958–59 estimated to be larger than a year earlier, it would appear that 200 million pounds or more will be channelled through CCC for crushing for oil or for export.

Price support activity - Under these conditions, it is anticipated that price support operations will be carried on in 1958–59 on a somewhat larger scale than during the preceding season when 243 million pounds were placed under loan and 102 million pounds were 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 peanuts production has been reduced sharply under the acreage allotments and marketing quotas to the adjusted minimum specified by law. The national acreage allotment serves as a basis for determining the size of the individual farm allotments. The national allotment of 1,612 thousand acres in 1958 was less than one-half of the 3,296 thousand acres from which peanuts were picked and threshed in 1948, the last year in which acreage allotments were not in effect. Despite this reduction in acreage peanut farmers voted overwhelmingly in December 1956 for acreage allotments for three years, or on the 1957, 1958 and 1959 crops. When acreage allotments are in effect any producer who knowingly exceeds his farm acreage allotment is denied price support on any peanuts produced on that farm. In addition, the farmer under the marketing quota regulations must pay a penalty of 75 per cent of the loan rate on such excess quantity as is produced.
(b) A policy of crushing peanuts for oil has been followed by the CCC when considerable quantities of shelled peanuts accumulated under the price support programme. Additional quantities have been sold for export. During the 1957-58 year CCC sold about 115 million pounds of peanuts, farmers stock basis, for domestic crushing purposes. During this period CCC also sold about 66 million pounds of peanuts, farmers stock basis, for export. A smaller quantity, about 9 million pounds of shelled goods were sold for domestic unrestricted edible use. An additional 9 million pounds, farmers stock equivalent basis, were sold for Section 32 School Lunch Programme use.

ALMONDS

Section 22 Quotas in Effect

A one year fee-quota on shelled almonds is in effect beginning 23 October 1957 and ending 30 September 1958. In addition to the tariff duty, a fee of 10 cents per pound is imposed on imports in excess of 5,000,000 pounds. Through 9 August 1958 imports of shelled almonds totalled 4,937,585 pounds.

Supply-prospects, 1958-59 with comparisons

Prospective 1958-59 almond supplies will be considerably smaller than in 1957-58, due to anticipated short crops in both the United States and Europe. United States supply data for 1957-58 and as forecast (as of 1 August 1958) for 1958-59 are as follows:

<table>
<thead>
<tr>
<th>Year beginning 1 October</th>
<th>1957-58</th>
<th>1958-59 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(thousand pounds)</td>
<td></td>
</tr>
<tr>
<td>Carry-in</td>
<td>18,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Production</td>
<td>36,000</td>
<td>27,000</td>
</tr>
<tr>
<td>Domestic Supply</td>
<td>54,000</td>
<td>38,000</td>
</tr>
<tr>
<td>Imports</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Total Supply</td>
<td>59,000</td>
<td></td>
</tr>
</tbody>
</table>

Due to this supply prospect in 1958-59, it is not contemplated that controls will be re-imposed after they expire on 30 September 1958.
DAIRY PRODUCTS

1. Section 22 Quotas in Effect

Import controls are in effect under Section 22 during 1958-59 for butter, cheese of certain types and varieties, dried milk products, and butter oil and other articles, with certain exceptions, containing 45 per cent or more butter-fat. The quotas are the same as those reported as being in effect in the 1957-58 report, except that the quota of 1,800,000 pounds for butter oil and butter substitutes for the year ending 31 December 1957 expired and an annual quota of 1,200,000 pounds became effective thereafter.

The quotas in effect in the period 1 July 1958 - 30 June 1959 are as follows: dried cream, 500 pounds; butter, 707,000 pounds; dried whole milk, 7,000 pounds; dried buttermilk, 496,000 pounds; malted milk and compounds, 6,000 pounds; dried skim milk, 1,807,000 pounds; Cheddar cheese, 2,780,100 pounds; blue-mold cheese, 4,167,000 pounds; Edam and Gouda cheese, 4,600,200 pounds; Italian (cow's milk) cheese, 9,200,100 pounds, butter oil and butter substitutes, 1,200,000 pounds; articles containing 45 per cent or more butter-fat (except articles already subject to quotas, cheeses, evaporated and condensed milk, and products imported in retail packages) no imports authorized since there were none during the representative base period.

2. Production and Utilization

Milk production in 1957 increased about a billion pounds over production in 1956, continuing the trend of annual increases of 1 to 2 billion pounds in the past several years. The increase continued to be accomplished with fewer but more productive cows than the year before.

About a billion pounds less milk was used on farms in 1957 than in 1956 because of reductions in the use of milk for farm butter production, calf feeding, and farm consumption as milk and cream. Marketings of milk (as milk and cream) therefore increased about 2 billion pounds. Marketings of milk by farmers in the form of whole milk increased by 3.2 billion pounds while sales of cream declined 1.2 billion pounds, continuing the long-term trend of shifting from deliveries of cream to milk.

The milk equivalent of price support purchases in the calendar year 1957 totalled about 5.9 billion pounds milk equivalent compared with 5.2 billion pounds in 1956.

Non-farm consumption of milk and cream in 1957 increased 1.4 billion pounds over 1956. Utilization of milk in manufactured dairy products increased slightly in 1957. Increases in milk used to make butter, cheese and ice cream were partly offset by decreases in the quantity of milk used in evaporated and condensed milk. The production and utilization of milk from 1950 to 1957 are shown in Table 1, attached.
Milk production in the first half of 1958 about equalled that of the same period in 1957. Consumption of milk and its products in all forms changed little from a year earlier as the milk equivalent of price support purchases was about the same as in the first half of 1957.

3. Need for Continuing Import Quotas on Dairy Products

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

In carrying out this support, the Department of Agriculture purchased in the marketing year ended 31 March 1958 about 215 million pounds of butter, 248 million pounds of cheese and 629 million pounds of non-fat dry milk. These purchases were equivalent to about 5.4 per cent of the United States production of milk during the year. Purchases of dairy products primarily for price support from 1949 through the marketing year ended 31 March 1958 are shown in Table 2.

Losses to the Government, including costs of processing and transportation, on sales and donations of dairy products in the first eleven months (through May) of the 1957-58 fiscal year totalled 307 million dollars.

Government purchases April through July 1958 have been somewhat higher than a year earlier for non-fat dry milk and less than a year earlier for butter and cheese and were equivalent to 2.1 billion pounds of milk compared to 3.3 billion pounds a year earlier.

United States market prices of dairy products, at levels corresponding to the new lower levels of support, discussed in more detail under point 4 below, are still well above the prices of dairy products in the major dairy exporting countries. In the absence of import controls, dairy product imports would increase to sizable quantities and government price support purchases would increase correspondingly. Therefore, it is necessary to continue restrictions on imports of certain dairy products in 1958-59 to prevent imports of these products from materially interfering with or rendering ineffective the mandatory programme for supporting prices to producers for milk and butter-fat and the utilization of dairy products acquired under this programme.

4. Steps taken toward the Solution of the Problem

The support levels for the marketing year beginning 1 April 1958 were reduced to the minimum levels of 75 per cent of the parity equivalent price for manufactured milk and 75 per cent of parity for butter-fat in farm-separated cream. The 1958-59 support prices are $3.06 per hundredweight for manufacturing milk and 56.6 cents per pound for butter-fat. These prices were reduced from the 1957-58 levels of $3.25 for manufacturing milk, or 82 per cent of the parity equivalent price and 58.6 cents for butter-fat, or 79 per cent of parity.
The President in January 1958 requested authority to expand the permissible range of support for dairy products to 60 to 90 per cent of parity from the present 75 to 90 per cent. This authority was not granted by Congress in the farm bill that was passed.

Commodity Credit Corporation continued to offer its stock of dairy products for sale back to the domestic market at prices moderately above the current buying prices. Only small quantities of butter and cheese and no non-fat dry milk were sold back.

The principal outlets continued to be donations for domestic and foreign school lunch and welfare uses and donations for increased consumption by military personnel and veterans hospital patients.

The utilization of Government-owned dairy products in the 1957-58 marketing year (1 April to 30 March) was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Butter (Million Pounds)</th>
<th>Cheddar cheese (Million Pounds)</th>
<th>Non-fat dry milk (Million Pounds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial domestic sales</td>
<td>4.3</td>
<td>3.9</td>
<td>-</td>
</tr>
<tr>
<td>Animal feed sales</td>
<td>-</td>
<td>-</td>
<td>27.6</td>
</tr>
<tr>
<td>Commercial export sales</td>
<td>21.3</td>
<td>12.2</td>
<td>85.0</td>
</tr>
<tr>
<td>Non-commercial export sales</td>
<td>-</td>
<td>-</td>
<td>54.3</td>
</tr>
<tr>
<td>Transfers to armed services and veterans hospitals</td>
<td>35.0</td>
<td>2.2</td>
<td>0.1</td>
</tr>
<tr>
<td>ICA transfers</td>
<td>-</td>
<td>6.1</td>
<td>35.8</td>
</tr>
<tr>
<td>Domestic donations</td>
<td>113.0</td>
<td>96.3</td>
<td>88.0</td>
</tr>
<tr>
<td>Foreign donations</td>
<td>-</td>
<td>150.9</td>
<td>510.3</td>
</tr>
<tr>
<td><strong>Total</strong>:</td>
<td><strong>173.6</strong></td>
<td><strong>271.5</strong></td>
<td><strong>801.6</strong></td>
</tr>
</tbody>
</table>

Utilization of Government-owned dairy products April through June of the 1958-59 marketing year continued at about the same rate as in 1957-58. Uncommitted stocks on 30 June 1958 were 84.7 million pounds of butter, 70.4 million pounds of cheese, and 152.6 million pounds of non-fat dry milk.

The special programmes to increase the consumption of milk by military personnel and veterans hospital patients and by children in schools and summer camps are being continued. An estimated additional 1.5 billion pounds of milk were consumed in July through May of the 1957-58 fiscal year under these programmes, at a cost of 89 million dollars. The milk so consumed correspondingly reduced price support purchases.
Table 1. Production and utilization of milk, United States, 1950-57

(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>116,602</td>
<td>114,681</td>
<td>114,671</td>
<td>120,221</td>
<td>122,094</td>
<td>123,128</td>
<td>125,474</td>
<td>126,381</td>
</tr>
<tr>
<td>Total</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>125,474</td>
<td>126,381</td>
</tr>
<tr>
<td><strong>Utilization (milk equiv.)</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>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creamery butter, total</td>
<td>28,641</td>
<td>24,906</td>
<td>24,617</td>
<td>29,421</td>
<td>30,259</td>
<td>28,951</td>
<td>29,613</td>
<td>29,914</td>
</tr>
<tr>
<td>From whey cream</td>
<td>838</td>
<td>817</td>
<td>815</td>
<td>932</td>
<td>961</td>
<td>948</td>
<td>987</td>
<td>1,003</td>
</tr>
<tr>
<td>Net</td>
<td>27,803</td>
<td>24,089</td>
<td>23,802</td>
<td>28,489</td>
<td>29,298</td>
<td>28,003</td>
<td>28,626</td>
<td>28,911</td>
</tr>
<tr>
<td><strong>Cheese</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>American</td>
<td>8,972</td>
<td>8,791</td>
<td>8,551</td>
<td>10,239</td>
<td>10,475</td>
<td>10,073</td>
<td>9,936</td>
<td>10,254</td>
</tr>
<tr>
<td>Other</td>
<td>2,883</td>
<td>2,776</td>
<td>3,088</td>
<td>3,104</td>
<td>3,258</td>
<td>3,480</td>
<td>3,788</td>
<td>3,693</td>
</tr>
<tr>
<td><strong>Canned milk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaporated</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>5,397</td>
<td>5,224</td>
</tr>
<tr>
<td>Sweetened condensed</td>
<td>143</td>
<td>135</td>
<td>124</td>
<td>96</td>
<td>58</td>
<td>78</td>
<td>164</td>
<td>145</td>
</tr>
<tr>
<td><strong>Bulk condensed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsweetened</td>
<td>537</td>
<td>556</td>
<td>539</td>
<td>558</td>
<td>599</td>
<td>644</td>
<td>701</td>
<td>708</td>
</tr>
<tr>
<td>Sweetened</td>
<td>85</td>
<td>92</td>
<td>102</td>
<td>105</td>
<td>80</td>
<td>90</td>
<td>104</td>
<td>105</td>
</tr>
<tr>
<td><strong>Dry whole milk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>952</td>
<td>999</td>
<td>774</td>
<td>794</td>
<td>718</td>
<td>835</td>
<td>847</td>
<td>740</td>
</tr>
<tr>
<td><strong>Frozen products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ice cream &amp; other products</td>
<td>8,196</td>
<td>8,489</td>
<td>8,941</td>
<td>9,221</td>
<td>9,150</td>
<td>9,651</td>
<td>9,968</td>
<td>10,051</td>
</tr>
<tr>
<td>Fat from other products</td>
<td>1,302</td>
<td>1,486</td>
<td>1,400</td>
<td>1,424</td>
<td>1,404</td>
<td>1,480</td>
<td>1,510</td>
<td>1,525</td>
</tr>
<tr>
<td>Net from milk &amp; cream</td>
<td>6,894</td>
<td>7,001</td>
<td>7,541</td>
<td>7,797</td>
<td>7,746</td>
<td>8,171</td>
<td>8,458</td>
<td>8,526</td>
</tr>
<tr>
<td>Other factory products</td>
<td>724</td>
<td>939</td>
<td>936</td>
<td>967</td>
<td>1,052</td>
<td>1,131</td>
<td>1,218</td>
<td>1,260</td>
</tr>
<tr>
<td>Total factory products</td>
<td>55,170</td>
<td>51,603</td>
<td>51,544</td>
<td>57,597</td>
<td>58,681</td>
<td>57,995</td>
<td>59,239</td>
<td>59,566</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm butter</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>2,963</td>
<td>2,719</td>
</tr>
<tr>
<td>Fluid milk consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm</td>
<td>11,300</td>
<td>11,300</td>
<td>11,200</td>
<td>12,500</td>
<td>10,100</td>
<td>10,000</td>
<td>9,900</td>
<td>9,100</td>
</tr>
<tr>
<td>Non-farm</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>
<td>51,100</td>
</tr>
<tr>
<td>Total</td>
<td>52,900</td>
<td>54,100</td>
<td>54,900</td>
<td>55,100</td>
<td>56,200</td>
<td>58,200</td>
<td>59,600</td>
<td>60,200</td>
</tr>
<tr>
<td>Fed to calves</td>
<td>3,286</td>
<td>3,443</td>
<td>3,343</td>
<td>3,334</td>
<td>3,344</td>
<td>3,291</td>
<td>3,166</td>
<td>2,968</td>
</tr>
<tr>
<td>Exports and storage</td>
<td>-56</td>
<td>116</td>
<td>79</td>
<td>-141</td>
<td>-45</td>
<td>26</td>
<td>-4</td>
<td>65</td>
</tr>
<tr>
<td>Other</td>
<td>842</td>
<td>1,167</td>
<td>985</td>
<td>755</td>
<td>552</td>
<td>406</td>
<td>510</td>
<td>863</td>
</tr>
</tbody>
</table>

1 Includes an allowance for milk produced by cows not on farms.
2 Milk equivalent of butter and condensed milk used in ice cream.
3 Includes dry cream, malted milk, dry part skim milk, dry ice cream mix, and cottage cheese.
4 Includes net milk equivalents of butter and frozen dairy products to avoid double counting of milk from which fat was re-used in making a second dairy product.
5 Includes an allowance for fluid consumption on farms not producing milk.
6 Net movement of whole milk or cream into export or storage channels.
7 Residual, including minor uses and any inaccuracies of independently determined production and use items.
Table 2. Milk production and price support purchases
marketing years 1949 to 1957-58

<table>
<thead>
<tr>
<th>Marketing year beginning April 1 (except as noted)</th>
<th>Milk Production</th>
<th>Purchases</th>
<th>Milk equivalent of total purchases as per cent of milk production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Million pounds)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1949&lt;sup&gt;2&lt;/sup&gt;</td>
<td>116,103</td>
<td>114.3</td>
<td>25.5</td>
</tr>
<tr>
<td>1950-1951&lt;sup&gt;3&lt;/sup&gt;</td>
<td>142,526</td>
<td>127.9</td>
<td>115.8</td>
</tr>
<tr>
<td>1951-1952</td>
<td>114,313</td>
<td>1.2</td>
<td>11.0</td>
</tr>
<tr>
<td>1952-1953</td>
<td>116,460</td>
<td>143.3</td>
<td>75.2</td>
</tr>
<tr>
<td>1953-1954</td>
<td>121,761</td>
<td>380.2</td>
<td>473.4</td>
</tr>
<tr>
<td>1954-1955</td>
<td>121,673</td>
<td>210.5</td>
<td>153.4</td>
</tr>
<tr>
<td>1955-1956</td>
<td>124,797</td>
<td>177.6</td>
<td>157.3</td>
</tr>
<tr>
<td>1956-1957</td>
<td>125,445</td>
<td>154.4</td>
<td>197.2</td>
</tr>
<tr>
<td>1957-1958</td>
<td>126,530</td>
<td>215.1</td>
<td>248.3</td>
</tr>
</tbody>
</table>

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

<sup>2</sup> Calendar year.

<sup>3</sup> January 1950 - March 1951 (15 months).
TUNG NUTS AND TUNG OIL

1. Controls in Effect for 1958-59

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

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

2. Reasons why such Restrictions are applied

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

(a) Price Support Programme - Price support for tung nuts is mandatory at a level of not less than 60 per cent nor more than 90 per cent of parity under the Agricultural Act of 1949, as amended. The 1957 crop price support programme is implemented through purchase agreements on tung nuts and purchase agreements and loans on tung oil. The 1957 crop tung nuts were supported at $52.13 per ton with an equivalent of 20.5 cents per pound for tung oil. In 1956, tung nuts were supported at $53.76 per ton with equivalent oil at 21 cents per pound. The 1957 support reflects 65 per cent of the 15 October 1957 parity for tung nuts. The 1956 support also reflected 65 per cent of parity which in that year was $2.50 per ton higher than on 15 October 1957. The support for the 1958 crop of tung nuts and the oil equivalent value will be announced prior to 1 November 1958.
(b) Supplies during 1957-58 - Because of freeze damage, the estimated domestic production of oil from 1957 crop tung nuts is 26 million pounds. This amount together with 25 million pounds to be imported during the 1957-58 marketing year under the 9 September 1957 - 31 October 1958 quota together with carry-over stocks of 25 million pounds makes an availability of 76 million pounds for the current marketing year.

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

(d) Carry-over - With production plus imports again in excess of consumption, the carry-over of tung oil at the beginning of the 1958-59 marketing year is expected to increase to more than 30 million pounds with stocks largely held by the Commodity Credit Corporation of the Department of Agriculture.

(e) Estimates for 1958-59 - If a normal crop of 40 million pounds is produced domestically from tung nuts grown in 1958, this production plus the imports of 26 million pounds will swell the total availability for the marketing year to almost 100 million pounds. This will be about the amount which would normally be consumed in two marketing years.

(f) Price relationships - When the import quotas were established in the fall of 1957, the world price of tung oil was from 4 to 6 cents below the price support level in the United States. Throughout the 1957-58 marketing year with heavy production from South American countries in the face of competition with Chinese oil in Europe, the world price for tung oil now stands at a little less than 12 cents per pound in contrast with 20.5 cents per pound price support level in the United States.

3. Steps taken to Solve the Problem of Surplus

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

Under these circumstances, the action taken has been in the form of keeping the support level at or close to the minimum levels permitted by law. As pointed out above, support has been maintained at 65 per cent of parity which is only slightly above the minimum of 60 per cent authorized by law.
It is believed that the import controls imposed will have some effect in solving the surplus problem. While the United States normally produces 40 million pounds a year, due to freeze damage the crop has fallen below this level for the past five years.

Under these circumstances, some imports of tung oil are needed. However, when these imports become excessive they result in accumulation of supplies from the domestic crop under the price support programme. With this background, import controls were established on the basis of the quantity needed on the average during the past five years to supplement domestic production and fill average consumption.
Table 1.

**Tung Oil: US Supply and Disposition**

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* Partially estimated
** Negligible