

# CERTAIN DAIRY PRODUCTS FROM THE EUROPEAN COMMUNITY

Determination of the Commission  
in Investigation No. 104-TAA-10  
Under Section 104(a) of the  
Trade Agreements Act of 1979,  
Together With the Information  
Obtained in the Investigation

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**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMISSIONERS**

**Alfred E. Eckes, Chairman**

**Paula Stern**

**Veronica A. Haggart**

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**Kenneth R. Mason, Secretary to the Commission**

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UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

Investigation No. 104-TAA-10

CERTAIN DAIRY PRODUCTS FROM THE EUROPEAN COMMUNITY

Determination

On the basis of the record 1/ developed in investigation No. 104-TAA-10, the Commission unanimously determines, pursuant to section 104(a) of the Trade Agreements Act of 1979, that an industry in the United States is not materially injured, is not threatened with material injury, and that the establishment of an industry is not materially retarded by reason of imports from the European Community (EC) of certain dairy products 2/ which are subject to an outstanding countervailing duty order, but for which the imposition and collection of such duties have been waived.

Background

Section 104(a) of the Trade Agreements Act of 1979 requires that the U.S. International Trade Commission make an injury determination in those cases in which the Commission has received the most current net subsidy information pertaining to any countervailing duty order in effect on January 1, 1980, which had been waived pursuant to section 303(d) of the Tariff Act of 1930.

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1/ The "record" is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (47 F.R. 6190, Feb. 10, 1982).

2/ The dairy products included in the investigation are:

1. Milk and cream, fluid, condensed, evaporated, or dried; butter and butter substitutes; and cheese except quota cheeses (as defined in section 701(c)(1) of the Trade Agreements Act of 1979) and certain nonquota cheeses made from goat's or sheep's milk (all the foregoing provided for in subparts A, B, and C, part 4, schedule 1, of the Tariff Schedules of the United States (TSUS)).
2. Whey and yoghurt and other fermented milk (provided for in TSUS items 118.00-.10, inclusive).
3. Animal oils, fats, and greases, all the foregoing derived from milk (provided for in TSUS item 177.67).
4. Animal feeds containing milk or milk derivatives (provided for in TSUS items 184.70 and 184.80).

On June 10, 1982, the Commission received a letter dated June 8, 1982 from the U.S. Department of Commerce (Commerce) transmitting the most current information regarding subsidies bestowed by the EC on nonfat dry milk and butter. On August 13, 1982, Commerce amended its letter of June 10, 1982, to include the most current information on all the products in the waived countervailing duty order except quota cheese and the certain nonquota cheeses, for which the Commission had previously determined in Certain Nonquota Cheese from Belgium, Denmark, the Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands and the United Kingdom, USITC Pub. No. 1079 (June 1980), that there was no material injury or threat thereof. Accordingly, on August 27, 1982, the Commission instituted investigation No. 104-TAA-10 to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports from the EC of certain dairy products which are subject to the countervailing duty order for which the imposition and collection of duties has been waived.

Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on September 9, 1982 (47 F.R. 39744). The public hearing was held in Washington, D.C. on October 21, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.



## VIEWS OF CHAIRMAN ALFRED E. ECKES AND COMMISSIONER PAULA STERN

Pursuant to section 104(a) of the Trade Agreements Act of 1979 (19 U.S.C. 1671 note), we determine that an industry in the United States is not materially injured or threatened with material injury, or that the establishment of an industry in the United States is not materially retarded, 1/ by reason of imports of certain dairy products from the European Community (EC) which are subject to a countervailing duty (CVD) order 2/ for which the imposition and collection of duties has been waived.

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1/ Since there is an established domestic dairy industry, the question of material retardation of the establishment of an industry is not at issue and will not be discussed further.

2/ This is not the first time that the Commission has been asked to make a material injury determination with regard to imports subject to this waived CVD order. On January 7, 1980, the Commission received a notice from the Department of Commerce that the same products subject to the instant investigation were being referred to the Commission for an injury determination, and on February 5, 1980, the Commission received from the Department of Commerce the most current net subsidy information with regard to these dairy products. In its February 5, 1980 letter, Commerce informed the Commission of the amount of the subsidies for certain nonquota cheeses and also indicated that no payments were currently being paid on exports of the other dairy products to the United States that were included in the order. Consequently, the Commission conducted an investigation only with regard to imports of the nonquota cheeses for which subsidies had been found and ultimately determined that there was no material injury in Certain Nonquota Cheese from Belgium, Denmark, the Federal Republic of Germany, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom, USITC Pub. No. 1079 (June 1980). The Commission in its 1980 proceeding did not conduct an investigation with regard to those dairy products which the Department of Commerce reported were not subject to a net subsidy.

(Footnote continued)

## Introduction

In July 1968, the National Milk Producers Federation filed a petition with the U.S. Department of the Treasury (Treasury) <sup>3/</sup> alleging that bounties and grants in the form of export subsidies were being paid and bestowed by all foreign countries on dairy products imported into the United States. As a result of the investigation instituted pursuant to this petition, Treasury published a "Notice of Countervailing Duties" on dairy products from the EC in May 1975. Pursuant to section 303(d) of the Tariff Act of 1930 (19 U.S.C. 1303(d)), as amended by the Trade Act of 1974, Treasury simultaneously issued a Waiver of Countervailing Duties. This waiver, which would otherwise have expired, was extended on April 3, 1979, by Public Law 96-6. (19 U.S.C. § 1303(4)(A)).

The Commission's jurisdiction in this section 104 investigation is based on the Trade Agreements Act of 1979. This act established an injury test for CVD cases and provided for a review of designated CVD orders issued in investigations without a material injury test prior to enactment of the Trade Agreements Act of 1979 for the purpose of making such orders consistent with the new law. <sup>4/</sup> The purpose of this investigation is to make a material

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(Footnote continued)

In *Molasses from France*, USITC Pub. No. 1248 (May 1982), the Commission determined that it is "appropriate for the Commission to conduct a section 104 investigation so long as the order remains outstanding and the subsidy can be resumed." Although the Molasses review was conducted pursuant to section 104(b), the Department of Commerce cited it as the basis for again asking us to review the remaining dairy products subject to the waived CVD order despite its finding of no net subsidies for these products. See Report at A-68. This background serves to emphasize the unique nature of this case.

<sup>3/</sup> Most of the Treasury Department's functions regarding CVD cases have been transferred to the Commerce Department. 44 F.R. 69173.

<sup>4/</sup> S. Rep. No. 96-249, 96th Cong., 1st Sess. 106 (1979).

injury determination with respect to certain dairy products from the EC subject to the CVD order which was imposed without the benefit of an injury test. Section 104(a) covers this CVD order for which the imposition of duties was waived by the Secretary of the Treasury pursuant to section 303(d) of the Tariff Act of 1930.

Section 104(a)(1) requires the Department of Commerce (Commerce) to notify the Commission of the CVD orders in effect on January 1, 1980, for which the imposition of duties has been waived. <sup>5/</sup> It further requires Commerce to furnish the Commission with "the most current information it has with respect to the net subsidy benefiting the merchandise subject to the countervailing duty order."

Commerce notified the Commission of the "most current information" available regarding certain EC dairy products subject to the waived order by letters of June 8 and August 9, 1982. These letters stated that there were no net subsidies currently bestowed by the EC, but that "the countervailing program of EC restitution payments remains in effect, though the EC has suspended specific payments . . . since July 12, 1974." <sup>6/ 7/</sup>

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<sup>5/</sup> 19 USC § 1671.

<sup>6/</sup> We note that the Department of Commerce in its investigation regarding the existence of subsidies did not look into any of the EC's internal mechanisms but solely relied on the EC's authorized export restitution payments, Official Journal of the European Communities. Notes of telephone conversations of Oct. 21 and 28, 1982, between Commission staff and Commerce Department official. Witnesses at the hearing held on Oct. 21, 1982, before the Commission contested Commerce's conclusion that the EC does not subsidize its exports of dairy products to the United States. Transcript 5-7, 11-13, 22. Pursuant to the bifurcated process for resolving these issues provided for by Congress, Commerce is the appropriate forum for presenting objections to the determination of the existence and level of the subsidy.

<sup>7/</sup> Commissioner Stern notes that, in addition to the reasons for a negative determination contained in these views, the absence of subsidy payments and the lack of information indicating the likelihood of resumed payments supports a negative determination in this investigation.

## The Domestic Industry

We begin our analysis with the definition of the relevant domestic industry against which the impact of the subject imports must be assessed. Section 771(4)(A) of the Tariff Act of 1930 8/ defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." The term "like product" is, in turn, defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to an investigation under this title."

The present investigation covers:

1. Milk and cream, fluid, condensed, evaporated, or dried; butter and butter substitutes; and cheese except quota cheeses (as defined in section 701(c)(1) of the Trade Agreements Act of 1979) and certain nonquota cheeses made from goat's or sheep's milk (all the foregoing provided for in subparts A, B, and C, part 4, schedule 1, of the Tariff Schedules of the United States (TSUS)).
2. Whey and yoghurt and other fermented milk (provided for in TSUS items 118.00-.10, inclusive).
3. Animal oils, fats, and greases, all the foregoing derived from milk (provided for in TSUS item 177.67).
4. Animal feeds containing milk or milk derivatives (provided for in TSUS items 184.70 and 184.80). 9/

The different imported dairy products subject to this investigation are clearly distinguishable in terms of characteristics and uses. However,

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8/ Section 104(e) of the Trade Agreements Act of 1979 provides that: "[w]henver any term which is defined in section 771 of the Tariff Act of 1930 is used in [section 104], it has the same meaning as when it is used in title VII of that Act."

9/ While the subject of this investigation is described in terms of the TSUS, the outstanding CVD order described the products covered in terms of the Brussels Tariff Nomenclature.

domestic producers do not segregate their economic data by product. Therefore, the narrowest group of products for which profit and loss data is available for this investigation includes all of the domestic dairy products. Thus, the domestic industry in this investigation includes all producers of all dairy products.

#### Condition of the Domestic Industry

Because all the subject dairy products are derived from milk, our analysis is based on data for milk which is representative of the total industry. Although the number of domestic farms selling milk declined from about 402,000 in 1977 to 325,000 in 1981 and the number of U.S. plants producing manufactured dairy products declined moderately during the same period, both the production of milk and the value of milk production increased. From 1977 to 1982, milk production increased from nearly 123 billion pounds to approximately 134 billion pounds. The value of production increased from nearly \$12 billion in 1977 to over \$18 billion in 1981. 10/

#### Material Injury or Threat Thereof

Pursuant to section 22 of the Agricultural Adjustment Act (21 U.S.C. § 24) imports of most of these dairy products have been limited by quotas for a considerable time, some as long as thirty years. 11/ There is no reason to expect that this situation will change in the foreseeable future. The impact of these dairy imports must be viewed in conjunction with the U.S. Department of Agriculture's price support program for the dairy products subject to this investigation. This was recognized by Congress in its enactment of

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10/ Report at A-26.

11/ Report at A-16.

section 771(7)(D), 19 U.S.C. § 1677(7)(D) which directs that the Commission consider any increased burden on government income or price support programs in assessing material injury for agricultural commodities.

These imports have been equivalent to less than 0.5 percent of U.S. consumption in recent years. 12/ In particular, U. S. imports of the most widely traded dairy products, NFDM and butter, which entered at their maximum allowable levels under the quota in 1981, equaled only 0.2 percent of domestic NFDM production and 0.06 percent of domestic butter production. Although the price of imported condensed or evaporated milk and cream, nonfat dried milk, and butter have been lower than domestic prices throughout the period of this investigation, and the differential between domestic and imported prices has been increasing, there has not been a depressing effect on domestic prices. 13/

The U.S. price support program 14/ provides a price floor for manufacturing grade milk. In order to accomplish this objective, the USDA purchases three manufactured dairy products, butter, nonfat dry milk, and Cheddar cheese, 15/ that can be stored for several years. When market demand and supply are in balance as in 1977, the market price may exceed the support level. However, when milk supplies exceed demand, as they have since 1979, the market will fall to the support price level and the support price may even exceed the market price.

Because the supported price of whole milk keeps the production costs of all dairy products up in times of oversupply, all dairy products are to some

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12/ Report at A-40.

13/ Report at A-46.

14/ 7 U.S.C. 1421 note.

15/ Two of the products purchased by USDA, butter and NFDM, are included in this investigation.

degree influenced by the price support program for milk when supply exceeds demand, even though they may not be directly purchased by USDA. Hence, the prices for non-USDA purchased items, such as condensed and evaporated milk and cream and dried whole milk, behave similarly to the prices of the three USDA purchased products. During the 1977 to 1981 period, domestic prices for the three USDA-purchased dairy products, Cheddar cheese, NFDM, and butter, increased by a range of 38 to 52 percent. The price of yoghurt, 16/ increased approximately 10 percent during the 1977-1981 period, and the price of whey powder 17/ used for animal feed fell from 16 cents per pound to 14 cents per pound between 1978 and 1981. 18/

The traditional indicators of injury do not demonstrate material injury or threat thereof to the domestic industry by reason of the subject imports. However, the impact of dairy imports from the EC on the U.S. dairy industry may not be fully measurable by the traditional indices of material injury to the domestic producers because of the United States government price support programs for dairy products subject to this investigation. Thus, the impact of dairy imports must be viewed in conjunction with the USDA's price support program. In fact, section 771(7)(D) of the Tariff Act directs the Commission to consider "any increased burden on government income or price support programs" in assessing material injury for agricultural commodities. 19/

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16/ The lower price increase of yoghurt is partly explained by the price premium that this product attained during the years of rapid consumption growth in the 1970's. Recently, with increasing competition in the yoghurt market, prices have not grown as rapidly as previously.

17/ The price decline of whey--a by-product of cheese-- is partly explained by the rapid rise in production of cheese in the 1970's and the consequent excess supply of whey on the market.

18/ Report at A-47.

19/ 19 U.S.C. § 1677(7)(D).

The U.S. Government's net support purchases of dairy products increased during the period under investigation. Although net support purchases decreased from nearly \$710 million for the year ending September 30, 1977, to over \$244 million for the year ending in September 30, 1979, the amount increased to nearly \$2 billion in the year ending September 30, 1981. However, even assuming all imports subject to this investigation displaced domestic products, the total cost to the price support program is estimated at \$38 million 20/ approximately 0.2 percent of net U.S. government expenditures on the dairy support program. However, inasmuch as the quotas on the products under investigation have been in effect for years and the volume of the subject imports has remained stable, we do not have any reason to foresee a change in this situation. 21/ 22/

The increased government expenditures on the price support program for dairy products may be explained by increased domestic milk production and higher support prices. With the exception of specialty cheeses, imports of dairy products subject to this investigation have been at minimal levels.

For these reasons we have determined that the domestic industry is not materially injured by reason of imports of the merchandise subject to the waived countervailing duty order on dairy products from the EC.

The Community used export refunds of over \$2.3 billion in 1981 to sell surplus dairy products abroad to countries other than the United States. Comparisons of the EC dairy export data with the data on U.S. imports of EC

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20/ Report at A-52.

21/ Chairman Eckes directs the reader to compare Sugar from the EC, Inv. No. 104-TAA-7, at 11, USITC Pub. No. 1247 (May 1982).

22/ Report at A-16.



dairy products confirms the existence of other export markets for EC dairy products. Although the EC's restitution payments may result in increased exports to third country markets, this is not an issue in this investigation. 23/. The availability of other markets for EC dairy products coupled with the quantitative restrictions on access to the U.S. market indicates that there is no real threat of imminent injury to the domestic industry by reason of the subject imports.

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23/ This may be a violation of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (relating to subsidies and countervailing measures) to which both the EC and the United States are parties. The proper recourse for such a violation is the filing of a petition pursuant to section 302 of the Trade Act of 1974, as amended by the Trade Agreements Act of 1979, 19 U.S.C. 2412.

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## Views of Commissioner Veronica A. Haggart

Pursuant to section 104(a) of the Trade Agreements Act of 1979 (19 U.S.C. 1671 note), we determine that an industry in the United States is not materially injured or threatened with material injury, or that the establishment of an industry in the United States is not materially retarded, 1/ by reason of imports of certain dairy products from the European Community (EC) which are subject to a countervailing duty (CVD) order 2/ for which the imposition and collection of duties has been waived.

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1/ Since there is an established domestic dairy industry, the question of material retardation of the establishment of an industry is not at issue and will not be discussed further.

2/ This is not the first time that the Commission has been asked to make a material injury determination with regard to imports subject to this waived CVD order. On January 7, 1980, the Commission received a notice from the Department of Commerce that the same products subject to the instant investigation were being referred to the Commission for an injury determination, and on February 5, 1980, the Commission received from the Department of Commerce the most current net subsidy information with regard to these dairy products. In its February 5, 1980 letter, Commerce informed the Commission of the amount of the subsidies for certain nonquota cheeses and also indicated that no payments were currently being paid on exports of the other dairy products to the United States that were included in the order. The Commission conducted an investigation only with regard to imports of the nonquota cheeses for which subsidies had been found and ultimately determined that there was no material injury in Certain Nonquota Cheese from Belgium, Denmark, the Federal Republic of Germany, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom, USITC Pub. No. 1079 (June 1980). The Commission in its 1980 proceeding did not conduct an investigation with regard to those dairy products which the Department of Commerce reported were not subject to a net subsidy.

In Molasses from France, USITC Pub. No. 1248 (May 1982), the Commission determined that it is "appropriate for the Commission to conduct a section 104 investigation so long as the order remains outstanding and the subsidy can be resumed." Although the Molasses review was conducted pursuant to section 104(b), the Department of Commerce cited it as the basis for again asking us to review the remaining dairy products subject to the waived CVD order despite its finding of no net subsidies for these products. See Report at A-68. This background serves to emphasize the unique nature of this case.

## Introduction

In July 1968, the National Milk Producers Federation filed a petition with the U.S. Department of the Treasury (Treasury) 3/ alleging that bounties and grants in the form of export subsidies were being paid and bestowed by all foreign countries on dairy products imported into the United States. As a result of the investigation instituted pursuant to this petition, Treasury published a "Notice of Countervailing Duties" on dairy products from the EC in May 1975. Pursuant to section 303(d) of the Tariff Act of 1930 (19 U.S.C. 1303(d)), as amended by the Trade Act of 1974, Treasury simultaneously issued a Waiver of Countervailing Duties. This waiver, which would otherwise have expired, was extended on April 3, 1979. 4/

The Commission's jurisdiction in this section 104 investigation is based on the Trade Agreements Act of 1979. This act established an injury test for CVD cases and provided for a review of designated CVD orders issued in investigations without a material injury test prior to enactment of the Trade Agreements Act of 1979 for the purpose of making such orders consistent with the new law. 5/ The purpose of this investigation is to make a material injury determination with respect to certain dairy products from the EC subject to the CVD order which was imposed without the benefit of an injury test. Section 104(a) covers this CVD order for which the imposition of duties was waived by the Secretary of the Treasury pursuant to section 303(d) of the Tariff Act of 1930.

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3/ Most of the Treasury Department's functions regarding CVD cases have been transferred to the Commerce Department. 44 F.R. 69173.

4/ Public Law 96-6 (19 U.S.C. § 1303(4)(A)).

5/ S. Rep. No. 96-249, 96th Cong., 1st Sess. 106 (1979).

Section 104(a)(1) requires the Department of Commerce (Commerce) to notify the Commission of the CVD orders in effect on January 1, 1980, for which the imposition of duties has been waived. <sup>6/</sup> It further requires Commerce to furnish the Commission with "the most current information it has with respect to the net subsidy benefiting the merchandise subject to the countervailing duty order."

Commerce notified the Commission of the "most current information" available regarding certain EC dairy products subject to the waived order by letters of June 8 and August 9, 1982. These letters stated that there were no net subsidies currently bestowed by the EC, but that "the countervailing program of EC restitution payments remains in effect, though the EC has suspended specific payments . . . since July 12, 1974." <sup>7/</sup>

#### The Domestic Industry

We begin our analysis with the definition of the relevant domestic industry against which the impact of the subject imports must be assessed.

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<sup>6/</sup> 19 USC § 1671.

<sup>7/</sup> We note that the Department of Commerce in its investigation regarding the existence of subsidies did not look into any of the EC's internal mechanisms but solely relied on the EC's authorized export restitution payments, Official Journal of the European Communities. Notes of telephone conversations of Oct. 21 and 28, 1982, between Commission staff and Commerce Department official. Witnesses at the hearing held on Oct. 21, 1982, before the Commission contested Commerce's conclusion that the EC does not subsidize its exports of dairy products to the United States. Transcript (TR) 5-7, 11-13; 22. Pursuant to the bifurcated process for resolving these issues provided for by Congress, Commerce is the appropriate forum for presenting objections to the determination of the existence and level of the subsidy.

Section 771(4)(A) of the Tariff Act of 1930 8/ defines the term "industry" as the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." The term "like product" is, in turn, defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to an investigation under this title."

The present investigation covers:

1. Milk and cream, fluid, condensed, evaporated, or dried; butter and butter substitutes; and cheese except quota cheeses (as defined in section 701(c)(1) of the Trade Agreements Act of 1979) and certain nonquota cheeses made from goat's or sheep's milk (all the foregoing provided for in subparts A, B, and C, part 4, schedule 1, of the Tariff Schedules of the United States (TSUS)).
2. Whey and yoghurt and other fermented milk (provided for in TSUS items 118.00-.10, inclusive).
3. Animal oils, fats, and greases, all the foregoing derived from milk (provided for in TSUS item 177.67).
4. Animal feeds containing milk or milk derivatives (provided for in TSUS items 184.70 and 184.80). 9/

The different imported dairy products subject to this investigation are clearly distinguishable in terms of characteristics and uses. However, domestic producers do not segregate their economic data by product. Therefore, the narrowest group of products for which profit and loss data is available for this investigation includes all of the domestic dairy products.

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8/ Section 104(e) of the Trade Agreements Act of 1979 provides that: "[w]henver any term which is defined in section 771 of the Tariff Act of 1930 is used in [section 104], it has the same meaning as when it is used in title VII of that Act."

9/ While the subject of this investigation is described in terms of the TSUS, the outstanding CVD order described the products covered in terms of the Brussels Tariff Nomenclature.

Thus, the domestic industry in this investigation includes all producers of all dairy products.

#### Condition of the Domestic Industry

Because all the subject dairy products are derived from milk, our analysis is based on data for milk which is representative of the total industry. Although the number of domestic farms selling milk declined from about 402,000 in 1977 to 325,000 in 1981 and the number of U.S. plants producing manufactured dairy products declined moderately during the same period, both the production of milk and the value of milk production increased. From 1977 to 1982, milk production increased from nearly 123 billion pounds to approximately 134 billion pounds. The value of production increased from nearly \$12 billion in 1977 to over \$18 billion in 1981. <sup>10/</sup>

#### Material Injury or Threat Thereof

The traditional indicators of injury do not demonstrate material injury or threat thereof to the domestic industry by reason of the subject imports. However, the impact of dairy imports from the EC on the U.S. dairy industry may not be fully measurable by the traditional indices of material injury to the domestic producers because of the United States government price support program for dairy products subject to this investigation. Thus, the impact of dairy imports must be viewed in conjunction with the USDA's price support program. In fact, section 771(7)(D) of the Tariff Act directs the Commission to consider "any increased burden on government income or price support programs" in assessing material injury for agricultural commodities. <sup>11/</sup>

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<sup>10/</sup> Report at A-26.

<sup>11/</sup> 19 U.S.C. § 1677(7)(D).

The U.S. price support program 12/ provides a price floor for manufacturing grade milk. In order to accomplish this objective, the USDA purchases three manufactured dairy products--butter, nonfat dry milk, and Cheddar cheese--13/ that can be stored for several years. When market demand and supply are in balance as in 1977, the market price may exceed the support level. However, when milk supplies exceed demand, as they have since 1979, the market will fall to the support price level and the support price may even exceed the market price.

Because the supported price of whole milk keeps the production costs of all dairy products up in times of oversupply, all dairy products are to some degree influenced by the price support program for milk when supply exceeds demand, even though they may not be directly purchased by USDA. Hence, the prices for non-USDA purchased items, such as condensed and evaporated milk and cream and dried whole milk, behave similarly to the prices of the three USDA purchased products. During the 1977 to 1981 period, domestic prices for the three USDA-purchased dairy products--Cheddar cheese, NFDM, and butter--increased by a range of 38 to 52 percent. The price of yoghurt 14/ increased approximately 10 percent during the 1977-1981 period, and the price of whey powder 15/ used for animal feed fell from 16 cents per pound to 14 cents per pound between 1978 and 1981. 16/

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12/ 7 U.S.C. 1421 note.

13/ Two of the products purchased by USDA, butter and NFDM, are included in this investigation.

14/ The lower price increase of yoghurt is partly explained by the price premium that this product attained during the years of rapid consumption growth in the 1970's. Recently, with increasing competition in the yoghurt market, prices have not grown as rapidly as previously.

15/ The price decline of whey--a by-product of cheese--is partly explained by the rapid rise in production of cheese in the 1970's and the consequent excess supply of whey on the market.

16/ Report at A-47.



With regard to the issue of increased government expenditures, the U.S. Government's net support purchases of dairy products increased during the period under investigation. Although net support purchases decreased from nearly \$710 million for the year ending September 30, 1977, to over \$244 million for the year ending in September 30, 1979, the amount increased to nearly \$2 billion in the year ending September 30, 1981. However, even assuming all imports subject to this investigation displaced domestic products, the total cost to the price support program is estimated at \$38 million, 17/ approximately 0.2 percent of net U.S. government expenditures on the dairy support program. In any case, the increased government expenditures on the price support program for dairy products may be explained by increased domestic milk production and higher support prices.

Pursuant to section 22 of the Agricultural Adjustment Act (21 U.S.C. § 24) imports of most of these dairy products have been limited by quotas for a considerable time, some as long as thirty years. 18/ There is no reason to expect that this situation will change in the foreseeable future. These imports have been equivalent to less than 0.5 percent of U.S. consumption in recent years. 19/ In particular, U. S. imports of the most widely traded dairy products, NFDM and butter, which entered at their maximum allowable levels under the quota in 1981, equaled only 0.2 percent of domestic NFDM production and 0.06 percent of domestic butter production.

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17/ Report at A-52.

18/ Report at A-16.

19/ Report at A-40.

For these reasons we have determined that the domestic industry is not materially injured by reason of imports of the merchandise subject to the waived countervailing duty order on dairy products from the EC.

The Community used export refunds of over \$2.3 billion in 1981 to sell surplus dairy products abroad to countries other than the United States. Comparisons of the EC dairy export data with the data on U.S. imports of EC dairy products confirms the existence of other export markets for EC dairy products. Although the EC's restitution payments may result in increased exports to third country markets, this is not an issue in this investigation. 20/. The availability of other markets for EC dairy products coupled with the quantitative restrictions on access to the U.S. market indicates that there is no real threat of imminent injury to the domestic industry by reason of the subject imports.

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20/ This may be a violation of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (relating to subsidies and countervailing measures) to which both the EC and the United States are parties. The proper recourse for such a violation is the filing of a petition pursuant to section 301 of the Trade Act of 1974, as amended by the Trade Agreements Act of 1979, 19 U.S.C. 2412.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

In July 1968, The National Milk Producers Federation filed a petition with the U.S. Department of the Treasury alleging that bounties and grants in the form of export subsidies were being paid and bestowed by all foreign countries on dairy products imported into the United States.

In May 1975, the U.S. Treasury Department published a "Notice of Countervailing Duties" on dairy products from the European Community (EC) (T.D. 75-113). The notice contained a listing of products included, by European Community Common External Tariff (CXT) number designation. At the same time, the Treasury Department issued a "Waiver of Countervailing Duties" for these dairy products (T.D. 75-114), citing the authority of section 303(d) of the Tariff Act of 1930, as amended by the Trade Act of 1974. The waiver was for the purpose of facilitating the multilateral trade negotiations. T.D. 75-113 and T.D. 75-114 are reproduced in appendix A.

The Trade Agreements Act of 1979 transferred most of the Treasury Department's functions regarding countervailing duty (CVD) cases to the Commerce Department, established an injury test (to be determined in an investigation by the U.S. International Trade Commission), and established time frames for the completion of countervailing cases, including those for which countervailing duties had previously been imposed without the injury test.

Section 104(a)(1) of the Trade Agreements Act of 1979 requires the Commerce Department to notify the Commission of countervailing duty orders in effect on January 1, 1980, which have been waived under section 303(d) of the Tariff Act of 1930, and which apply to merchandise other than quota cheese (defined in sec. 701(c) of the Trade Agreements Act of 1979) and to furnish the Commission the "most current information" with respect to the net subsidy benefiting the merchandise.

By letter of January 4, 1980 (see app. B), Commerce notified the Commission regarding "Dairy Products (other than quota cheese)." By letter of February 5, 1980 (app. B), Commerce gave the Commission the most current information with respect to the net subsidies--subsidies were reported for certain nonquota cheese and ". . . there are no payments currently being made on exports of all other dairy products to the United States." The Commission subsequently determined, regarding the certain nonquota cheese, that there was no material injury or threat thereof in investigations Nos. 701-TA-52-60 (Final), Certain Nonquota Cheese From Belgium, Denmark, the Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom, USITC Publication 1079, June 1980. The Commission made no determinations regarding other dairy products.

By letter of June 8, 1982 (app. B), Commerce notified the Commission of the "most current information" available regarding EC subsidies on nonfat dry milk and butter (i.e., no net subsidies on those products). The letter noted Commerce's January 4, 1980, letter which referred to the Commission the CVD

case on dairy products, other than quota cheese, from the EC. The letter stated that there were no subsidies currently in effect. "However, the countervailable program of EC restitution payments remains in effect, though the EC has suspended specific payments . . . since July 12, 1974. As in the case of molasses from France, the benefit to these dairy products can resume at any time."

By letter of August 9, 1982 (app. B), the Commerce Department amended the letter of June 8, 1982. The letter again mentions the January 4, 1980, letter requesting the Commission's injury determination regarding "Dairy products other than quota cheese;" it states that it is intended to include all dairy products covered by the CVD order. It lists the products as follows:

- (1) Milk, and cream, fresh, not concentrated or sweetened,
- (2) Milk and cream, preserved, concentrated or sweetened in dry or liquid form with sugar or without sugar,
- (3) Butter including butter oil, anhydrous milk fat, and Ghee,
- (4) Cheese and curd (not covered in the June 1980 Commission determination of no material injury or threat thereof), and
- (5) Sweetened forage; other preparations of a kind used in animal feeding, which might include milk products.

These designations are identical to the language in the CVD order designations. In translating the product descriptions into Tariff Schedules of the United States (TSUS) terminology, the meaning of terms in the CXT was taken into account. For example, the term "milk" in the CXT includes whey, whereas whey is not considered to be "milk" in the TSUS. In addition, it is assumed that, in item 5 above, the only products of consideration are those animal feeds which actually do include milk products, rather than the language of the CXT which covers many products which do not contain milk products.

The investigation on these dairy products apparently is to clear the record of the outstanding waived CVD order for which no injury determination has been made. In 1980, it was assumed that since the "most current information" with respect to the net subsidy paid by the EC on dairy products other than nonquota cheese was that there was no subsidy, that the Commission need not make an injury determination regarding those products. The June 8, 1982, letter points out that the countervailable program of EC restitution payments remains in effect and the payments may be resumed at any time and that the Commission examined a similar situation in regards to molasses from France (investigation No. 104-TAA-8, Molasses from France, May 1982).

Accordingly, on August 27, 1982, the United States International Trade Commission instituted Investigation No. 104-TAA-10, Certain Dairy Products from the EC. Notice of the investigation and hearing, a copy of which is shown in appendix B, was published in the Federal Register of September 9, 1982 (47 F.R. 39744).

The public hearing was held in the Hearing Room of the U.S. International Trade Commission Building in Washington, D.C., on October 21, 1982. All interested parties were given an opportunity to be present, to present evidence, and to be heard. A listing of witnesses who testified at the hearing is shown in appendix B.

The Commission briefing and vote in this proceeding was held on December 1, 1982.

#### Nature and Extent of Subsidies

The Commerce Department letters of June 8, 1982, and August 9, 1982, state that there are no net subsidies on exports of the subject dairy products from the EC to the United States, but that the countervailable program of EC restitution payments remains in effect and that the benefit to the dairy products can resume at any time.

At the hearing on the investigation, much of the testimony focused on the subsidies bestowed by the EC on exports of dairy products. Witnesses testified that the EC authorizes restitution payments on exports of dairy products to destinations other than the United States and that a comparison of the unit values of dairy products imported into the United States from the EC and EC intervention prices indicates that some form of subsidy is applicable to the dairy products imported from the EC. <sup>1/</sup> Officials of the Commerce Department indicated that published EC information on authorized export restitution payments was the only data considered in Commerce's determination that there was no net export subsidy.

#### The Products

##### Description and uses

Fluid milk, cream, and whey <sup>2/</sup>—Milk is the normal secretion of the mammary glands of mammals. Although notable quantities of sheep's and goat's milk are produced in some areas of the world, cows supply the great bulk of the world's output of milk and nearly all of the milk produced in the United States. Whole milk is a bulky, perishable product that is generally used near the area of production, although homogenization, pasteurization, sterilization, refrigeration, and improved transportation facilities have expanded the geographic areas in which it readily can be distributed. More recently, a method of sterilization called ultra-heat treatment has resulted in the processing of milk for fluid consumption. Ultra-heat treated milk is usually flavored and marketed in half-pint cardboard containers and has a storage life of 6 months without refrigeration.

<sup>1/</sup> Transcript of hearing, pp. 5, 11-12, and 22-29.

<sup>2/</sup> The term "milk and cream" is defined in the headnote to subpart A, part 4, schedule 1, of the Tariff Schedules of the United States (TSUS) as including whole milk, skimmed milk, buttermilk, and cream (except cream containing over 45 percent of butterfat). The pertinent parts of the TSUS are shown in app. C.

The most profitable use for whole milk in the United States is the fluid market, which includes whole, low-fat, flavored, and skim milk and cream. During 1977-81, the share of the U.S. supply of milk used for the fluid market declined from 43 percent to 39 percent (table 1). The surplus of the milk produced that is eligible for the fluid market, but not consumed in that market, is channeled into manufactured dairy products. Thus, concurrent with the decline in the share of the total U.S. supply of milk used for the fluid market has been an increase, from 57 percent in 1977 to 61 percent in 1981, in the share of the supply used in manufactured dairy products. The following figure shows various dairy products that are manufactured from fluid whole milk. Of the supply of whole milk used for manufactured dairy products, uses such as ice cream and condensed or evaporated milk are first satisfied; cheese and the coproducts butter and nonfat dry milk (NFDM) are then produced. In response to growing demand and rising prices for cheese, producers of cheese have been outbidding producers of butter and nonfat dry milk for the available supply of milk in recent years. Accordingly, more milk has been used for cheese than for butter and nonfat dry milk; the production of cheese increased each year during 1977-81, as shown in table 2.

Cream is the fatty liquid separated from whole milk. Cream containing over 45 percent of butterfat is dutiable as butter and is included in the section of the report on butter. The most important purpose for separating cream from whole milk is to obtain a product from which butter may be churned more economically, although cream is also separated for consumption as such and for use in making other dairy products such as ice cream. In recent years, frozen cream (containing not over 45 percent of butterfat) from New Zealand has been the only product covered in this section of the report that has been imported. The imported cream mostly is used for making ice cream and is quite comparable to the domestic product.

Fluid skim milk is the liquid portion that remains after the butterfat has been removed from whole milk. Most fluid skim milk produced in the United States results from the production of butter. Generally, it is dried into nonfat dry milk. However, there has been a trend toward utilizing larger amounts of the fluid product for drinking purposes, for which use it sells at premium market prices, and for making cottage cheese.

There are two types of buttermilk: (a) that resulting from the churning of milk or cream to make butter, and (b) that produced by the addition of certain bacteria to whole, partially skimmed, or skimmed milk. The former product is often dried for human consumption. The latter product, often called cultured buttermilk, is invariably sold in the fluid form at the retail level for human consumption.

The liquid portion that remains after cheese is made from milk is called whey. About half of the annual output of 40 billion pounds of fluid whey that results from the U.S. production of cheese is dried, or converted into whey solids and utilized mostly in foods and feed. Although some of the remaining whey is used for pig feeding and fertilizer, most is dumped into municipal sewer systems. Substantial progress continues to be made in processing more of the liquid whey into dry whey, various whey protein products, and/or whey protein concentrates; such articles are gaining wider acceptance as ingredients in foods and feeds.

Table 1.--Milk: U.S. utilization of market supply, 1977-81

Year	Fluid use	Manufactured dairy products					Total market supply
		Butter	Cheese	Condensed and evaporated milk	Frozen products	Other <sup>1/</sup>	
Quantity <sup>1</sup> (billion pounds, milk equivalent)							
1977---	51.4	21.9	30.0	2.4	11.7	2.8	120.0
1978---	51.2	19.7	31.0	2.3	11.7	3.0	119.0
1979---	51.4	19.4	32.6	2.3	11.7	3.8	121.2
1980---	50.9	22.8	35.0	2.1	11.9	3.6	126.3
1981---	50.6	24.7	37.5	2.1	11.8	3.6	130.3
Percent of total market supply							
1977---	42.8	18.2	25.0	2.0	9.8	2.3	100.0
1978---	43.1	16.6	26.0	1.9	9.8	2.5	100.0
1979---	42.4	16.0	26.9	1.9	9.6	3.2	100.0
1980---	40.3	18.1	27.7	1.7	9.4	2.8	100.0
1981---	38.8	18.9	28.8	1.6	9.1	2.8	100.0

<sup>1/</sup> Includes dry whole milk and other manufactured dairy products. Also includes minor miscellaneous uses and any inaccuracies in data for independently determined use items.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

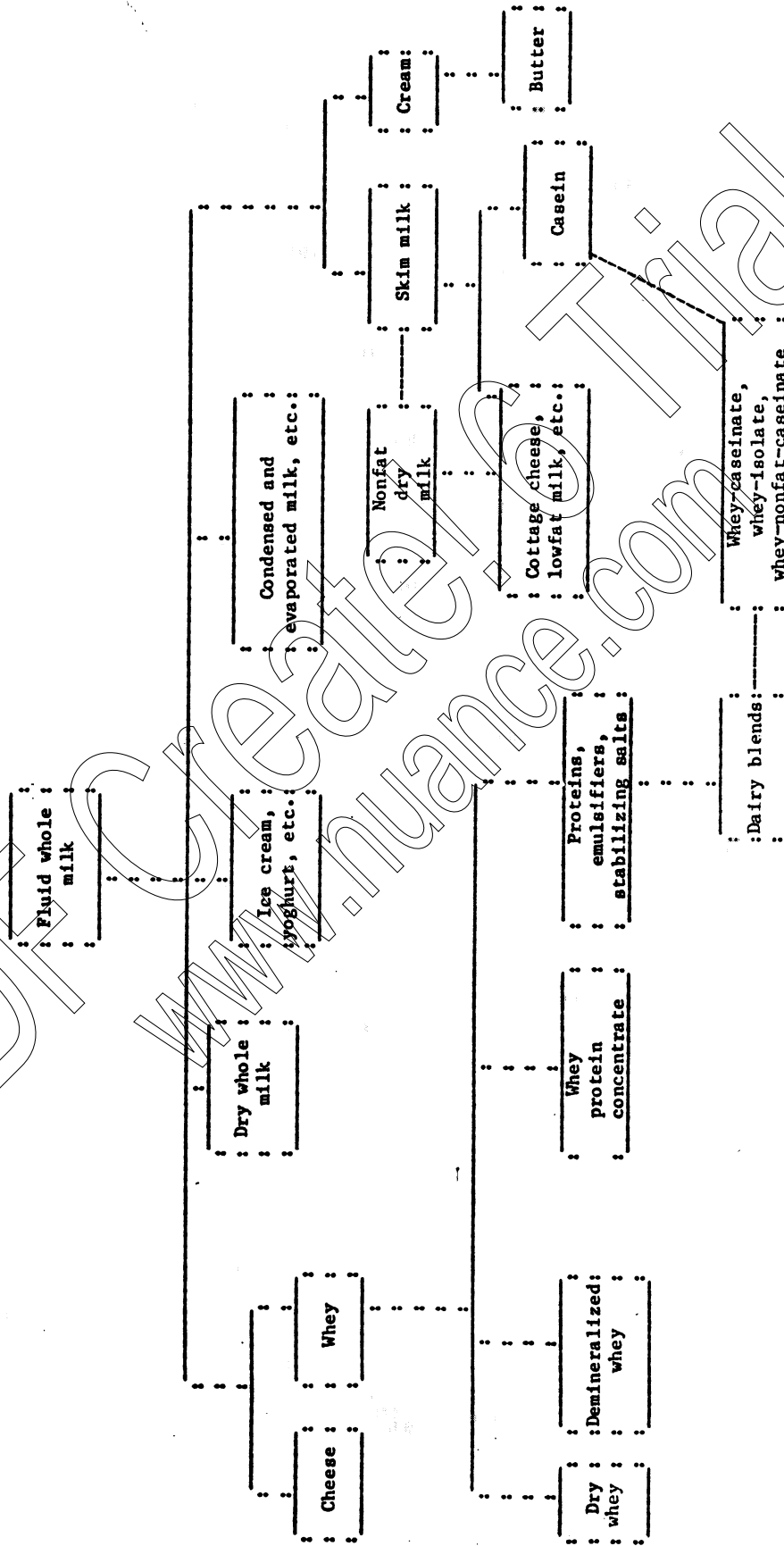
Note.--Because of rounding, figures may not add to the totals shown.

Table 2.--Principal manufactured dairy products: U.S. production, by types, 1977-81

Year	Butter	Cheese	Nonfat dry milk	Other dried milk	Condensed or evaporated milk	Ice cream
Million pounds						Million gallons
1977-----	1,086	4,375	1,107	929	2,070	810
1978-----	994	4,543	920	1,039	1,969	815
1979-----	985	4,715	909	1,040	1,926	811
1980-----	1,145	4,984	1,161	1,019	1,818	830
1981-----	1,228	5,171	1,314	1,094	1,904	832

Source: Compiled from official statistics of the U.S. Department of Agriculture.

The route by which fluid whole milk is channeled into various manufactured dairy products



Source: Compiled from The Manufacturing Confectioner, Oct. 1981, p. 54, and other information available to the U.S. International Trade Commission.



Condensed or evaporated milk and cream.--Condensed milk consists of milk from which a portion of the water has been removed by evaporation under a partial vacuum. It usually has a caramelized flavor since the milk sugar is slightly cooked in the condensing process. If packaged without sugar being added, it is known as plain condensed milk; it is perishable in this form and is usually sold in bulk. When sugar is added, the product is called sweetened condensed milk and usually is canned; the sugar content is sufficient to prevent spoilage. Evaporated milk is similar to plain condensed milk in that water has been removed by evaporation under a partial vacuum and no sugar has been added. Evaporated milk, however, is both homogenized and sterilized; it generally is in hermetically-sealed, retail-size, metal containers. The characteristic caramelized flavor is less pronounced in evaporated milk than in condensed milk.

In the United States, whole milk, skimmed milk, buttermilk, and whey are condensed and/or evaporated. Most of the evaporated milk is packaged in retail-size containers. Condensed milk mostly is sold in bulk. Condensed and evaporated skimmed milk, buttermilk, and whey are not imported; exports, if any, are small. Condensed or evaporated cream is not a known article of commerce.

In the United States, the bulk of the condensed or evaporated milk, including that made from skimmed milk, buttermilk, and whey, is used by ice cream and candy manufacturers and by bakers; it is also used in the preparation of baby formulas and in home cooking.

Dried milk, cream, and whey.--Dried milk and cream are the products resulting from the removal of water from the original fluid products.

Nonfat dry milk, the most important of these products, is the powdered product resulting from the removal of fat and water from whole milk. It appeals to consumers because of its high-protein and low-butterfat content. NFDM is an important additive in food processing. It is easy to handle and, because of its low-moisture content, can be stored for about 4 years.

The foreign and domestic products are generally identical and competitive. Nearly 40 percent of the NFDM utilized in the United States is used to manufacture dairy products such as ice cream and cheese (including cottage cheese), 30 percent is packaged for home use, 12 percent is used by bakeries, 10 percent is used in prepared food mixes, and the remainder is consumed in the manufacture of articles such as confectionary products, soft drinks, soups, and animal feeds.

Dried whole milk is used principally in making chocolate coatings for candy; the bulk of the dried buttermilk, dried cream, and dried whey is used in bakery products (including dietary breads in the case of dried buttermilk), and in other products such as ice cream, prepared dry mixes, and baby foods. These dried milk products are rarely reconstituted for beverage purposes. Both the imported and the domestic products are used for the same purposes.

Butter and butter substitutes containing butterfat.--Butter is the solidified fat of milk churned from cream. By U.S. statutory definition (21 U.S.C. 321a), butter must contain not less than 80 percent by weight of butterfat. It is made exclusively from milk, cream, or both; salt and coloring matter generally are added. The principal butter substitute, oleomargarine (commonly called margarine), is made from vegetable oils and fats and is not included here.

In the United States, butter is consumed mainly for table use, although significant quantities are used by food processors in bakery products, candy, and ice cream. The butter imported from New Zealand and the EC (except Denmark) is consumed both for table use and in processed foods, whereas that from Denmark, which has a higher fat content, is consumed almost entirely for table use.

Certain cheeses.--The cheeses which are subjects of this investigation are specialty-type cheeses that generally sell at a substantial premium above the prices of the bulk of the cheese produced and consumed in the United States. The great bulk of the cheese produced, imported, and consumed in the United States is not included in this investigation. The cheeses which are included here are all the cheeses provided for in subpart C, part 4, schedule 1, of the TSUS, except quota cheeses, as defined in section 701(c)(1) of the Trade Agreements Act of 1979, 1/ and except the certain nonquota cheeses made from goat's or sheep's milk on which the U.S. International Trade Commission determined that there was no material injury or threat thereof in investigation Nos. 701-TA-52-60 (Final). 2/ Thus, the cheeses covered herein are Stilton; Bryndza; Gjetost; Goya (in original loaves); Roquefort; Gammelost; Nokkelost; sheep's milk cheeses other than Fiore Sardo, Pecorino,

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1/ The term "quota cheese" is defined in sect. 701(c)(1) of the Trade Agreements Act of 1979 to mean the articles provided for in the following TSUS items: 117.00 (except Stilton produced in the United Kingdom); 117.05 (except Stilton produced in the United Kingdom); 117.15; 117.20; 117.25; 117.40 (except Goya in original loaves); 117.55; 117.60 (except Gammelost and Nokkelost); 117.75 (except goat's milk cheeses and soft-ripened cow's milk cheeses); 117.81; and 117.85 (except goat's milk cheeses and soft-ripened cow's milk cheeses). Item 117.40, mentioned above, is currently items 117.42 and 117.44, and item 117.85, mentioned above, is currently items 117.86 and 117.88.

2/ Fiore Sardo and Pecorino cheeses, made from sheep's milk, not grated or powdered, of a fat content, by weight, not exceeding 40 percent, and a water content, by weight, of the nonfatty matter not exceeding 47 percent, provided for in TSUS items 117.65, 117.67, or 117.70; and Feta cheese, made from goat's or sheep's milk, not grated or powdered, of a fat content, by weight, not exceeding 40 percent, a water content, by weight, of the nonfatty matter exceeding 62 percent but not exceeding 72 percent, and with a fat content, by weight, of the dry matter of 39 percent or more, all the foregoing in containers holding brine, provided for in TSUS items 117.70, 117.75, or 117.88.

and Feta; goat's milk cheeses other than Feta; and soft-ripened cow's milk cheeses. 1/

Cheese is the curd generally formed by the coagulation of milk. Although the methods of manufacturing the various varieties of cheese differ somewhat, coagulation of the milk, stirring and heating the resulting curd and whey, draining off the whey, and collecting, salting, and pressing the curd are common to the production of most types of cheese. Some cheese is also ripened (i.e., cured or aged). Curing or aging is mainly a function of length of storage combined with controlled temperature and humidity, which permits certain desired activity by bacteria or molds.

There are some 400 varieties of cheese that enter international trade. These varieties are often distinguished on the basis of inherent differences such as the types of milk, bacteria, or molds used; butterfat content; coloring; ingredients added, such as spices, seeds, or meat; and the degree to which they are aged or cured. Cheeses are sometimes described in terms of their relative hardness or softness (factors closely related to their moisture content). Distinctions are also made on the basis of locality and methods of manufacture, the size of the loaf, and packaging.

The U.S. Food and Drug Administration has established standards of identity for certain varieties and types of cheese, including soft-ripened cheese (21 CFR 133). These standards provide the official specifications for imported and domestic cheese for the purpose of enforcement of the Federal Food, Drug, and Cosmetic Act. Generally, they prescribe a minimum fat content, a maximum moisture content, and a method of manufacturing and labeling the cheese.

Cheese is used as a substitute for meat as a source of protein in the diet, as an hors d'oeuvre, dessert, or an ingredient in a wide variety of foods and food products.

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1/ The term "soft-ripened cow's milk cheese" is defined in headnote 3(a) (iv) of part 3 of the appendix to the TSUS (see app. C) as cheese which--

- (1) has a prominent crust formed on the exterior surface as a result of curing or ripening by biological curing agents such as molds, yeasts, or other microorganisms,
- (2) visibly cures or ripens from the surface toward the center,
- (3) has a fat content, by weight (on a moisture-free basis) of not less than 50 percent, and
- (4) has a moisture content (calculated by weight of the non-fatty matter) of not less than 65 percent, but does not include cheese with mold distributed throughout its interior.

Yoghurt and other fermented milk.--Yoghurt, generally spelled yogurt, and other fermented milk products have a smooth body and firm texture similar to custard. Yoghurt is by far the principal fermented milk item produced and consumed in the United States. The principal characteristic of yoghurt is the acidity produced by the bacteria used in its manufacture. Yoghurt is high in moisture content. Because it usually is made from partly skimmed milk rather than whole milk, it ordinarily is low in butterfat. Generally, yoghurt is sold through supermarkets in 8-ounce cups and frequently has added to it one of a variety of flavorings. In addition to being consumed as part of a meal, it is used by many persons either to aid in weight control or to soothe intestinal disturbances, or both.

Animal oils, fats, and greases derived from milk.--The articles covered here are concentrated butterfat products made by centrifuging melted butter or milk or cream. The products generally contain in excess of 99 percent butterfat, and generally are called butter oil when made from butter, and anhydrous milkfat when made directly from milk or cream. In U.S. trade there apparently is no significant difference between the butter-derived and cream-derived products in composition or in usage. The term "butter oil," as used in this report, refers to the highly concentrated butterfat products, however derived.

Butter oil is used as a source of butterfat in the production of ice cream, baked goods, and candy. The U.S. Food and Drug Administration Standards of Identity require minimum milk fat contents in ice cream, ice milk, and other frozen desserts and in milk chocolate. Although milk and cream are the preferred dairy products used to supply milk fat in the production of ice cream and other frozen desserts, butter oil can also be used. Butter oil is the preferred dairy ingredient in milk chocolate production.

Animal feeds containing milk or milk derivatives.--The animal feeds with which this investigation is concerned are mixed feeds containing milk or milk derivatives and other ingredients. Most mixed animal feeds contain significant amounts of grains or milled grain ingredients. In the TSUS, mixed feeds and mixed feed ingredients which contain not less than 6 percent of grain products are provided for in item 184.70. Other mixed feeds are classifiable in TSUS item 184.80. Milk is generally more expensive than other feed ingredients. Therefore, milk is not a usual ingredient in most mixed animal feeds. It is used in small proportions in starter rations for young animals and in pet foods. The principal animal feeds which contain milk or milk derivatives are milk replacers and bases used to make milk replacers. Milk replacers are powders which are mixed with water and used in place of milk in feeding young calves and orphaned pigs, sheep, and horses. Most milk replacers are fed to dairy calves which are raised as replacements for the dairy herd or for slaughter as dairy beef or veal. Calf milk replacers are made in many formulations. The proportions of various ingredients used in milk replacers in the United States have changed greatly over the years. Calf milk replacers originally consisted principally of dry skim milk and animal fat. The use of alternative sources of protein, such as dried whey and whey fractions, dried buttermilk, casein, and soy flour in milk replacers has increased as the price of nonfat dry milk has increased.

Most milk replacers, particularly those for feeding dairy herd replacement calves, usually contain about 90 percent of nonfat milk solids and about 10 percent of fat (lard, tallow, and so forth) with small quantities of vitamins, minerals, antioxidants, and emulsifiers. The proportion of fat (10 percent) to total solids in the usual milk replacers is less than that in whole milk (about 30 percent), but is adequate for the growth of dairy herd replacement calves.

There are several products other than milk replacers and milk-replacer bases which contain milk or milk derivatives and are classifiable under TSUS items 184.70 and 184.80. Dog food "candy" composed of sugar, palm kernel oil, cocoa powder, and 20-percent nonfat milk solids has been imported into the United States (from the United Kingdom), as have certain fish foods which contain nonfat dry milk (from Japan). These products are believed to be insignificant articles in the domestic and international trade of the United States, and, inasmuch as data on them are not available, they will not be further discussed in this report.

#### U.S. customs treatment

U.S. tariff treatment.--Imported dairy products are dutiable at various rates in the TSUS depending on the product and the country of origin.

The rates of duty in rate of duty column 1 are most-favored-nation rates, and are applicable to products imported from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, such rates do not apply to products of developing countries which are granted preferential tariff treatment under the Generalized System of Preferences (GSP) or under the least developed developing countries (LDDC) rate of duty column. 1/

The rates of duty in rate of duty column 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

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1/ The Generalized System of Preferences, under title V of the Trade Act of 1974, provides duty-free treatment of specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985, unless modified by the President. The rates of duty in the rate of duty column "LDDC" are preferential rates (reflecting the full concession rate resulting from the Tokyo round of the Multilateral Trade Negotiations (MTN)) and are applicable to products of the least developed developing countries designated in general headnote 3(d) of the TSUS which are not granted duty-free treatment under the GSP. If no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty provided in column 1 applies.

The following table summarizes the rates of duty applicable to imports of the dairy products that are subjects of this investigation.

Table 3.--Certain dairy products: U.S. rates of duty, present and negotiated, by TSUS items

TSUS item No.:	Description	Current col. 1 rate of duty 1/	Negotiated col. 1 rate of duty 2/	Col. 2 rate of duty	GSP eligibility
	Fluid milk and cream, fresh or sour:				
115.00	Buttermilk-----	1.5¢/gal	<u>3/</u>	2.05¢/gal.	No.
	Other:				
115.05	Containing not over 1 percent of butterfat.	1.5¢/gal	<u>3/</u>	2.05¢/gal.	No.
	Containing over 1 percent but not over 5.5 percent of butterfat:				
115.10	For not over 3,000,000 gallons entered in any calendar year.	2¢/gal	<u>3/</u>	6.5¢/gal.	No.
115.15	Other-----	6.5¢/gal	<u>3/</u>	6.5¢/gal.	No.
	Containing over 5.5 percent but not over 45 percent of butterfat:				
115.20	For not over 1,500,000 gallons entered in any calendar year.	12¢/gal	12¢/gal	56.6¢/gal.	No.
115.25	Other-----	56.6¢/gal	<u>3/</u>	56.6¢/gal.	No.
	Milk and cream, condensed or evaporated:				
	In airtight containers:				
115.30	Not sweetened-----	1¢/lb	<u>3/</u>	1.8¢/lb.	No.
115.35	Sweetened-----	1.75¢/lb	<u>3/</u>	2.75¢/lb.	No.
115.40	Other-----	1.5¢/lb	<u>3/</u>	2.53¢/lb.	No.

See footnotes at end of table.

Table 3.--Certain dairy products: U.S. rates of duty, present and negotiated, by TSUS items--Continued

TSUS item No.:	Description	Current col. 1 rate of duty <u>1/</u>	Negotiated: col. 1 rate of duty <u>2/</u>	Col. 2: rate of duty	GSP eligi- bility
	Dried milk and cream:				
115.45	Buttermilk containing not over 6 percent of butterfat.	1.5¢/lb	<u>3/</u>	3¢/lb	No.
	Other:				
115.50	Containing not over 3 percent of butterfat.	1.5¢/lb	<u>3/</u>	3¢/lb	No.
115.55	Containing over 3 percent but not over 35 percent of butterfat.	3.1¢/lb	<u>3/</u>	6.2¢/ lb.	No.
115.60	Containing over 35 percent of butterfat.	6.2¢/lb	<u>3/</u>	12.4¢/ lb.	No.
	Butter and cream containing over 45 percent of butterfat:				
	When entered during the period from Nov. 1 to the following Mar. 31, inclusive:				
116.00	For not over 50,000,000 pounds.	5.6¢/lb	5.6¢/lb	14¢/lb	No.
116.05	Other-----	14¢/lb	<u>3/</u>	14¢/lb	No.
116.06	If product of Cuba-----	11.2¢/lb (s)			
	When entered during the period from April 1 to July 15, inclusive:				
116.10	For not over 5,000,000 pounds.	5.6¢/lb.	<u>3/</u>	14¢/lb	No.
116.15	Other-----	14¢/lb	<u>3/</u>	14¢/lb	No.
116.16	If product of Cuba-----	11.2¢/lb (s)			
	When entered during the period from July 16 to Oct. 31, inclusive:				
116.20	For not over 5,000,000 pounds.	5.6¢/lb	5.6¢/lb	14¢/lb	No.
116.25	Other-----	14¢/lb	<u>3/</u>	14¢/lb	No.
116.26	If product of Cuba-----	11.2¢/lb (s)			

See footnotes at end of table.

Table 3.--Certain dairy products: U.S. rates of duty, present and negotiated, by TSUS items--Continued

TSUS item No.:	Description	Current col. 1 rate of duty 1/	Negotiated: col. 1 rate of duty 2/	Col. 2: rate of duty	GSP eligi- bility
116.30	Butter substitutes-----	7¢/lb	<u>3/</u>	14¢/ lb.	No.
117.00	Stilton cheese: In original loaves-----	15% ad val.	<u>3/</u>	35% ad val.	No.
117.05	Other-----	20% ad val.	<u>3/</u>	35% ad val.	No.
117.10	Bryndza cheese-----	8.5% ad val.	<u>3/</u>	35% ad val.	No.
117.30	Gjetost cheeses: Made from goat's milk whey or from whey obtained from a mixture of goat's milk and not more than 20 percent of cow's milk.	6.5% ad val.	<u>3/</u>	35% ad val.	No.
117.35	Other-----	10% ad val.	<u>3/</u>	35% ad val.	No.
117.42	Goya cheese in original loaves.	25% ad val.	<u>3/</u>	35% ad val.	No.
117.45	Roquefort cheese: In original loaves-----	6% ad val.	<u>3/</u>	35% ad val.	No.
117.50	Other-----	10% ad val.	<u>3/</u>	35% ad val.	No.
117.60	Gammelost and Nøkkelost cheeses. Cheeses made from sheep's milk:	7.4% ad val.	6.4% ad val.	35% ad val.	No.
117.65	In original loaves and suitable for grating.	9% ad val.	<u>3/</u>	35% ad val.	Yes.
117.67	Pecorino, in original loaves, not suitable for grating.	12% ad val.	<u>3/</u>	35% ad val.	Yes.
117.70	Other-----	15% ad val.	<u>3/</u>	35% ad val.	No.
117.75	Goat's milk cheeses and soft- ripened cow's milk cheeses: Valued not over 25 cents per pound.	5¢/lb	<u>3/</u>	8.75¢/ lb.	No.
117.88	Valued over 25 cents per pound.	10% ad val.	<u>3/</u>	35% ad val.	No.

See footnotes at end of table.

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Table 3.--Certain dairy products: U.S. rates of duty, present and negotiated, by TSUS items--Continued

TSUS item No.:	Description	Current col. 1 rate of duty <u>1/</u>	Negotiated: col. 1 rate of duty <u>2/</u>	Col. 2: rate of duty	GSP eligi- bility
	Whey:				
118.00	Fluid-----	1.5¢/gal	<u>3/</u>	2.05¢/	No.
				gal. :	
118.05	Dried-----	1.5¢/lb	<u>3/</u>	3¢/lb.	No.
118.10	Yoghurt and other fermented milk.	20% ad val.	<u>3/</u>	20% ad val. :	No.
177.67	Animal oils, fats, and greases derived from milk.	10% ad val.	<u>3/</u>	20% ad val. :	No.
	Animal feeds containing milk or milk derivatives:				
184.70	Containing not less than 6 percent by weight of grains or grain products.	Free	<u>3/</u>	10% ad val. :	No.
184.80	Other-----	7.5% ad val.	<u>3/</u>	20% ad val. :	No.

1/ Rate effective Jan. 1, 1982.

2/ Final staged rate negotiated under the Multilateral Trade Negotiations (MTN).

3/ Rate of duty not reduced in the MTN.

Source: Tariff Schedules of the United States Annotated (1982).

Note.--"(s)" = Suspended.

"/" = Per unit of stated quantity.

Section 22 import quotas.--Imports into the United States of virtually all dairy products made from cow's milk that are usual articles of international trade are limited by import quotas imposed pursuant to section 22 of the Agricultural Adjustment Act. 1/ The quotas have been imposed to protect the U.S. Department of Agriculture (USDA) price-support programs for milk from import interference.

In the early 1950's, quotas were imposed on imports of certain dairy products (butter, butter oil, dried milk products, casein, certain articles containing over 45 percent of butterfat, and certain cheeses) under section 104 of the Defense Production Act of 1950. Before section 104 expired on June 30, 1953, the Tariff Commission (now the U.S. International Trade Commission), following an investigation under section 22, determined that, in the absence of the import restrictions under section 104, certain dairy products were practically certain to be imported in such quantities as to interfere with the USDA price-support program for milk and butterfat. Accordingly, the President proclaimed annual import quotas on butter, dried milk products, and certain cheeses.

Since 1953, the U.S. International Trade Commission has conducted 24 additional investigations on dairy products under section 22. Types of actions taken as the result of these investigations include: (1) the original quotas on four classes of cheeses have been enlarged to permit foreign products to share in the increased U.S. consumption of cheeses; (2) quotas have been imposed on previously uncontrolled imports; and (3) in the early 1970's quotas on nonfat dry milk, Cheddar cheese, butter, and butter oil temporarily were enlarged because of a deficit supply situation in the domestic market.

The quotas currently in effect are provided for in part 3 of the appendix to the TSUS, pertinent parts of which are reproduced in appendix C of this report. The maximum amount of dairy products which can be imported under the quotas, on a milk equivalent basis, is 2.2 billion pounds, representing an amount equal to about 1.7 percent of U.S. production of milk.

Most of the section 22 quotas on dairy products are administered by the USDA through a system of import licenses. Imports of most dairy products under quota are subject to the licensing procedure. The quotas for the products not subject to licensing procedures are administered by the Customs Service on a first-come, first-served basis. Imports of dairy products subject to quotas and licensed by the USDA may be entered only by, or for the account of, a licensed person or firm, and only, in accordance with the terms of the license. Licenses usually authorize a particular firm to enter designated quantities of a dairy product from a designated country through a specified port of entry. 2/

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1/ The principal exceptions are casein and lactose (neither are included in this investigation) and soft-ripened cow's milk cheeses, such as Brie and Camembert, which are included in the investigation.

2/ The administrative regulations established by the USDA are published in <sup>A716</sup>CFR 6.

When issuing licenses, the USDA must, to the fullest extent practicable, distribute the respective quotas equitably among importers or users and facilitate utilization of the quotas among supplying countries, taking due account of any special factors that may have affected or may be affecting the trade in the articles concerned. Although some modifications in the licensing system for importing cheese, including changes in the eligibility requirements for new firms to enter the trade, resulted from the implementation of the so-called International Cheese Agreement, <sup>1/</sup> the USDA usually deems that an importer who entered a dairy product during a base period, usually a period of 1 or more years duration immediately preceding the imposition of the quota, is eligible for a license. The importer usually is granted a share of the annual quota proportionate to his share of total imports of the product in question during the base period. If the Secretary of Agriculture determines that a country is not likely to export its quota quantity to the United States within a calendar year, he may adjust the quota for that year among other countries eligible for the quota.

The Import Milk Act.--U.S. imports of fluid milk and cream (including yoghurt) also are subject to the requirements of the Import Milk Act (21 U.S.C. 141 et seq.). That act, which is administered by the Food and Drug Administration (FDA) of the U.S. Department of Health and Human Services (formerly Health, Education, and Welfare), provides that "the importation into the United States of milk and cream is prohibited unless the person by whom such milk or cream is shipped or transported into the United States holds a valid permit from the Secretary of Health and Human Services." This act was passed "to regulate the importation of milk and cream into the United States for the purpose of promoting the dairy industry of the United States and protecting the public health." The import permits do not impose quantitative restrictions on imports of milk and cream, but they are issued in accordance with the objectives of the act. The only outstanding permit issued by the FDA to import fluid milk and cream into the United States is a permit to import frozen cream from New Zealand.

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<sup>1/</sup> Secs. 701 and 702 of the Trade Agreements Act of 1979.

Foot-and-mouth disease restrictions.--Imports of most dairy products, except butter, butter oil, and cheese, from countries or areas which have not been declared free of rinderpest and foot-and-mouth diseases by the U.S. Secretary of Agriculture are subject to regulations of the Animal and Plant Health Inspection Service (APHIS) of the USDA (9 CFR 94.16). <sup>1/</sup> Essentially, imports from countries or areas not declared free of the diseases, as well as products made from such imports, are not to be used in animal feed in the United States, except under limited circumstances as set forth in the regulations issued by APHIS. However, the imports from such countries may be used in human foods in the United States because the virus is not injurious to human health. Such imports may also be used for industrial purposes in the United States.

### Federal Programs for Dairy Products

Milk is marketed in the United States under a complex of Federal, State, and local laws and regulations. The major Federal programs, two in number, are designed to support the prices of milk and the income of dairy farmers; their stated purpose is to assure the production of an adequate supply of milk. One Federal program, the Federal Milk Marketing Orders, establishes minimum prices received by farmers for sales of grade A milk (milk eligible for fluid consumption). The other, a price-support program, puts a floor under the price of milk for manufacturing. Other Federal programs, such as the school lunch and the special school milk programs, indirectly benefit the U.S. dairy farmer. Although Federal marketing orders apply only to grade A milk, they apply to such milk used both for fluid consumption and for manufacturing, and thus influence the prices paid for milk for manufacturing. The Federal price-support program influences the prices of manufacturing grade milk sold by farms, and affects the minimum prices established for grade A milk (whether for fluid consumption or manufacturing use) under most Federal marketing orders. In combination, the governmental programs strongly influence the farm price of all milk produced in the United States.

#### Federal Milk Marketing Orders

Federal Milk Marketing Orders, which are provided for by the Agricultural Marketing Act of 1937, are employed widely to regulate the marketing of milk. Indeed, milk is by far the most important product marketed under Federal orders. Currently, 49 Federal orders for milk are in effect.

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<sup>1/</sup> Countries or areas currently designated by the Secretary of Agriculture to be free of rinderpest and foot-and-mouth diseases are Northern Ireland, the Republic of Ireland, Norway, Great Britain, Sweden, Finland, Iceland, Greenland, Canada, the French Territory of Saint Pierre and Miquelon, Mexico, Panama and all Central American countries, most Caribbean Islands (except Cuba, Curacao, Martinique, and Guadeloupe), Australia, New Zealand, Japan, and the Trust Territories of the Pacific Islands.

Marketing orders represent an attempt to strengthen the competitive position of farmers in relation to the processors of their products. The processors are generally deemed to hold a competitive advantage because a large number of farmers generally sell to a few buyers; production, moreover, is seasonal and milk is perishable. In 1981, an average of 119,200 dairy farmers sold milk under Federal orders to about 2,000 distributors or "handlers." They accounted for nearly 88 billion pounds of milk or about two-thirds of all milk sold to plants and dealers.

The Federal Milk Marketing Orders currently operative establish minimum prices for grade A milk only--i.e., for milk eligible for consumption in fluid form. 1/ No single price is established for grade A milk; prices vary depending upon the use to which the milk is to be put. Thus, grade A milk going into fluid consumption commands one price, and that going into butter, cheese, dried skimmed milk, and other products commands other prices. 2/ The marketing orders establish different minimum prices for grade A milk marketed for fluid consumption (known as class I) and grade A milk marketed for manufacturing use (known as surplus milk). Farmers selling grade A milk to handlers that operate under marketing orders are paid a "blend" price--an average of the minimum prices to be paid by the handler for each class of milk, weighted by the quantities of milk in each class sold by the handler during a given period.

Under the Federal Milk Marketing Orders, the minimum price to be established for different classes of milk is determined in accordance with complex pricing formulas. Most orders, however, derive class I prices from the Minnesota-Wisconsin price series, which report market prices of milk for manufacturing in that two-State area. Class I prices are generally fixed at specified premiums above such prices. One of several formulas may be used to determine minimum prices for surplus grade A milk; minimum prices generally are based, however, on the current market prices of manufactured dairy products or on the prices paid for manufacturing milk either in the Minnesota-Wisconsin area or in the regulated area. The prices on which the Minnesota-Wisconsin price series is based are influenced in part by competitive conditions in that two-State area. Nevertheless, the prices of milk for manufacturing sold in Minnesota and Wisconsin (and elsewhere) are influenced materially by the Department of Agriculture's price-support program for dairy products, as are the U.S. prices of manufactured dairy products. Thus, inasmuch as most of the Federal Milk Marketing Orders derive minimum prices for both class I and surplus milk from either the prices of manufacturing milk or the market prices of manufactured dairy products, changes in price-support levels will be reflected in the prices established by the orders.

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1/ Federal Milk Marketing Orders for manufacturing-grade milk are permitted by the law, but none have been established to date.

2/ Likewise, manufactured dairy products, particularly butter and cheese, constantly compete for the supply of manufacturing-grade milk.

The price-support program

The Agricultural Act of 1949 required the Secretary of Agriculture to support the price of milk at a level between 75 percent and 90 percent of parity <sup>1/</sup> so as to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. However, on October 20, 1981, Public Law 97-67 was enacted and the minimum support level dropped to 72.9 percent of parity, the first time the minimum had dropped below 75 percent since the 1949 act became effective. The Agriculture and Food Act of 1981 (P.L. 97-98, effective Dec. 22, 1981), continued the 72.9 percent support price (\$13.10 per hundred-weight) for the year ending September 30, 1982.

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<sup>1/</sup> The parity price for a commodity provides the same purchasing power as the price received for the commodity during a statutory base period.

For the years beginning October 1, 1982, and October 1, 1983, the support price for milk is to remain at \$13.10 per hundredweight (P.L. 97-253). <sup>1/</sup> However, the legislation provided the Secretary of Agriculture authority to deduct 50 cents per hundredweight from sales of all milk marketed by farmers beginning October 1, 1982, in order to offset a portion of the cost of the dairy price-support program. <sup>2/</sup> Provision for this deduction would be eliminated as soon as the annual price-support purchases for the year, projected by the USDA, are less than 5 billion pounds of milk equivalent. The legislation further provides authority for the Secretary to deduct an additional 50 cents per hundredweight from the sales of milk, beginning April 1, 1983, under certain conditions, including establishment of a program to refund the assessment to farmers that reduce their production from a base period. Provision for this deduction would be eliminated as soon as the projected annual purchases are less than 7.5 billion pounds of milk equivalent.

In order to support the price of milk as required by law, the Secretary of Agriculture maintains a price-support program for milk used for manufacturing. Under the program, the Commodity Credit Corporation (CCC), purchases, at preannounced support prices, unlimited quantities of the most storable dairy products (butter, Cheddar cheese, and nonfat dry milk) that meet certain specifications. These three products utilize about 35 percent of the total U.S. market supply of milk and 65 percent of the milk used in manufactured dairy products. Thus, through purchase of these three products, the Secretary assures the announced price support for all milk to the farmers.

Prices and Government purchases of butter, Cheddar cheese, and nonfat dry milk.--The market prices and the support prices for the three products purchased under the price-support program are shown in table 4 for the period April 1, 1976, through October 1, 1982. Also shown are the price-support objectives for milk for manufacturing. Although the support prices for the products were raised rapidly during the period (until the semiannual adjustment was foregone for the period beginning Apr. 1, 1981), the market prices for butter and NFDM generally exceeded the support prices until the period beginning October 1, 1979, and the market price for Cheddar cheese exceeded the support price until the period beginning April 1, 1980. Thus, as indicated by these price relationships, the supplies of dairy products were fairly well in balance with commercial demand until the period from late 1979 to early 1980.

However, in order to reflect the support price for milk to the dairy farmers as required under the Food and Agriculture Act of 1977, consistently higher support prices continued to be established for butter, Cheddar cheese, and NFDM (mostly as part of the semiannual adjustment). In turn, the production of milk, which is not limited by the price-support program, escalated. However, market prices for the three products did not keep pace with the increased support prices. Accordingly, purchases of surplus dairy products by the CCC, also not limited under the price-support program, increased and reached record levels by mid-1982 (table 5).

<sup>1/</sup> As of Oct. 1, 1982, the support price of \$13.10 per hundredweight was equivalent to 69.1 percent of parity.

<sup>2/</sup> On Sept. 17, 1982, the USDA announced that it had decided to postpone the collection process until Dec. 1, 1982, in order to afford affected parties opportunity to comment on how the unprecedented collection plan should be imposed.

Table 4. Butter, Cheddar cheese, nonfat dry milk, and milk for manufacturing: Market prices, U.S. Department of Agriculture support prices, and price-support objectives for milk for manufacturing, 1977-82

Period	Butter (grade A) at Chicago		Cheddar cheese		Nonfat dry milk (spray process)		Milk for manufacturing	
	Market price	Support price	Market price	Support price	Market price (U.S. average)	Support price	Price received by farmers (average test)	Price-support objective
1977:								
Oct. 1, 1976-								
Mar. 31	91.1	90.817	93.00	92.50	62.9	62.40	8.49	8.26
Apr. 1-Mar. 31 (1978)	100.8	100.71	98.80	98.00	67.8	68.00	8.90	9.00
1978:								
Apr. 1-Sept. 30	109.8	106.71	105.10	103.25	71.3	71.00	9.44	9.43
Oct. 1-Mar. 31 (1979)	115.4	111.30	118.30	106.00	75.8	73.75	10.78	9.87
1979:								
Apr. 1-Sept. 30	123.9	121.80	124.60	116.00	79.7	79.00	10.93	10.76
Oct. 1-Mar. 31 (1980)	130.0	131.33	126.80	124.00	83.9	84.00	11.70	11.49
1980:								
Apr. 1-Sept. 30	139.8	140.58	132.03	132.50	88.7	89.50	11.80	12.36
Oct. 1-Mar. 31 (1981)	147.4	149.00	139.80	139.50	92.5	94.00	12.90	13.10
1981:								
Apr. 1-Sept. 30	147.5	149.00	138.80	139.50	93.9	94.00	12.55	13.10
Oct. 1-20	148.7	153.00	140.00	143.25	93.2	96.50	13.18	13.49
Oct. 21-Sept. 30 (1982)	148.3	149.00	141.62	139.50	95.4	94.00	12.80	13.10
1982:								
Oct. 1-	147.5	149.00	138.25	139.50	93.1	94.00	12.80	13.10

1/ Not a change in price-support objective but a midyear adjustment required by the Food and Agriculture Act of 1977.  
 2/ Current support level remained the same with no midyear adjustment.  
 3/ If the products were produced during the period Oct. 1 through Oct. 20, the CCC would, through Oct. 30, buy them at the higher purchase price that existed from Oct. 1 through Oct. 20.  
 4/ Public law 97-67, enacted Oct. 20, 1981.  
 5/ Public law 97-98, effective Dec. 22, 1981, continued the \$13.10 support price and the corresponding purchase prices until Sept. 30, 1982. This support price was 72.9 percent of parity as of Oct. 1, 1981.  
 6/ Market prices for the week ending Sept. 24, 1982.

Source: Compiled from official statistics of the U.S. Department of Agriculture.



Table 5.--Butter, Cheddar cheese, and nonfat dry milk: Commodity Credit Corporation purchases, contract basis, by quarters, 1977-82

(In millions of pounds)

Year and commodity	January- March	April- June	July- September	October- December	Total
1977:					
Butter-----	66	92	29	14	201
Cheddar cheese----	38	43	41	3	125
Nonfat dry milk----	83	174	164	68	490
1978:					
Butter-----	84	49	<u>1/</u>	<u>1/</u>	134
Cheddar cheese----	3	39	2	0	44
Nonfat dry milk----	64	140	67	14	285
1979:					
Butter-----	11	48	0	25	84
Cheddar cheese----	0	12	1	44	57
Nonfat dry milk----	5	116	66	69	256
1980:					
Butter-----	41	157	13	50	261
Cheddar cheese <u>2/</u> ----	59	155	85	59	358
Nonfat dry milk----	96	253	176	110	635
1981:					
Butter-----	144	127	37	44	352
Cheddar cheese----	144	219	106	77	546
Nonfat dry milk----	190	287	200	174	851
1982:					
Butter-----	164	132	43		
Cheddar cheese----	132	222	180		
Nonfat dry milk----	235	309	238		

1/ Less than 500,000 pounds.

2/ Includes small quantities of mozzarella cheese.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

Disposition of Government stocks.--When disposing of its inventories, the CCC sells its oldest stocks first. Cheddar cheese purchased by the CCC normally has a storage life of 2 years; butter, about 3 years; and NFDM, about 4 years. From time to time, the products are sold and more recently donated domestically to the needy, welfare recipients, and so forth, because spoilage is imminent.

In most recent years, the bulk of the NFDM purchased by the CCC has been donated to foreign recipients, and most of the butter and Cheddar cheese has been disposed of through school lunch and welfare programs in the United States. Through late 1981, however, the CCC had sold about 200 million pounds of NFDM (about 30 percent of its stocks at the time of sale) to Mexico and Poland; the majority of these sales were for half to three-fourths of the CCC purchase price. In addition, about 220 million pounds of butter (half of the stocks at the time of sale, including the oldest stocks) have been sold to New Zealand for about 60 percent of the purchase price. The butter sold to New Zealand is not to be distributed so as to disrupt commercial world markets, nor is it to be sold to the U.S.S.R. In addition, the CCC basically agreed not to sell Government-owned butter for export until September 30, 1982, unless the sales were approved by the New Zealand Dairy Board. During 1981, small quantities of butter, Cheddar cheese, and NFDM were sold to Catholic Relief Services for about 5 percent of the purchase price for distribution in Poland.

In addition to the donations and foreign sales discussed above, the CCC has sold butter, Cheddar cheese, and NFDM to the commercial market at the resale price, which currently is administratively set by the USDA at about 110 percent of the CCC purchase price existing at the time of sale. Such sales of the three products by the USDA during the period 1976-81 are shown in the following tabulation, which indicates that resales of dairy products to the commercial market have been extremely small compared with Government stocks (in millions of pounds):

	<u>Butter</u>	<u>Cheddar cheese</u>	<u>Nonfat dry milk</u>
1976-----	0	<u>1/</u>	101.0
1977-----	0.2	0.2	28.4
1978-----	22.4	4.7	0
1979-----	3.4	.3	0
1980-----	2.7	2.5	0
1981-----	0	8.9	0

1/ Less than 50,000 pounds.

The CCC is permitted to sell stocks considered to be in danger of spoiling at prices below that set for stocks in good condition.

Costs of the program.--Annual net Government expenditures on the dairy price-support and related programs escalated to an unprecedented level of \$1.3 billion for the year ending September 30, 1980 (table 6). For the year ending September 30, 1981, expenditures for dairy support operations reached a new alltime high of about \$2.0 billion. These record-level expenditures, equivalent to about 10 percent of farmers' cash receipts from milk, resulted almost exclusively from the unusually large purchases of butter, Cheddar cheese, and NFDM. Inasmuch as the production of milk has shown no signs of abatement, the volume of purchases of the three products by the USDA will probably remain near record levels at least through 1982.

Table 6.--Net U.S. Government expenditures on dairy support and related programs, marketing years 1977-81

(In millions of dollars)

Year ended Sept. 30--	Net support purchases <u>1/</u>	Sec. 4(a) <u>2/</u>	Total (exclud- ing special milk program)	Special milk program <u>3/</u>
1977-----	709.8	4.5	714.3	109.7
1978-----	446.4	5.0	451.4	137.8
1979-----	244.3	6.3	250.6	134.1
1980-----	1,274.0	5.8	1,279.8	156.8
1981-----	1,967.2	7.5	1,974.7	118.8

1/ CCC support purchases and related costs (for processing, packaging, transporting, and storing) of dairy products, less proceeds from sales.

2/ Purchases of dairy products at market prices under sec. 4(a) of the Agriculture and Consumer Act of 1973, for domestic school lunch and welfare use.

3/ Expenditures under the program to increase milk consumption by children in schools, child-care centers, and similar institutions.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

## The Domestic Industry

U.S. milk producers

The number of U.S. farms selling milk has been declining for several decades. Recently it dropped from about 402,000 in 1977 to 325,000 in 1981 (table 7). The farmers remaining in dairying have expanded the size of their operations, increased output per cow, and used technologies which require less labor per cow. Many dairymen have joined in large, regional and national marketing cooperatives in order to enhance their competitiveness. In 1981, such cooperatives marketed about 75 percent of the milk produced in the United States. Many of them also are major producers of manufactured dairy products and they are becoming involved in the distribution of fluid milk and dairy products. During 1977-81, the value of U.S. milk production (cash receipts from farm marketings of milk) increased from \$11.7 billion to \$18.4 billion. As shown in the following tabulation, net farm income for selected 41-cow herds in Wisconsin, the leading milk-producing State, increased from \$20,673 in 1977 to \$33,220 in 1981: <sup>1/</sup>

Year	Wisconsin (41-cow herds)
1977	\$20,673
1978	23,140
1979	32,870
1980	32,025
1981	33,220

<sup>1/</sup> Compiled from data on Wisconsin Farm Business Summaries and Dairy Farm Management Summaries, University of Wisconsin and Cornell University, respectively.

Table 7.--U.S. milk production, number of milk cows and replacement heifers on U.S. farms on Jan. 1, production per cow, and number of farms selling milk, 1977-82

Year	Total milk	Milk cows	Replacement heifers		Production	Number of
	production	on farms	Quantity	Number per	per cow	farms sell-
	Million	Thousands		100 cows	Pounds	Thousands
	pounds					
1977-----	122,654	10,945	3,887	35	11,206	402
1978-----	121,461	10,803	3,886	36	11,243	380
1979-----	123,411	10,743	3,932	36	11,488	350
1980-----	128,525	10,810	4,158	39	11,889	335
1981-----	132,634	10,919	4,353	40	12,147	325
1982-----	<u>1/</u> 134,400	10,998	4,530	41	<u>2/</u>	<u>2/</u>

1/ Estimated by the U.S. Department of Agriculture on Sept. 13, 1982, and published in World Agricultural Supply and Demand Estimates.

2/ Not available.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

U.S. dairy processors

Wisconsin, California, New York, Minnesota, and Pennsylvania have accounted for about half of the U.S. production of milk in recent years. The plants that process the milk are located near the areas of production. The number of plants producing manufactured dairy products declined from 2,589 in 1977 to 2,187 in 1981 (table 8).

Table 8.--Number of dairy plants manufacturing 1 or more dairy products, by principal States, 1977-81

State	1977	1978	1979	1980	1981
Wisconsin-----	468	455	429	425	419
California-----	275	271	269	263	259
New York-----	185	174	176	164	147
Ohio-----	118	114	112	107	98
Pennsylvania-----	129	121	120	104	96
Minnesota-----	109	99	96	88	83
All other-----	1,305	1,227	1,148	1,106	1,085
Total-----	2,589	2,461	2,350	2,257	2,187

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Fluid milk.--In 1981, about 1,100 plants processed milk for consumption in the fluid form in the United States compared with 1,500 in 1977. Most of the milk is sold through supermarkets in plastic or paperboard containers. About half of such containers are of the gallon size, a fourth of the half-gallon size, and the remainder of sizes such as quarts or pints. Employment in fluid milk-processing plants amounted to an estimated 85,000 workers in 1981, and reflected a downward trend; about half of the employees were production workers. Salaries and wages totaled an estimated \$550 million. Capacity utilization in the industry averaged 73 percent in 1978, the latest year for which data are available.

Condensed or evaporated milk.--The number of condenseries producing condensed or evaporated milk in the United States declined from about 180 in 1977 to 155 in 1981. Most of the condenseries are owned by large dairy cooperatives which manufacture a wide variety of dairy products. Wisconsin, California, Minnesota, and Iowa are the principal producing States.

During 1977-81, employment in the condensed and evaporated milk industry is estimated to have averaged about 4,000 persons annually and showed no discernible trend. About 3,000 of the employees have been production workers. Annual salaries and wages are estimated to have increased from about \$50 million to \$60 million during the period. The value of production increased from about \$1.3 billion to \$1.7 billion. This increased value of production mostly reflected the rising cost of milk.

Dried milk, cream, and whey.--The number of plants producing dried milk, cream, and whey in the United States declined from about 250 in 1977 to 200 in 1981. These plants generally are owned by large dairy cooperatives that usually engage in the production of a variety of dairy products, including butter and cheese.

Butter and butter oil.--The number of creameries producing butter in the United States has declined from about 322 in 1977 to 250 in 1981. In recent years, most U.S. production of butter has been by the large butter/powder (i.e., nonfat dry milk) plants, some of which produce and market butter under their own labels and also under private labels for others. An estimated 40 percent of production is accounted for by four large dairy cooperatives which manufacture a wide variety of dairy products in addition to butter. Wisconsin, California, Minnesota, and Pennsylvania accounted for nearly half of the total production in 1981. Employment in butter/powder plants is estimated to have averaged about 2,000 persons annually during 1977-81, and has shown no discernible trend. About 1,500 of the employees have been production workers. Salaries and wages have averaged about \$30 million annually. Capacity utilization averaged 79 percent in 1978, the latest year for which data are available.

Certain cheeses.--Separate data are not available on the producers of the cheeses included in this investigation. However, it is believed that only a small proportion of the 1,000 plants that produced cheese in the United States in 1981 produced varieties that are subjects of this investigation and then only in relatively small quantities. The number of plants producing cheese has been declining in recent years and concentration in the industry has been increasing. A large part of total U.S. cheese production is carried on in large highly-automated plants. Approximately 10 percent of the plants account for 60 percent of production. There is no known U.S. commercial production of sheep's milk cheese. Goat's milk cheeses are specialty cheeses produced in a few small plants. There are six known U.S. producers of soft-ripened cow's milk cheeses; most of them have modern, large-scale operations.

Animal feeds containing milk or milk derivatives.--The principal animal feeds produced in the United States which contain milk are milk replacers. Milk replacers are produced by dairy processors and by feed manufacturers. Dairy processors use the nonfat milk solids remaining from their dairy-processing operations to produce a finished milk replacer or a milk-replacer base (a blend of nonfat milk solids and fat) which is sold to feed manufacturers. Feed manufacturers (other than those vertically integrated with dairy processors) generally purchase these bases and generally mix them with additional dry milk solids and other ingredients to produce milk replacers. There are believed to be about 7 dairy processors that produce milk replacer bases and/or milk replacers and about 20 feed manufacturers that produce milk replacers.

## U.S. Production and Consumption

### Fluid milk, cream, and whey

Total U.S. production of milk increased from 122.7 billion pounds in 1977 to an estimated 134.4 billion pounds in 1982 (table 7). The number of cows on farms was about the same in 1982 (11.0 million) as it was in 1977 (10.9 million); however, the number of cows had been in a long-term decline before trending up beginning in 1980. Milk production per cow has been increasing, from 11,206 pounds in 1977 to 12,147 pounds in 1981.

Whereas production of milk has been increasing, the consumption of fluid milk as a beverage has been declining. This is particularly true for plain (unflavored) whole milk, sales of which declined from 34.3 billion pounds (157 pounds per capita) in 1977 to 30.8 billion pounds (135 pounds per capita) in 1981 (table 9). Sales of lowfat milk increased from 13.6 billion pounds in 1977 to 16.9 billion pounds in 1981. Total sales of fluid milk products for beverage purposes declined from 54.1 billion pounds in 1977 to 53.5 billion pounds in 1981.

Sales of cream have been increasing slightly in recent years. Most of the increase has been in sales of sour cream (including dips), sales of which increased from 367 million pounds in 1977 to 429 million pounds in 1981 (table 9).

Fluid whey is generally not an article of commerce because it contains only about 7 percent milk solids. In recent years about 40 billion pounds of fluid whey have been produced annually, about half of which were dried or otherwise processed and the remainder disposed of as waste.

### Condensed or evaporated milk and cream

During 1977-81, U.S. production of condensed and evaporated milk declined irregularly from about 2.1 billion pounds to 1.9 billion pounds (table 10). About half of the production consisted of condensed skim milk. Production of condensed or evaporated buttermilk and condensed whey has been small. In 1981, about 2.1 billion pounds of whole milk, or 1.6 percent of the total U.S. market supply, was processed into condensed or evaporated whole milk. Data are not available on the quantities of skimmed milk, buttermilk, or whey that were condensed and/or evaporated. There is no production of condensed or evaporated cream.

### Dried milk, cream, and whey

U.S. production and consumption of dried milk products have been increasing in recent years. In 1977-81, U.S. production of nonfat dry milk declined from 1.1 billion pounds in 1977 to 909 million pounds in 1979, and then increased to 1.3 billion pounds in 1981 (table 11). In the same period, consumption rose from 789 million pounds to 885 million pounds.



Table 9.--Sales of selected dairy products, total and per capita, 1975-81

Item	1975	1976	1977	1978	1979	1980 <sup>1/</sup>	1981 <sup>2/</sup>
Million pounds							
<b>Beverages:</b>							
Plain Whole Milk	36,924	35,669	34,300	33,634	32,780	31,745	30,806
Lowfat Milk	17,703	12,682	13,573	14,458	15,237	16,203	16,900
Skim Milk	2,529	2,555	2,639	2,576	2,631	2,673	2,621
Flavored Milk, Drinks	2,123	2,364	2,525	2,484	2,385	2,313	2,295
Buttermilk	1,032	1,035	1,016	996	950	941	893
<b>Total <sup>3/</sup></b>	<b>54,367</b>	<b>54,290</b>	<b>54,093</b>	<b>54,185</b>	<b>54,017</b>	<b>53,908</b>	<b>53,546</b>
Cream and Specialty Products:							
Half and Half	525	538	541	544	550	562	576
Light cream	89	77	68	71	67	55	55
Heavy cream	121	131	128	124	140	149	156
Sour cream, dips	358	355	367	380	399	415	429
Yogurt	445	482	534	565	567	589	582
Eggnog	82	87	94	95	94	95	100
<b>Total <sup>4/</sup></b>	<b>1,621</b>	<b>1,670</b>	<b>1,732</b>	<b>1,780</b>	<b>1,817</b>	<b>1,865</b>	<b>1,898</b>
pounds per capita <sup>5/</sup>							
Plain whole milk	173.19	165.52	157.41	152.61	146.93	140.59	135.11
Lowfat milk	54.89	58.57	62.29	65.60	68.30	71.76	74.12
Skim milk	11.86	11.86	12.11	11.69	11.79	11.84	11.50
Flavored milk, drinks	9.96	10.97	11.59	11.27	10.69	10.24	10.07
Buttermilk	4.84	4.90	4.66	4.52	4.26	4.17	3.92
Half and Half	2.46	2.50	2.48	2.47	2.47	2.49	2.53
Light cream	.42	.36	.31	.32	.30	.24	.24
Heavy cream	.57	.61	.59	.55	.63	.66	.68
Sour cream, dips	1.68	1.65	1.68	1.72	1.79	1.84	1.88
Yogurt	2.09	2.24	2.45	2.57	2.54	2.61	2.55
Eggnog	.38	.40	.43	.43	.42	.42	.44

<sup>1/</sup> Revised; <sup>2/</sup> Preliminary. <sup>3/</sup> Total includes filled and imitation milk. <sup>4/</sup> Total may not add due to rounding. <sup>5/</sup> Based on estimated population using fluid products from purchased sources.  
 Source: U.S. Department of Agriculture.

Table 10.--Condensed or evaporated milk and cream: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1977-81

Year	Pro- duction 1/	Imports	Exports	Yearend stocks	Apparent consumption
Quantity (1,000 pounds)					
1977-----	2,069,509	811	34,094	75,200	2,031,815
1978-----	1,969,460	887	37,007	70,300	1,938,240
1979-----	1,925,855	471	42,298	77,000	1,877,328
1980-----	1,817,906	419	43,376	52,000	1,799,949
1981-----	1,904,148	5,340	34,909	46,000	1,880,579
Value (1,000 dollars)					
1977-----	1,319,676	327	9,887	49,600	2/
1978-----	1,429,300	534	10,732	50,600	2/
1979-----	1,579,201	221	13,958	63,100	2/
1980-----	1,617,936	246	13,880	46,300	2/
1981-----	1,701,400	1,932	14,768	43,200	2/
Unit value (cents per pound)					
1977-----	64	40	29	66	-
1978-----	73	60	29	72	-
1979-----	82	47	33	82	-
1980-----	89	59	32	89	-
1981-----	89	36	42	94	-

1/ Includes whole and skim condensed or evaporated milk and buttermilk and condensed whey; values based on spot sales prices of condensed skim milk, delivered in the Baltimore, Washington, and Philadelphia areas.

2/ Not meaningful.

Source: Production and yearend stocks, compiled from official statistics of the U.S. Department of Agriculture; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Note.--Condensed or evaporated cream is not a known article of commerce.

Table 11.--Nonfat dry milk: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1977-81

Year	Pro- duction 1/	Imports	Exports	Yearend stocks 1/	Apparent consumption
Quantity (million pounds)					
1977-----	1,107	2	127	678	789
1978-----	920	2	227	585	788
1979-----	909	2	152	485	859
1980-----	1,161	<u>2/</u> 5	224	587	838
1981-----	1,314	<u>2/</u> 3	129	890	885
Value (million dollars)					
1977-----	753	1	84	461	<u>3/</u>
1978-----	653	1	73	415	<u>3/</u>
1979-----	727	1	26	388	<u>3/</u>
1980-----	1,091	<u>2/</u> 2.0	45	552	<u>3/</u>
1981-----	1,228	<u>2/</u> 1.4	26	837	<u>3/</u>
Unit value (cents per pound)					
1977-----	68	25	66	68	-
1978-----	71	23	32	71	-
1979-----	80	29	17	80	-
1980-----	94	<u>2/</u> 38	20	94	-
1981-----	94	<u>2/</u> 47	20	94	-

1/ Values are based on purchase prices of the CCC.

2/ Imports are subject to an annual quota of 1,807,000 pounds under sec. 22 of the Agricultural Adjustment Act. Therefore, the data shown for 1980 and 1981 reflect some misclassifications in the reported data.

3/ Not meaningful.

Source: Production and yearend stocks, compiled from official statistics of the U.S. Department of Agriculture; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Note.--Unit values for imports and exports were calculated from the unrounded figures.

Aggregate U.S. production of the other dried milk products considered here averaged about 1 billion pounds annually during 1977-81, as shown in the following tabulation (in thousands of pounds):

Year	: Dry whole : milk	: Dry : buttermilk	: Dry whey	: Dry whey : products 1/:	: Total
1977-----	: 69,379	: 53,231	: 627,803	: 178,982	: 929,395
1978-----	: 74,617	: 47,613	: 711,490	: 204,984	: 1,038,704
1979-----	: 85,320	: 44,671	: 732,941	: 176,798	: 1,039,730
1980-----	: 82,712	: 43,875	: 689,718	: 192,878	: 1,009,183
1981-----	: 92,724	: 43,814	: 783,816	: 173,337	: 1,093,691
	: :	: :	: :	: :	: :

1/ Does not include the production of whey solids in wet blends (mostly produced for animal feed), which increased from 68 million pounds in 1977 to 148 million pounds in 1981.

The combined production of dry whey and dry whey products has accounted for nearly 90 percent of the output of these dried products in recent years. Consumption of such products, which has been supplied almost entirely by domestic output, also averaged about 1 billion pounds annually in recent years (table 12).

#### Butter and butter oil

The U.S. production of milk has risen rapidly in recent years and a larger share of the supplies have been used in manufactured dairy products. Butter and nonfat dry milk, the most storable of the dairy products, usually are made after all other uses for the available supplies of manufacturing milk such as the production of cheese, ice cream, and condensed or evaporated milk, have been satisfied. As the market for dairy products recently has become saturated, increased quantities of manufacturing milk have been diverted into butter and nonfat dry milk. Accordingly, production of butter averaged about 1.0 billion pounds annually during 1977-79, but then rose to 1.1 billion pounds in 1980 and to 1.2 billion pounds in 1981 (table 13).

During 1977-81, U.S. consumption of butter, which generally has been declining for many years, averaged nearly 1.0 billion pounds annually. For several decades margarine has been substituted for butter at an increasing rate, as many consumers have reduced their consumption of products high in animal fats; also, margarine competes strongly in price with butter. In 1981, margarine consumption in the United States amounted to about 2.6 billion pounds, whereas the consumption of butter amounted to 987 million pounds.

Data on the production and consumption of butter oil are not separately reported. However, it is known that a few dairy processors produce small amounts of butter oil for sale, principally to the candy and confectionery industry.

Table 12.--Dried milk and cream, except nonfat dry milk: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1977-81

Year	Pro- duction 1/	Imports	Exports	Yearend stocks	Apparent consumption
Quantity (1,000 pounds)					
1977-----	929,395	194	23,847	6,000	908,842
1978-----	1,038,704	<u>2/</u> 914	12,957	4,400	1,028,261
1979-----	1,039,730	324	9,740	4,300	1,030,414
1980-----	1,019,318	505	<u>3/</u> 87,769	5,300	931,054
1981-----	1,093,691	<u>2/</u> 12,497	<u>3/</u> 120,000	5,500	985,988
Value (1,000 dollars)					
1977-----	138,041	99	8,087	960	<u>4/</u>
1978-----	197,354	<u>2/</u> 343	6,836	836	<u>4/</u>
1979-----	155,960	227	5,042	645	<u>4/</u>
1980-----	167,060	333	<u>3/</u> 55,183	901	<u>4/</u>
1981-----	197,179	<u>2/</u> 6,610	<u>3/</u> 78,000	990	<u>4/</u>
Unit value (cents per pound)					
1977-----	15	51	34	16	-
1978-----	19	<u>2/</u> 38	53	19	-
1979-----	15	70	52	15	-
1980-----	16	66	<u>3/</u> 63	17	-
1981-----	18	<u>2/</u> 53	<u>3/</u> 65	18	-

1/ Values are based on prices for edible whey powder, delivered Eastern area, U.S. public health grade A, as reported in U.S. Agricultural Marketing Service, Dairy Market Statistics.

2/ Imports are limited to sec. 22 quotas, which total 509,500 pounds. Hence, the data shown for 1978 and 1981 represent errors in reporting.

3/ According to the FAS, the exports reported as dried milk and cream in 1980 and 1981 actually consisted of nonfat dry milk. Thus, these exports reflect misclassifications in the reported data. The FAS reports that the actual exports of dried milk and cream in 1980 and 1981 probably did not change significantly from the levels of 1977-79.

4/ Not meaningful.

Source: Production and stocks, compiled from official statistics of the U.S. Department of Agriculture; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Table 13.-Butter: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1977-81

Year	Pro- duction 1/	Imports	Exports	Yearend stocks	Apparent consumption
Quantity (million pounds)					
1977-----	1,086	0.7	0.7	185	948
1978-----	994	.7	.6	207	972
1979-----	985	<u>2/</u> .8	.9	178	1,014
1980-----	1,145	.6	.9	305	1,018
1981-----	1,228	<u>2/</u> 1.8	118.0	430	987
Value (million dollars)					
1977-----	1,064	0.5	0.7	181	<u>3/</u>
1978-----	1,094	.6	.6	227	<u>3/</u>
1979-----	1,202	<u>2/</u> .7	1.0	217	<u>3/</u>
1980-----	1,595	.7	1.0	427	<u>3/</u>
1981-----	1,846	<u>2/</u> 2.1	89.0	641	<u>3/</u>
Unit value (per pound)					
1977-----	\$0.98	\$0.71	\$1.00	\$0.98	-
1978-----	1.10	.86	1.00	1.10	-
1979-----	1.22	<u>2/</u> .88	1.11	1.22	-
1980-----	1.39	1.17	1.11	1.40	-
1981-----	1.50	<u>2/</u> 1.17	.75	1.49	-

1/ Values are based on purchase prices of the CCC.

2/ Imports are subject to an annual quota of 707,000 pounds under sec. 22 of the Agricultural Adjustment Act. Hence, the data shown for 1979 and 1981 reflect some misclassifications in the reported data.

3/ Not meaningful.

Source: Production and yearend stocks, compiled from official statistics of the U.S. Department of Agriculture; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Certain cheeses

The cheeses which are subjects of this investigation are included in a production category for "all other cheese" in the data reported by the USDA. Production for this category, which includes soft-ripened cow's milk cheese (and a subject of this investigation), was as follows in the period 1977-81 (in thousands of pounds):

	<u>Quantity</u>
1977-----	44,388
1978-----	44,194
1979-----	54,096
1980-----	52,909
1981-----	51,848

Yoghurt and other fermented milk

During 1977-81, annual U.S. production of yoghurt, as reported by the U.S. Department of Agriculture, increased from 534 million pounds to 595 million pounds, as shown in the following tabulation:

Year	Production 1,000 pounds	Value 1,000 dollars	Unit value Per pound
1977-----	534,000	491,600	\$0.92
1978-----	566,000	532,600	.94
1979-----	567,000	544,300	.96
1980-----	589,000	577,200	.98
1981-----	595,000	595,000	1.00

In contrast to the production of most dairy products, the production of yoghurt has risen rapidly over the years. For example, in the early 1970's the production of yoghurt averaged about 200 million pounds annually compared with the level in the early 1960's of about 50 million pounds. Inasmuch as yoghurt is a bulky and perishable product that requires refrigeration, long-term stocks are not maintained. Imports of yoghurt are not permitted by the FDA. Exports are nil. Production, therefore, approximates consumption. Per capita sales of yoghurt, which have been in a long-term upward trend, increased from 2.45 pounds in 1977 to 2.50 pounds in 1981. In the early 1970's, however, such sales averaged about 1 pound annually and in the early 1960's, only 0.25 pound.

Animal feeds containing milk or milk derivatives

Data on U.S. production of animal feeds containing milk or milk derivatives are not available. Production of the principal feed included here--calf milk replacers--is estimated to amount to 500 million pounds annually. The output of other animal feeds containing milk is not known but is believed to be small. Such feeds are principally those designed for feeding young animals and for feeding pets.

The U.S. Department of Agriculture reports the production of dry whey for animal feed and dry skim milk for animal feed in 1977-81, as follows (in thousands of pounds):

	<u>Dry skim milk</u>	<u>Dry whey</u>
1977-----	7,884	155,291
1978-----	6,488	196,424
1979-----	6,129	203,487
1980-----	6,944	155,796
1981-----	7,846	184,488

#### U.S. Inventories

Fluid milk and cream are perishable and stocks of such products are negligible. Yearend stocks of manufactured dairy products (commercial and Government-owned), in terms of milk equivalent, increased irregularly from an annual average of 8.6 billion pounds in 1977-79 to 13.0 billion pounds in 1980, and then to a record level of 18.3 billion pounds in 1981 (table 14). In the years of high stocks, the bulk of the stocks were owned by the Government.

#### U.S. Exports

U.S. exports of dairy products have been very small compared with domestic production. Generally, U.S. prices are higher than world prices. U.S. exports have consisted of specialty products which have been exported in small quantities, products donated for relief or charity, or stocks sold by the CCC, for export only, when they were in danger of spoilage, at a fraction of acquisition costs.

Reported exports of the products included in this investigation during 1977-81 were as follows (in thousands of pounds):

	<u>Condensed or evaporated milk</u>	<u>Nonfat dry milk</u>	<u>Other dry milk</u>	<u>Butter</u>
1979-----	34,094	91,945	23,847	655
1978-----	37,007	227,339	12,957	596
1979-----	42,298	150,210	9,740	934
1980-----	43,376	222,796	87,769	863
1981-----	34,909	206,315	120,000	118,127

U.S. exports of butter, which in 1977-80 averaged about 800,000 pounds annually, and were equivalent to less than 1 percent of U.S. production, amounted to 118 million pounds in 1981. The bulk of the exports in 1981 consisted of butter in a deteriorated condition sold from the inventories of the CCC at about 60 percent of the purchase price.



Table 14.--Dairy products: Commercial and U.S. Government stocks, Dec. 31 of 1977-81

(In millions of pounds)

Period	Articles containing butterfat					Total milk equivalent <sup>1/</sup>	Nonfat dry milk
	Butter	American cheese	Other cheese	Evaporated and condensed milk			
Commercial							
Dec. 31--							
1977-----	34	362	64	75		4,916	61
1978-----	15	349	78	70		4,475	40
1979-----	25	404	106	77		5,419	93
1980-----	37	423	99	52		5,752	85
1981-----	48	365	87	46		5,333	87
U.S. Government							
Dec. 31--							
1977-----	<sup>2/</sup> 151	<sup>3/</sup> 61		<sup>4/</sup>		3,710	617
1978-----	<sup>2/</sup> 192	<sup>3/</sup> 30		<sup>4/</sup>		4,254	545
1979-----	<sup>2/</sup> 153	<sup>3/</sup> 3		<sup>4/</sup>		3,180	393
1980-----	<sup>2/</sup> 268	<sup>3/</sup> 190		1		7,207	502
1981-----	<sup>2/</sup> 382	<sup>3/</sup> 515		1		12,980	803
Total							
Dec. 31--							
1977-----	185	423	64	75		8,626	678
1978-----	207	379	78	70		8,730	585
1979-----	178	407	106	77		8,599	486
1980-----	305	613	99	53		12,958	587
1981-----	430	880	87	47		18,313	890

<sup>1/</sup> Includes manufactured products (except nonfat dry milk).<sup>2/</sup> Includes butter equivalent of butter oil.<sup>3/</sup> Includes process cheese held by USDA.<sup>4/</sup> Less than 500,000 pounds.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Note.--Because of rounding, figures may not add to the totals shown.

## U.S. Imports

U.S. imports of the dairy products included herein are very small in relation to domestic production and consumption. Imports of each product, which are generally restricted pursuant to the Import Milk Act and section 22 of the Agricultural Adjustment Act, have been equivalent to less than 0.5 percent of U.S. consumption in recent years.

Fluid milk, cream, and whey and yoghurt

Fluid milk products can be imported into the United States only under the conditions specified in import permits issued pursuant to the Import Milk Act, as discussed earlier. The only permit issued under that act has been for imports of frozen cream from New Zealand. Imports of frozen cream are also restricted by a section 22 quota to 1,500,000 gallons annually; the entire quota is allocated to New Zealand (see TSUS item 949.80). The quota has been virtually filled each year.

Condensed or evaporated milk and cream

Imports of condensed milk are subject to the provisions of the Import Milk Act if they are not sterilized and not in hermetically sealed containers. Such condensed milk has not been imported in recent years. In addition, all imports of condensed or evaporated milk and cream are subject to absolute import quotas pursuant to section 22 of the Agricultural Adjustment Act. The quotas, which total 5,391,000 pounds annually, are shown in item 949.90 of the TSUS and are allocated to supplying countries based on trade in a previous representative period. The quotas, which are administered on a first-come, first-served basis by the U.S. Customs Service, are allocated to five specified countries, with a residual quota of 8,000 pounds to other countries. EC country allocations are 1,547,000 pounds to the Netherlands, 1,345,000 pounds to Denmark, and 22,000 pounds to West Germany. In 1981, the quotas were virtually filled; in 1977-80, however, only 8 percent to 16 percent of the quotas were filled.

Dried milk, cream, and whey

U.S. imports of dried milk, cream, and whey are subject to absolute import quotas pursuant to section 22 of the Agricultural Adjustment Act. The annual quota for dried whole milk is 7,000 pounds (TSUS item 950.03); that for dried buttermilk and dried whey, combined, is 496,000 pounds (item 950.01); that for nonfat dry milk is 1,807,000 pounds (item 950.02); and that for dried cream is 500 pounds (item 950.04). These quotas are administered by the USDA through a system of import licenses. None of the quotas are allocated to EC countries. Most of the quota allocations have been substantially filled in recent years.

Butter

U.S. imports of butter are subject to an annual import quota of 707,000 pounds (TSUS item 950.05). The quota is allocated through import licenses issued to importers who are authorized to import the following amounts from the specified countries:

<u>Country</u>	<u>Quantity</u> <u>(pounds)</u>
Denmark-----	63,518
New Zealand-----	331,950
Other <sup>1/</sup> -----	311,442
Total-----	706,910

The quotas have been virtually filled in recent years.

Butter oil and butter substitutes containing over 45 percent of butterfat

U.S. imports of butter oil and butter substitutes containing over 45 percent of butterfat are limited by a section 22 quota (TSUS item 950.06) of 1,200,000 pounds annually. The quota is administered by the U.S. Customs Service on a first-come, first-served basis. The quota has been filled in recent years, with Belgium, Luxembourg, and the Netherlands supplying most of the imports.

Animal feeds containing milk or milk derivatives

Data are not available on imports of mixed animal feeds containing milk or milk derivatives and not less than 6 percent of grains or grain products. Such products are believed to be negligible articles of trade. Milk is a minor ingredient in any known product meeting this description.

Imports of other animal feeds containing milk or milk derivatives are subject to an annual import quota of 16,300,000 pounds (TSUS item 950.17). The quota, administered by the U.S. Customs Service on a first-come, first-served basis, is allocated to Ireland (12,060,000 pounds), New Zealand (3,930,000 pounds), United Kingdom (185,000 pounds), and Australia (125,000 pounds). In most recent years, the quota has been substantially filled.

Certain cheeses

The cheeses which are subjects of this investigation are specialty cheeses, the consumption of which has been increasing in recent years. The imported cheeses generally are higher priced than most domestic cheeses. Imports of the cheeses from EC countries in 1977-81 are shown in table 15. Many of the most popular cheeses, such as Stilton, Roquefort, Brie, and Camembert, are imported from the EC.

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<sup>1/</sup> Allocated for importation from one and only one, of either Argentina, Australia, Canada, Netherlands, Norway, Sweden, or Switzerland.

Table 15.--Certain cheeses: U.S. imports from the EC, by types of cheese, 1977-81

Year	Stilton <sup>1/</sup>	Bryndza	Roquefort	Gjetost	Gammelost and Nokkelost	Soft-ripened cow's milk
Quantity (1,000 pounds)						
1977-----	190	0	1,620	9	107	4,395
1978-----	294	0	1,471	3	398	2,433
1979-----	315	0	1,328	<sup>2/</sup>	60	1,294
1980-----	271	0	1,278	0	0	9,133
1981-----	445	<sup>2/</sup>	1,193	2	0	11,180
Value (1,000 dollars)						
1977-----	247	-	3,763	11	121	6,868
1978-----	430	-	3,799	10	508	4,274
1979-----	550	-	3,803	1	81	2,681
1980-----	530	-	3,939	-	-	17,911
1981-----	899	1	3,689	4	-	19,106

<sup>1/</sup> Imports from the United Kingdom only.

<sup>2/</sup> Less than 500 pounds.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Soft-ripened cow's milk cheeses are the largest volume cheese included herein. Total U.S. imports (from all sources) of the types of cheeses included in this investigation increased during 1977-81 (table 16). Imports of soft-ripened cow's milk cheeses decreased from 5.2 million pounds in 1977 to 2.1 million pounds in 1979, before rising to 9.3 million pounds in 1980 and to 11.2 million pounds in 1981. Stilton cheese was the only other type of cheese included here for which imports rose during 1977-81 (from 191,000 pounds to 450,000 pounds). Imports of Bryndza, Roquefort, Gjetost, Gammelost, and Nokkelost cheese declined from 1977 to 1981.

U.S. imports of Stilton cheese from the United Kingdom increased from 190,000 pounds, valued at \$247,000, in 1977 to 445,000 pounds, valued at \$899,000, in 1981 (table 15). Stilton cheese competes, to a limited extent, with imported Roquefort cheese and with other imported and domestic blue mold cheese.

Prior to January 1, 1980, soft-ripened cow's milk cheeses were included in a section 22 quota for "other" cheese (USUS item 950.10D). The quota applied to cheese priced less than the Commodity Credit Corporation purchase price for Cheddar cheese plus 7 cents per pound. As a result of the MTN negotiations, the "price-break" was eliminated from cheese quotas and soft-ripened cow's milk cheeses were specifically exempted from the new quotas which became effective January 1, 1980.

U.S. imports of Bryndza cheese in 1977-81 averaged about 464,000 pounds annually without setting a trend. Virtually all of the imports were from Czechoslovakia and not a subject of this investigation.

Imports of Roquefort cheese into the United States in 1977-81 were virtually all from France. Such imports decreased from 1.6 million pounds, valued at \$3.8 million, in 1977 to 1.2 million pounds, valued at \$3.8 million, in 1981.

Total U.S. imports of Gjetost cheese declined irregularly from 512,000 pounds, valued at \$601,000, in 1977 to 353,000 pounds, valued at \$592,000, in 1981. Virtually all of the imports were from other than EC sources and are not subjects of this investigation.

U.S. imports of Gammelost and Nokkelost cheeses during 1977-81 declined irregularly from a peak of 727,000 pounds, valued at \$930,000, in 1978 to 112,000 pounds, valued at \$159,000, in 1980. Imports from the EC made up a small share of total imports; there were no imports from the EC in 1980 and 1981.

U.S. imports of soft-ripened cow's milk cheeses from the EC declined from 4.4 million pounds, valued at \$6.9 million, in 1977 to 1.3 million pounds, valued at \$2.7 million, in 1979 before increasing to 11.2 million pounds, valued at \$19.1 million, in 1981. France was by far the largest source of such imported cheese.

Table 16.--Certain cheeses: U.S. imports from all sources, by types of cheese, 1977-81

Year	Stilton	Bryndza	Roquefort	Gjetost	Gammelost and Nokkelost	Soft-ripened cow's milk
Quantity (1,000 pounds)						
1977-----	191	464	1,620	512	503	5,153
1978-----	294	490	1,471	583	727	3,292
1979-----	315	595	1,328	483	198	2,091
1980-----	271	378	1,278	408	112	9,296
1981-----	450	394	1,214	353	127	11,218
Value (1,000 dollars)						
1977-----	249	220	3,763	601	592	7,805
1978-----	430	238	3,799	727	930	5,429
1979-----	550	321	3,803	707	264	3,780
1980-----	530	238	3,939	640	159	18,176
1981-----	905	259	3,768	592	184	19,181

Source: Compiled from official statistics of the U.S. Department of Commerce.

### The Question of Material Injury or the Threat of Material Injury

The Commerce Department letters of June 8, 1982, and August 9, 1982, provided the Commission with the "most current information" available on EC export subsidies of the subject dairy products to the United States. The letters state that subsidies are not currently in effect and that the EC has not made restitution payments on exports to the United States since July 12, 1974. The Commerce Department letters note that, although subsidies currently are not in effect, "the countervailable program of EC restitution payments remains in effect...[and] the benefit to these dairy products can resume at any time." EC restitution payments on exports of dairy products to areas other than the United States have varied in recent years (see section on EC and world dairy prices).

#### Prices

U.S. dairy prices.--Prices for the major products being considered under this investigation are presented in table 17. During 1977-81, domestic prices for three of the major dairy products in this investigation--fluid milk, NFDM, and butter--increased by 38 to 52 percent.

The prices for these products are strongly affected by the dairy price-support program which is intended to provide a market for farmer's milk at a target price. When market demand and supply are in balance as in 1977, the market price (8.49 cents per pound in 1977) may exceed the support level (8.26 cents per pound). However when milk supplies exceed demand, as they have since 1979, the market price will fall to the support-price level and the support price (13.1 cents per pound in 1981) may even exceed the market price (12.8 cents per pound).

Table 17.--Domestic and foreign dairy prices for selected products, 1977-81

(Per pound)							
Year	Fluid milk used for manufac- turing	Condensed: and evaporated: milk and cream	Nonfat dry milk	Butter	Yoghurt	Whey powder, edible	Whey powder used for animal feed
Domestic dairy product prices							
1977----	\$0.09	\$0.66	\$0.68	\$0.98	\$0.92	-	-
1978----	.10	.72	.71	1.11	.94	\$0.13	\$0.16
1979----	.11	.82	.80	1.24	.96	.09	.13
1980----	.12	.89	.94	1.41	.98	.14	.11
1981----	.13	.94	.94	1.49	1.00	.17	.14
Imported dairy product prices							
1977----	-	\$0.40	\$0.25	\$0.71	-	-	-
1978----	-	.60	.23	.86	-	-	-
1979----	-	.47	.29	.88	-	-	-
1980----	-	.59	.38	1.17	-	-	-
1981----	-	.36	.36	1.17	-	-	-
Difference between domestic and imported price							
1977----	-	\$0.26	\$0.43	\$0.27	-	-	-
1978----	-	.12	.48	.25	-	-	-
1979----	-	.35	.51	.36	-	-	-
1980----	-	.30	.56	.24	-	-	-
1981----	-	.58	.58	.32	-	-	-

Source: Domestic prices, compiled from official statistics of the U.S. Department of Agriculture; imported prices, compiled from official statistics of the U.S. Department of Commerce.



The price support program is carried out by USDA purchasing three manufactured dairy products that can be stored for several years--butter, nonfat dry milk, and Cheddar cheese. Two of the products purchased by USDA, butter and NFDM, are included in this investigation. The support prices for butter and NFDM and their market prices since 1977 are shown in table 4.

Although price data exist for some of the other products in this investigation, price series for all of the products are not available. The available price series for other products being considered in this investigation are included in table 17.

Because the supported price of whole milk keeps the production costs of all dairy products up in times of oversupply, all dairy products are to some degree influenced by the price-support program for milk when supply exceeds demand, even though they may not be directly purchased by USDA. Hence, as shown in table 17, the prices for non-USDA purchased items, such as condensed and evaporated milk and cream, behaved similarly to the prices of the three USDA-purchased products. However, the prices of other products appear to be affected less strongly by the price-support program. The price of yoghurt, for example, increased less than 10 percent during 1977-81, and the price of whey powder used for animal feed fell from 16 cents per pound to 14 cents per pound between 1978 and 1981. The lower price increase of yoghurt is partly explained by the price premium that this product attained during the years of rapid consumption growth in the 1970's. Recently, with increasing competition in the yoghurt market, prices have not grown as rapidly as previously. The price decline of whey--a byproduct of cheese--is partly explained by the rapid rise in production of cheese in the 1970's and the consequent excess supply of whey on the market.

Dairy import prices.--Price series for some of the imported products being considered in this investigation are also presented in table 17. The table shows that the prices of imported condensed or evaporated milk and cream, nonfat dried milk, and butter have been lower than domestic prices.

With the exception of some specialty cheeses, U.S. dairy product prices are generally unaffected by the international market for dairy products because of section 22 quotas. <sup>1/</sup> The quotas are generally very restrictive, and import penetration ratios for all the products in table 17 have been less than 2 percent of domestic production in 1977-81. For example, U.S. imports of the most widely traded dairy products, NFDM and butter, which entered at their maximum allowable levels under the quota in 1981, equaled only 0.2 percent of domestic NFDM production and 0.06 percent of domestic butter production.

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<sup>1/</sup> Some nonquota specialty cheeses such as Stilton, Goya, Nokkelost, Gammelost, and soft-ripened cow's milk and goat's milk cheeses are covered in this investigation. In general the quantity of these cheeses imported is greater than the level of domestic production. Probably the largest category of such cheeses is soft-ripened cow's milk cheese.

EC and world dairy prices.--EC domestic prices for dairy products are influenced by the EC dairy price-support program, which works similarly to the U.S. program. Table 18 compares EC prices of NFDM and butter, as represented by the EC intervention price, i.e., the EC support price, with estimated world prices and the U.S. support prices for the two products. The table also shows the per unit EC refunds to EC exporters of NFDM and butter. This is the amount given to EC exporters so they can export at competitive prices to foreign markets--and the unit value of U.S. imports of nonfat dry milk and butter from the EC.

The EC intervention price for butter has historically been higher than the U.S. butter support price, though the difference between the two prices has decreased to a very small amount as the dollar has gained in value compared with the ECU. On the other hand, the EC intervention price for NFDM has been historically below the U.S. support price, and the gap between these prices has been growing.

The world price of NFDM and butter has been considerably below the U.S. price. From 1979 until the present, the world price of NFDM usually has been less than half the U.S. price. For butter the world price ranged from approximately half to two-thirds the U.S. price.

The level of the EC refund has fluctuated greatly. In some years the refund, after it is subtracted from the intervention price, has reduced the EC export price to a level below the world price and in some years the export price has been above the world price.

The unit value of butter and NFDM exported to the United States from the EC generally has been at levels below the EC intervention prices and below the U.S. market prices. The unit value of U.S. NFDM imports from the EC was below both the U.S. price and the EC intervention price in all years except 1979. The unit value for U.S. butter imports from the EC was below both the U.S. price and the EC intervention price in 1980 and January-June 1982. 1/

#### The European Community's Common Agricultural Policy for Milk and Milk Products

The EC's program for milk consists of a price system to guarantee minimum prices for dairy products, and an intervention system by which the member governments purchase dairy commodities to maintain the target price. The EC also protects the domestic market with variable levies on imports of dairy products and encourages the export of surplus commodities with refunds.

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1/ Witnesses at the hearing allege that the low unit value of imports of dairy products from the EC relative to the EC intervention prices is proof of subsidization (transcript of hearing, pp. 5, 11-12, and 22-24).

Table 18.---Nonfat dry milk and butter prices in the European Community, the United States, and the world market, 1979/80-1982/83  
(Per pound)

Year	Nonfat dry milk					Butter					Exchange rate \$/ECU
	Intervention price	EC export refunds to countries other than United States <sup>1/</sup>	World price f.o.b. Europe	Unit value: of U.S. imports from the EC 2/	Intervention price	EC export refunds to countries other than United States <sup>1/</sup>	World price f.o.b. Europe	Unit value: of U.S. imports from EC 2/	U.S. price		
1979/80	\$0.73	\$0.43	\$0.27	\$0.96	\$1.79	\$1.20	\$0.58	\$2.14	\$1.24	\$1.39	
1980/81	.73	.23	.65	.44	1.76	.67	.77	2.95	1.41	1.33	
1981/82	.64	.23	.49	.49	1.54	.63	1.08	1.17	1.49	.07	
1982/83 <sup>1/</sup>	.67	.20	.39	3/ .52	1.57	.56	.98	3/ 1.39	1.49	1.02	

1/ 1982-1983 prices are current prices and not annual averages as for other periods.

2/ Unit value of imports calculated on a calendar year basis, not crop year.

3/ The values for 1982 are for the January-June period.

Source: Intervention prices and EC export refund, Commission of the European Communities; world prices, estimated by USDA; unit value of U.S. imports from the EC, official statistics of the U.S. Department of Commerce; U.S. price, purchase price of the CCC, USDA; ECU/dollar exchange rate. Estimate derived by averaging weekly approximations of ECU/dollar rate obtained from Telex received by EC delegation in Washington from EC headquarters in Brussels.

Target and intervention prices.--To ensure a minimum price to milk producers, and hence to safeguard a minimum income for producers of milk, the EC establishes a target price for milk delivered to dairies. To achieve the target price, the EC member states agree to buy certain dairy products made of milk--butter and NFDM, and in Italy, also certain cheeses--at intervention prices (see section on prices). Because of persistent surpluses of dairy products, the intervention prices normally become the market prices for the selected products.

Butter, NFDM, and certain cheeses not sold on the ordinary market are purchased by the intervention agencies. These products are then disposed of in ways to minimize the effect on Community dairy prices. Disposal, for example, may consist of reduced-price sales to nonprofit organizations or the armed forces, or foreign aid shipments to developing countries.

EC imports.--In support of the target and intervention prices, the EC applies a variable levy to imports of dairy products. Apart from some special situations when the levy does not apply, the levy is set at a level to bring the price of imports up to a price, specified for each dairy product, which is consistent with the target and intervention prices. This practice keeps low-priced imports from disrupting the Community's price-support program.

EC dairy exports.--To encourage exports of surplus dairy products, the EC grants export refunds on most dairy products covering the difference between domestic and international prices. Lists of refund levels for dairy products, based on the difference between domestic and foreign prices, are issued by the EC Commission every 4 weeks. Refund levels for each product are the same for all EC exporters. In some instances, refunds are differentiated to meet price levels in various export markets. Regulations also include provisions for fixing the amount of the refund so that EC exporters can make contracts over a period of several months.

Operations of the dairy program, 1970-81.--During the 1970's, high EC support prices for NFDM and butter encouraged increased production of milk and related products within the Community. At the same time, the resulting high domestic dairy prices discouraged consumption and led to a buildup of large surplus stocks of NFDM and butter. The high level of milk production and the large surplus stocks of dairy products from the 1970's carried over into the 1980's. Total EC expenditures in the dairy sector, including price supports, export refunds, and related programs, amounted to over \$4.1 billion in 1981. <sup>1/</sup> The Community has used export refunds of over \$2.3 billion in 1981 to sell surplus dairy products abroad.

EC production, consumption, and exports of dairy products are shown in table 19. EC production of fluid milk delivered to dairies rose from 89,506,000 tons in 1974 to 106,625,000 tons in 1981, representing a 19-percent increase. This increase is reflected in the production of NFDM which rose from 1,983,000 tons in 1974 to 2,385,000 tons in 1978, representing a 20-percent increase. In 1979-81, because of more moderate increases in price supports than in earlier years, EC nonfat dry milk production declined slightly, but still remained far above EC consumption of NFDM; in 1981, EC production of NFDM exceeded EC consumption of the product by 35 percent.

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<sup>1/</sup> Subsidized disposal of milk products.

Table 19. European Community production, consumption, exports, and stocks of certain milk products, 1974-81  
(In thousands of tons) 1/

Item	1974	1975	1976	1977	1978	1979	1980	1981 2/
<b>EC production of fluid milk:</b>								
Dairy cows (1,000 cows)	25,217	24,728	24,808	25,017	25,027	25,307	25,268	25,196
Yield per cow (lbs./head)	3/	3/	8,311	8,477	8,841	8,907	9,039	3/
Milk from dairy herds	100,614	101,387	103,096	106,026	110,652	112,689	114,199	3/
Milk delivered to dairies	89,506	89,726	92,249	95,576	99,903	102,517	105,241	106,625
<b>EC production of:</b>								
Skimmed milk powder	1,983	2,137	2,209	2,200	2,385	2,341	2,259	2,260
Butter	1,833	1,897	1,981	2,006	2,168	2,207	2,205	2,152
Cheese	3,172	3,068	3,181	3,370	3,493	3,644	3,774	4,074
Fresh dairy products	29,240	29,753	24,579	24,165	24,710	25,218	3/	3/
Whole milk powder	380	387	455	589	601	662	7/ 833	904
Condensed milk	1,543	1,446	1,451	1,488	1,442	1,459	1,465	1,582
Casein	67	48	50	58	73	91	2/ 110	99
<b>EC consumption of:</b>								
Skimmed milk powder	1,490	1,378	1,960	1,993	2,202	2,332	1,737	1,675
Butter	1,916	1,981	1,898	1,907	1,753	1,838	1,808	1,748
Cheese 4/	2,965	2,892	2,959	3,141	3,252	3,352	3,410	3,655
Whole milk powder 4/	166	168	194	225	232	238	248	287
Condensed milk 4/	1,035	1,025	932	873	841	846	745	843
Casein 4/	44	33	35	46	38	47	55	-
Fresh dairy products 5/	327	229	231	227	227	229	3/	3/
<b>EC exports of:</b>								
Skimmed milk powder	243	180	184	464	462	701	639	606
Butter	149	75	128	308	308	550	657	606
Cheese	207	176	222	229	241	292	364	419
Whole milk powder	214	219	261	364	369	424	585	617
Condensed milk	508	421	519	615	601	613	720	739
Casein	23	15	17	12	35	44	2/ 55	3/
<b>EC exports as a percentage of world trade of:</b> 6/								
Skimmed milk powder	44.8	32.2	24.1	39.0	43.0	60.8	54.8	3/
Butter	28.3	15.8	23.7	43.6	47.0	61.7	63.4	3/
Cheese	37.8	33.9	36.8	35.1	36.7	41.0	45.5	3/
Whole milk powder	63.2	66.1	68.5	64.7	67.5	69.0	66.5	3/
Condensed milk	92.8	92.1	78.6	77.8	75.1	71.7	71.4	3/
Casein	23.3	28.0	31.9	3/	3/	3/	3/	3/
<b>EC exports as a percentage of EC production of:</b> 6/								
Skimmed milk powder	17.3	7.5	8.3	21.1	19.4	29.9	28.3	26.8
Butter	8.1	4.0	6.5	14.9	14.2	24.9	29.8	28.2
Cheese	6.5	5.7	7.0	6.8	6.9	8.0	9.6	10.3
Whole milk powder	36.3	56.6	57.4	61.8	61.4	64.0	70.2	68.3
Condensed milk	32.9	29.1	35.8	41.3	41.7	42.0	49.1	46.7
Casein	34.3	31.2	34.0	20.7	47.9	48.4	50.0	-
<b>EC stocks of:</b> 7/								
Skimmed milk powder	710	1,376	1,500	1,302	1,073	437	374	407
Butter	163	181	281	215	461	410	263	165

1/ Unless otherwise noted.

2/ EC estimate.

3/ Not available.

4/ Domestic production less exports.

5/ Lbs./person/year.

6/ In percent.

7/ Year-end stocks, public (intervention) and private.

Source: The Agricultural Situation in the Community, European Commission, various issues.

EC production of butter rose from 1,833,000 tons in 1974 to a high of 2,207,000 tons in 1979, an increase of 20 percent. In 1980/81, EC butter production fell slightly in response to lower increases in support price levels. But, EC butter production still far exceeded EC consumption of butter in 1981; during the year, EC dairies produced 23 percent more butter than EC consumers purchased.

EC cheese production has increased steadily over most of 1974-81, growing 28 percent from 3,172,000 tons in 1974 to 4,074,000 tons in 1981. Unlike the steadily falling EC consumption of NFDM and butter in 1979-81, EC consumption of cheese increased 3 percent in 1979, 2 percent in 1980, and about 7 percent in 1981. Still, EC consumption of cheese in 1981 was 11 percent less than EC production.

Using export refunds to encourage sales abroad, the EC has succeeded in reducing surplus stocks of NFDM and butter from the extremely high levels reached during the 1970's; from 1,500,000 tons of NFDM and 281,000 tons of butter in 1976 to 407,000 tons of NFDM and 165,000 tons of butter in 1981. Reflecting this fall in stocks, EC exports of NFDM have more than tripled since 1975, and EC exports of butter have increased seven times over their 1975 level. In 1981, the EC exported 606,000 tons each of NFDM and butter, over one quarter of EC production of these products.

#### The Question of the Impact of Imports on the Price-Support Program of the U.S. Department of Agriculture

Section 771 of the Tariff Act of 1930 requires the Commission, in the case of agriculture products, to consider any increased burden on Government income or price-support programs. Government costs of the price-support program on dairy products have increased rapidly in recent years (see separate section of the report on costs of the program). Legislation effective October 1, 1982, authorizes the Secretary of Agriculture to assess a fee of 50 cents per hundredweight on all milk marketed in the United States in order to reduce the costs of the program. Such assessment became effective December 1, 1982. An additional 50 cents per hundredweight is authorized to become effective April 1, 1983.

For the products which are subjects of this investigation, the Commerce Department reports that there currently are no net subsidies and that there have been no subsidies since July 12, 1974. Witnesses at the hearing allege that all of the products included as subjects of the investigation are subsidized, that annual imports of such products into the United States are equivalent to 242 million pounds of milk, and that price-support purchases of an equivalent amount of dairy products cost the U.S. Government \$38 million. 1/

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1/ Transcript of hearing, p. 6.

APPENDIX A

NOTICE OF COUNTERVAILING DUTIES (T.D. 75-113) AND  
WAIVER OF COUNTERVAILING DUTIES (T.D. 75-114)

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director", will have the effect of conforming the Customs Regulations with the Customs delegation orders currently in effect.

Accordingly, the first sentence of section 162.2 of the Customs Regulations (19 CFR 162.2) is amended to read as follows:

**§ 162.2 Examination of importer and others.**

The citation of a person to appear and testify pursuant to section 509, Tariff Act of 1930, as amended (19 U.S.C. 1509), authorizing such examination, shall be in writing and signed by the appropriate Customs officer. \* \* \*

(R.S. 251, as amended, secs. 509, 624, 46 Stat. 733, as amended, 759 (19 U.S.C. 66, 1509, 1624))

Because this amendment conforms the regulations with a Customs Delegation Order and relates to agency management, notice and public procedure thereon is found to be unnecessary, and good cause exists for dispensing with a delayed effective date under the provisions of 5 U.S.C. 553.

*Effective date.* This amendment shall become effective upon publication in the Federal Register.

(ADM-9-03)

VERNON D. ACREE,  
*Commissioner of Customs.*

Approved May 7, 1975,  
DAVID R. MACDONALD,  
*Assistant Secretary of the Treasury.*

[Published in the Federal Register May 20, 1975 (40 FR 21932)]

(T.D. 75-113)

*Countervailing duties—Dairy products from France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium*

Notice of countervailing duties to be imposed under section 303, Tariff Act of 1930, as amended, by reason of the payment or bestowal of a bounty or grant upon the manufacture, production or exportation of dairy products from France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium



DEPARTMENT OF THE TREASURY,  
OFFICE OF THE COMMISSIONER OF CUSTOMS,  
Washington, D.C.

## TITLE 19—CUSTOMS DUTIES

## CHAPTER I—UNITED STATES CUSTOMS SERVICE

## PART 159—LIQUIDATION OF DUTIES

On February 14, 1975, a "Notice of Preliminary Countervailing Duty Determination" was published in the Federal Register (40 FR 6791). The notice stated that it had been determined tentatively that payments are being made, directly or indirectly, by the European Communities (consisting of France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium), upon the manufacture, production, or exportation of dairy products, which constitute a bounty or grant within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303). The notice provided interested parties 15 days from the date of publication to submit relevant data, views, or arguments in writing with respect to the preliminary determination.

After consideration of all information received, it has been determined that exports of certain dairy products from the European Communities are subject to bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303).

Accordingly, notice is hereby given that dairy products imported directly or indirectly from the European Communities, if entered, or withdrawn from warehouse, for consumption on or after the date of publication in the Federal Register, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed. Those dairy products which are the subject of this order are set forth in the appendix hereto, together with an indication of which of those products currently are subject to the payment or bestowal of bounties or grants by virtue of export restitution payments.

In accordance with section 303, the net amount of the bounties or grants has been ascertained and determined, or estimated, to be the refunds referred to in Article 17 or Regulation (EEC) No. 804/68 applicable on the exportation of dairy products from the member states, as set forth by the regulations of the European Communities as published in the *Official Journal of The European Communities*. To the extent that it has been or can be established to the satisfaction of the Commissioner of Customs that imports of dairy products from the European Communities are subject to a bounty or grant in an amount other than that applicable under the above declaration, the

amount so established shall be assessed and collected on imports of such dairy products.

Effective on or after the date of publication of this notice in the Federal Register and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of such dutiable dairy products imported directly from the European Communities, which benefit from these bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in the amount ascertained in accordance with the above declaration.

The liquidation of all entries for consumption or withdrawal from warehouse for consumption of such dutiable dairy products imported directly from the European Communities; which benefit from these bounties or grants and are subject to this order, shall be suspended pending declarations of the net amounts of the bounties or grants paid.

Notwithstanding the above, a notice of "Waiver of Countervailing Duties" is being published concurrently with this order in accordance with section 303(d) of the Tariff Act of 1930 (19 U.S.C. 1303(d)). At such time as the waiver ceases to be effective, in whole or in part, a notice will be published setting forth the deposit of estimated countervailing duties which will be required at the time of entry, or withdrawal from warehouse, for consumption of each product then subject to the payment of countervailing duties.

The table in section 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting in the column headed "Country", the names West Germany, Luxembourg, the Netherlands and Belgium. The column headed "Commodity" is amended by inserting the words "Dairy Products" after the last entry for France, Great Britain (United Kingdom), West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium. The column headed "Treasury Decision" is amended by inserting the number of this Treasury Decision, and the words "Bounty Declared—Rate" in the column headed "Action".

(R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2050; 19 U.S.C. 66, 1303, as amended, 1624).

(APP-4-05)

VERNON D. ACREE,  
*Commissioner of Customs.*

Approved May 12, 1975,  
DAVID R. MACDONALD,  
*Assistant Secretary of the Treasury.*

[Published in the Federal Register May 19, 1975 (40 FR 21719)]

T.D. 75-113]

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## APPENDIX

I. DAIRY PRODUCTS CURRENTLY RECEIVING RESTITUTION  
PAYMENTS FOR EXPORT TO THE U.S.

Common External Tariff No.	General Description	E.C. Code
04.04	Cheese & curd	
	ex. C. Blue-veined cheese, not grated or powdered, other than Roquefort:	4900-00
	D. Processed cheese not grated or powdered:	
	II. Other, of a fat content, by weight:	
	a.) Not exceeding 36% and of a fat content, by weight, in the dry matter:	
	ex. 1. Not exceeding 48% of a dry matter content, by weight:	
	(aa) Of 33% or more but less than 38%	4410-10 <sup>1</sup>
	(bb) Of 38% or more but less than 43% of a fat content, by weight, in the dry matter:	
	(11) Less than 20%	4410-20 <sup>1</sup>
	(22) Of 20% or more	4410-30 <sup>1</sup>
	(cc) Of 43% or more & of a fat content, by weight, in the dry matter:	
	(11) Less than 20%	4410-40 <sup>1</sup>
	(22) Of 20% or more but less than 40%	4410-50 <sup>1</sup>
	(33) Of 40% or more	4410-60 <sup>1</sup>
	ex. 2. Exceeding 48% & of a dry matter content, by weight:	
	(aa) Of 33% or more but less than 38%	4510-10 <sup>1</sup>
	(bb) Of 38% or more but less than 43%	4510-20 <sup>1</sup>
	(cc) Of 43% or more but less than 46%	4510-30 <sup>1</sup>
	(dd) Of 46% or more & of a fat content, by weight, in the dry matter:	
	(11) Less than 55%	4510-40 <sup>1</sup>
	(22) Of 55% or more	4510-50 <sup>1</sup>
	b.) Exceeding 36%	4610-00 <sup>1</sup>

See footnotes at end of table.

I. DAIRY PRODUCTS CURRENTLY RECEIVING RESTITUTION PAYMENTS FOR EXPORT TO THE U.S.—Continued

Common External Tariff No.	General Description	E.C. Code
04.04	Cheese & curd—Continued	
	E. Other:	
	I. Not grated or powdered, of a fat content, by weight, not exceeding 40% & a water content, calculated by weight, of the non-fatty matter:	
	ex. a.) Not exceeding 47%	
	(1) Grana, Parmigiano Reggiano	4710-11
	(2) Fiore Sardo, Pecorino	4710-16
	(3) Other, of a fat content, by weight, in the dry matter of 30% or more	4710-21 <sup>2</sup>
	b.) Exceeding 47% but not exceeding 72%	
	(dd) Of 39% or more:	
	(11) Asiago, Caciocavallo, Provolone, Ragusano	5120-31
	(22) Danbo, Edam, Fontal, Fontina, Fynbo, Gouda, Havarti, Marbo, Samsø, Tilsit	5120-44
	(33) Butterkase, Esrom, Italic, Kernhem, Saint-Nectaire, Saint-Paulin, Taleggio	5120-54
	(44) Cantal	5120-58
	(55) Salted ricotta, of a fat content, by weight, of 30% or more	5120-59
	(66) Feta, of a water content calculated by weight of the non-fatty matter exceeding 62% but not exceeding 72% in containers holding brine	5120-80
	(88) Other, of a water content, calculated by weight, of the non-fatty matter:	
	(aaa.) Exceeding 47% but not exceeding 52%	5120-86 <sup>3</sup>
	(bbb.) Exceeding 52% but not exceeding 62%	5120-91 <sup>3</sup>

See footnotes at end of table.

T.D. 75-113]

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I. DAIRY PRODUCTS CURRENTLY RECEIVING RESTITUTION  
PAYMENTS FOR EXPORT TO THE U.S.—Continued

Common External Tariff No.	General Description	E.C. Code
04.04	Cheese & curd—Continued	
	II. Other	
	ex. a.) Grated or powdered, of a fat content by weight exceeding 20% of a lactose content by weight, less than 5% & of a dry matter content, by weight:	
	(1) Of 80% or more but less than 85%	5310-10 <sup>4</sup>
	(2) Of 85% or more but less than 95%	5310-21 <sup>4</sup>
	(3) Of 95% or more	5310-30 <sup>4</sup>

II. SCHEDULE OF DAIRY PRODUCTS BY COMMON EXTERNAL TARIFF  
No. NOT PRESENTLY RECEIVING RESTITUTION PAYMENTS  
FOR EXPORT TO THE U.S.

04.01	Milk and cream, fresh, not concentrated or sweetened
04.02	Milk and cream, preserved, concentrated or sweetened in dry or liquid form with sugar or without sugar
04.03	Butter including butter oil, anhydrous milk fat, and Ghee
04.04	Cheese and curd (not listed in I above)
23.07	Sweetened forage; other preparations of a kind used in animal feeding, which might include milk products

<sup>1</sup> Processed cheese includes specialty and exotic cheeses for table use only such as garlic and spiced cheese, smoked cheese, cheese spreads, and like specialty products. These cheeses are not for further processing except for preparation for retail sales.

<sup>2</sup> Including other hard Italian table cheeses.

<sup>3</sup> Including Camembert, Brie, Port Salut, Limburger.

<sup>4</sup> Excluding those cheeses processed from Swiss or American type cheeses.

(T.D. 75-114)

*Waiver of Countervailing Duties—Dairy Products from France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium*

Determination under section 303(d), Tariff Act of 1930, as amended,  
to waive countervailing duties

DEPARTMENT OF THE TREASURY,  
Washington, D.C., May 12, 1975.

## TITLE 19—CUSTOMS DUTIES

## CHAPTER I—UNITED STATES CUSTOMS SERVICE

## PART 159—LIQUIDATION OF DUTIES

In T.D. 75-113, published concurrently with this determination, it has been determined that bounties or grants within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) are being paid or bestowed, directly or indirectly, upon the manufacture, production, or exportation of dairy products from the European Communities (consisting of France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium).

Section 303(d) of the Tariff Act of 1930, as added by the Trade Act of 1974 (P.L. 93-618, January 3, 1975), authorizes the Secretary of the Treasury to waive the imposition of countervailing duties during the four year period beginning on the date of enactment of the Trade Act of 1974 if he determines that:

- (1) adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;
- (2) there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and
- (3) the imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations.

The European Community has taken action to suspend restitution payments on the following cheeses: Colby and Monterey (EC Code

T.D. 75-114]

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5120-83); Industrial cheese for processing (EC Codes 5120-11, 5120-15, 5120-21); Emmentaler and Gruyere (EC Code 3800-00). Restitution payments on cheddar cheese (EC Code 4850-00) and on other dairy products, other than cheese, have been suspended since at least July 1974 and continue in a state of suspension. In view of the above, and based upon analysis of all relevant factors and consultation with interested agencies, I have concluded that the steps taken are adequate to reduce substantially the adverse effect of the bounties or grants.

After consulting with appropriate agencies, including the Department of State, the Office of the Special Representative for Trade Negotiations, and the Department of Agriculture, I have concluded 1) that there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and 2) that the imposition of countervailing duties on dairy products from the European Communities would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Accordingly, pursuant to section 303(d) of the Tariff Act of 1930 (19 U.S.C. 1303(d)), I hereby waive the imposition of countervailing duties as well as the suspension of liquidation ordered in T.D. 75-113 on dairy products from the European Communities.

This determination may be revoked, in whole or in part, at any time and shall be revoked whenever the basis supporting such determination no longer exists. Unless sooner revoked or made subject to a resolution of disapproval passed by either House of the Congress of the United States pursuant to section 303(d) of the Tariff Act of 1930 (19 U.S.C. 1303(e)), this waiver of countervailing duties will, in any event, by statute cease to have force and effect on January 4, 1979.

On or after the date of publication in the Federal Register of a notice revoking this determination in whole or in part, the date of passage by either House of the Congress or a resolution disapproving this "Waiver of Countervailing Duties", or January 4, 1979, whichever occurs first, countervailing duties will be assessable on dairy products imported directly or indirectly from the European Communities in accordance with T.D. 75-113, published concurrently with this determination.

The table in section 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry for France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy, and Belgium under the commodity heading "Dairy Products", the number of this Treasury Decision in

the column heading "Treasury Decision", and the words "Imposition of countervailing duties waived" in the column headed "Action".

(R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2051, 2052; 19 U.S.C. 66, 1303, as amended, 1624).

(APP-4-05)

DAVID R. MACDONALD,  
*Assistant Secretary of the Treasury.*

[Published in the Federal Register May 19, 1975 (40 FR 21720)]

(T.D. 75-115)

*Synopses of drawback decisions*

DEPARTMENT OF THE TREASURY,  
OFFICE OF THE COMMISSIONER OF CUSTOMS,  
Washington, D.C., May 9, 1975.

The following are synopses of drawback rates and amendments issued November 27, 1974, to May 6, 1975, inclusive, pursuant to sections 22.1 and 22.5, inclusive, Customs Regulations.

(DRA-1-09)

LEONARD LEHMAN,  
*Assistant Commissioner,  
Regulations and Rulings.*

(A) *Air registers, grilles and diffusers.*—Manufactured under section 1313(a) by Tuttle and Bailey Div., Allied Thermal Corp., New Britain, Conn., with the use of imported cold rolled steel coils.

Rate effective on articles manufactured on and after October 20, 1974, and exported on and after November 22, 1974.

Rate issued by Regional Commissioner of Customs, Boston, Mass., March 27, 1975.

(B) *Breakfast cereals.*—T.D. 72-121-G, as amended by T.D.'s 74-95-M, 74-149-K, 74-217-S, 74-279-L, and 74-300-U, covering, among other things, breakfast cereals, manufactured under section 1313(b) by General Mills, Inc., Minneapolis, Minn., at its factories located at Minneapolis (two) and Duluth, Minn.; Carlisle, Iowa; Buffalo, N.Y.; Los Angeles and Vallejo, Calif.; Chicago, Ill.; Great



APPENDIX B

COMMERCE DEPARTMENT LETTERS OF JANUARY 4, 1980,  
FEBRUARY 5, 1980, JUNE 8, 1982, AND AUGUST 9, 1982;  
COMMISSION'S NOTICE OF INSTITUTION OF INVESTIGATION;  
AND LISTING OF HEARING WITNESSES

RECEIVED

04 JAN 1980

JAN 7 1980

OFFICE OF THE SECRETARY  
U.S. INTL. TRADE COMMISSION

Dear Mr. Mason:

SECRET
JAN 1980
IT 620
Office of the Secretary Int. Trade Commission

In accordance with the requirements of the Trade Agreements Act of 1979, the following countervail and antidumping cases are being referred to the Commission for a determination of injury or reasonable indication thereof. With regard to countervail investigations, only those cases involving products from countries which signed the Code at Geneva are being referred.

I. Countervailing Duty Cases in which the collection of duties was waived pursuant to the Trade Act of 1974 (5 cases):

Product	Country
Dairy Products (other than quota cheese)	Member states of the European Communities
Canned Beans	Member states of the European Communities
Butter Cookies	Denmark
Fish	Canada
Leather Handbags	Brazil

II. Countervailing Duty Cases in which final affirmative determinations have been issued between July 26 and December 31, 1979 (2 cases):

Product	Country
Tomato Products	Member states of the European Communities
Tomato Slices	Member states of the European Communities

III. Countervailing Duty final affirmative determination with regard to frozen beef from member states of the European Communities (1 case):

IV. Countervailing Duty investigations in which a preliminary affirmative determination (but no final determination) has been issued (3 cases):

Product	Country
Corn Syrup	Member states of the European Communities

Valves	Italy
Rayon Staple Fiber	Austria
Valves	Japan
Scales	Japan
Malleable Pipe Fittings	Japan
Firearms	Brazil
Ferroalloys	Brazil

V. Countervailing Duty Cases which have been initiated, but for which no preliminary or final determination has been issued (4 cases):

Product	Country
Frozen Potato Products	Canada
Roses	Netherlands
Glass Lined Steel Reactor Pressure Vessels	France
Chains and Parts	Japan

VI. Antidumping Cases for which there have been preliminary affirmative determinations, but no final determinations (3 cases):

Product	Country
Portable Typewriters	Japan
Melamine	Austria
Melamine	Italy

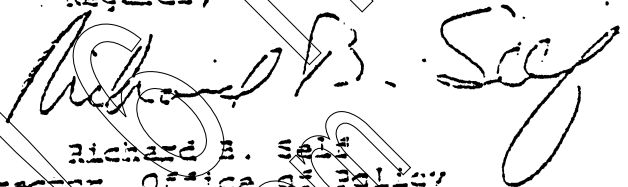
VII. Antidumping Cases which have been initiated, but for which no preliminary or final determinations have been issued (9 cases):

Product	Country
Sodium Hydroxide	United Kingdom
Sodium Hydroxide	West Germany
Sodium Hydroxide	Italy
Sodium Hydroxide	France
Rail Passenger Cars	Italy

Rail Passenger Cars	Japan
Electric Motors	Japan
Microwave Ovens	Japan
Canned Clams	Canada

If you have any questions regarding any of these cases, please feel free to contact me or Barbara or my staff at 366-2121.

Regards,

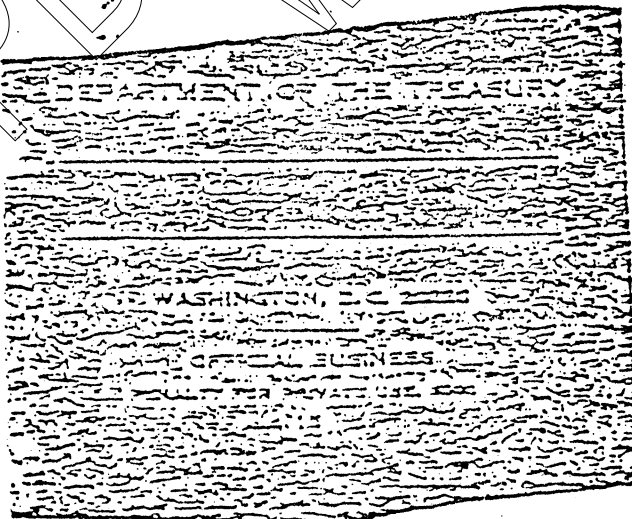


Richard B. Siegel  
 Director, Office of Policy  
 Office of the Assistant Secretary  
 for Trade Administration

cc: Dave Miller

Mr. Kenneth R. Wilson  
 Secretary to the Commission  
 U.S. International Trade Commission  
 Washington, D.C. 20438

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U.S. DEPARTMENT OF COMMERCE  
International Trade Administration  
Washington, D.C. 20416

01 FEB 1980

Mr. Kenneth Mason  
Secretary to the Commission  
U.S. International Trade Commission  
Washington, D.C. 20436

RECEIVED

FEB 5 1980

Dear Mr. Mason:

OFFICE OF THE SECRETARY  
U.S. DEPARTMENT OF COMMERCE

By this letter the Department of Commerce transmits to the Commission the most current information available regarding subsidies bestowed on dairy products, canned hams and shoulders, and frozen boneless beef produced in the European Community (EC). All benefits are in the form of export restitution payments made to EC exporters of the subject merchandise.

Subsidies paid to exporters of non-quota cheeses exported to the United States are shown in the Appendix to this letter. Furthermore, there are no payments currently being made on exports of all other dairy products to the United States.

The benefits received by exporters of canned hams and shoulders from the main producing countries exported to the United States are as follows: Denmark, \$0.333 per pound for canned hams and \$0.294 per pound for canned shoulders; the Netherlands, \$0.392 per pound for canned hams and \$0.143 per pound for canned shoulders.

In the case involving imports of frozen boneless beef from the EC, there are presently no subsidies paid to exporters of this merchandise to the United States.

I trust this information will be sufficient for your purposes. If you have any questions, please do not hesitate to contact me or my staff at 566-4583.

Sincerely,

*Richard B. Self*

Richard B. Self  
Director  
Office of Policy

Enclosure

SECRET  
FEB 13 1980  
77-6-24  
Office of the  
Secretary  
Int'l Trade Administration





**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington, D.C. 20230

A-68

JUN 8 1982

RECEIVED

Mr. Kenneth R. Mason  
Secretary to the Commission  
U.S. International Trade Commission  
Washington, D. C. 20436


Dear Mr. Mason:

In a letter dated January 4, 1980, the Department of Commerce referred to the Commission the countervailing duty order on dairy products, other than quota cheese, produced in the member states of the European Communities ("the EC"), in accordance with section 104(a)(1) of the Trade Agreements Act of 1979. The collection of countervailing duties on products subject to the order (non-quota cheese, butter and non-fat dry milk) is waived pursuant to provisions of the Trade Act of 1974. In June 1980, following the receipt of subsidy information from the Department, the Commission determined that there was no material injury to a U.S. industry, or threat thereof, by reason of imports of EC non-quota cheese. By this letter, the Department transmits to the Commission the most current information available regarding subsidies bestowed by the EC on non-fat dry milk and butter.

There are currently no net subsidies bestowed by the EC on the two products. However, the countervailable program of EC restitution payments remains in effect, though the EC has suspended specific payments on non-fat dry milk and butter exported to the United States since July 12, 1974. As in the case of molasses from France, the benefit to these dairy products can resume at any time.

Should you require further information, please contact Mr. Paul McGarr, 377-1167.

Sincerely,

  
Gary N. Horlick  
Deputy Assistant Secretary  
for Import Administration

A-68





AUG 9 1982

13 Aug

A-69

Mr. Kenneth R. Mason  
Secretary to the Commission  
U.S. International Trade Commission  
Washington, D.C. 20436

Dear Mr. Mason:

This letter amends our June 8, 1982 letter to the Commission transmitting the most current information available regarding subsidies bestowed by the European Communities on dairy products.


In a January 4, 1980 letter requesting an ITC injury determination under section 104(a) of the Trade Agreements Act of 1979, we listed the merchandise as "Dairy products other than quota cheese." In our June 8 letter the list of products was incomplete. We referred to the commodities which comprise a majority of dairy imports from the European Communities (non-quota cheese, butter, and non-fat dry milk) but neglected to mention all dairy products covered by the order. The relevant dairy products are listed below:

- 1) Milk and cream, fresh, not concentrated or sweetened
- 2) Milk and cream, preserved, concentrated or sweetened in dry or liquid form with sugar or without sugar
- 3) Butter including butter oil, anhydrous milk fat, and Ghee
- 4) Cheese and curd (not covered in the June 1980 ITC determination of no material injury or threat thereof)
- 5) Sweetened forage; other preparations of a kind used in animal feeding, which might include milk products

These additional products have the same status as non-quota cheese, butter and non-fat dry milk, in that restitution payments from the E.C. on goods shipped to the U.S. remain suspended.

Should you require further information, please contact Mr. Thomas Hodge, 377-2786.

Sincerely,

  
Gary N. Horlick  
Deputy Assistant Secretary  
for Import Administration

A-69



cube puzzles. Notice of the institution of the investigation was published in the Federal Register of December 29, 1981 (46 FR 62964). Complainant Ideal Toy Corp. (Ideal) and respondent Chadwick-Miller, Inc. (Chadwick-Miller) have moved jointly for termination of this investigation as to Chadwick-Miller. The Commission investigative attorney has filed a public interest statement stating that there are no public interest factors that warrant denying the motion to terminate. On July 28, 1982, the presiding officer recommended that the joint motion be granted (Order No. 29).

#### Settlement Agreement

The settlement agreement is summarized as follows:

1. Chadwick-Miller agrees to pay a certain sum to Ideal.
2. Chadwick-Miller agrees to the entry of a judgment by consent in a related Federal court action.
3. Chadwick-Miller agrees to provide Ideal with copies of all purchase documents involving cube puzzles.
4. If, in any other litigation involving Ideal and a third party, a final unappealed decision on the merits is rendered against Ideal with respect to its claims described as "trade dress infringement" of its "Rubik's Cube" puzzle, and the third party is thus entitled to manufacture or sell cube puzzles, then Chadwick-Miller will be in the same position as the third party.
5. Ideal will terminate litigation and not institute further litigation against customers of Chadwick-Miller who have previously purchased cube puzzles from Chadwick-Miller.

#### Written Comments Requested

In order to discharge its statutory obligation to consider the public interest, the Commission seeks written comments from interested persons regarding the effect that the proposed termination of respondent Chadwick-Miller based on the settlement agreement may have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) the production of like or directly competitive articles in the United States, and (4) U.S. consumers. All written comments must be filed with the Secretary to the Commission no later than October 12, 1982. In addition, pursuant to 19 CFR 210.14(a)(2), the Commission has requested comments from the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the U.S. Customs Service.

#### Additional Information

The original and 14 copies of all written submissions must be filed with the Secretary to the Commission, U.S.

International Trade Commission, 701 E Street NW., Washington, D.C. 20438, telephone 202-523-6161. Any person desiring to submit a document (or portion thereof) to the Commission in confidence must request confidential treatment. Such requests should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. The Commission will either accept the submission in confidence or return it. All nonconfidential written submissions will be available for public inspection at the Secretary's Office.

**FOR FURTHER INFORMATION CONTACT:** William E. Perry, Esq., Office of the General Counsel, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436, telephones 202-523-0499.

By order of the Commission.

Issued: August 23, 1982.

Kenneth R. Mason,  
Secretary.

[FR Doc. 82-24757 Filed 9-8-82; 6:45 am]  
BILLING CODE 7020-02-44

#### [Investigation No. 104-TAA-10]

#### Certain Dairy Products From the European Community

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of a countervailing duty investigation.

**SUMMARY:** On May 19, 1975, the Department of the Treasury (Treasury) in T.D. 75-113 imposed countervailing duties, under section 303 of the Tariff Act of 1930, 19 U.S.C. 1303, on certain dairy products imported from the European Community (EC) and, concurrently, issued a waiver of countervailing duties for those dairy products in T.D. 75-114, under authority of section 303(d) of the Tariff Act of 1930.

On January 1, 1980, the provisions of the Trade Agreements Act of 1979 became effective, and on January 2, 1980, the authority for administering the countervailing duty statute was transferred from Treasury to the Department of Commerce (Commerce). Section 104(a) provides that Commerce was to notify the U.S. International Trade Commission (Commission) by January 7, 1980, of any waived countervailing duty orders in effect on January 1, 1980, which apply to merchandise other than quota cheese (which is defined in section 701(c)(1) of the Trade Agreements Act of 1979, 19 U.S.C. 1671) and to furnish the Commission the most current information it has with respect to the net subsidy benefiting the merchandise subject to the countervailing duty order.

On January 4, 1980, the Commission received notification from Commerce of the waived countervailing duty order on certain dairy products (other than quota cheeses) from the EC. On February 5, 1980, the Commission received Commerce's most current information available on EC export restitution payments made to exporters of dairy products; Commerce reported payments to EC exporters of certain nonquota cheeses and no payments being made to EC exports of all other dairy products to the United States. The Commission, in investigation Nos. 701-TA-52-60 (Final), determined that there was no material injury or threat thereof regarding imports of the certain nonquota cheese from the EC. The Commission made no determination regarding imports of the other dairy products from the EC which are subject to the waived countervailing duty order.

In a June 10, 1982 letter from Commerce, the Commission received the most current information regarding subsidies bestowed by the EC on nonfat dry milk and butter. On August 13, 1982, the Commission received a letter from Commerce amending its June 10, 1982 letter, to include the most current information on all the products in the waived countervailing duty order except quota cheese and the certain nonquota cheese for which the Commission had previously determined that there was no material injury or threat thereof. On the basis of this information, the U.S. International Trade Commission, pursuant to section 104(a) of the Trade Agreements Act of 1979, is instituting this countervailing duty investigation to determine whether an industry in the United States is being materially injured, or is being threatened with material injury, or the establishment of an industry in the United States is being materially retarded by reason of imports from the EC of certain dairy products which are subject to the waived countervailing duty order. The dairy products included in the investigation are:

1. Milk and cream, fluid, condensed, evaporated, or dried; butter and butter substitutes; and cheese except quota cheeses<sup>1</sup> and certain nonquota cheeses made from goat's or sheep's milk<sup>2</sup> (all

<sup>1</sup> The term "quota cheese" is defined in section 701(c)(1) of the Trade Agreements Act of 1979 to mean the articles provided for in the following TSUS items: 117.00 (except Sillon produced in the United Kingdom); 117.05 (except Sillon produced in the United Kingdom); 117.15; 117.20; 117.25; 117.40 (except Coya in original leaves); 117.55; 117.60 (except Gammalost and Nokkelost); 117.75 (except goat's milk cheeses and soft-ripened cow's milk cheeses); 117.81; and 117.85 (except goat's milk cheeses and soft-ripened cow's milk cheeses).

<sup>2</sup> Fiore Sardo and Pecorino cheeses, made from sheep's milk, not grated or powdered, of a fat content, by weight, not exceeding 40 percent, and a



the foregoing provided for in subparts A, B, and C, part 4, schedule 1, of the TSUS).

2. Whey and yoghurt and other fermented milk (provided for in TSUS items 116.69-10, inclusive).

3. Animal oils, fats, and greases, all the foregoing derived from milk (provided for in TSUS item 177.67).

4. Animal feeds containing milk or milk derivatives (provided for in TSUS items 164.70 and 164.69).

EFFECTIVE DATE: August 27, 1982.

**FOR FURTHER INFORMATION CONTACT:** Lowell C. Grant, Commodity-Industry Analyst, U.S. International Trade Commission, Washington, D.C. 20436 (202-724-4709).

**SUPPLEMENTARY INFORMATION:** Public hearing.—The Commission will hold a public hearing in connection with this investigation on October 21, 1982, in the Commission's Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, beginning at 10 a.m. Requests to appear at the hearing should be filed with the Office of the Secretary, U.S. International Trade Commission, Washington, D.C. 20436, not later than the close of business (5:15 p.m.) on October 6, 1982. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 10 a.m., on October 14, 1982, in room 117 of the U.S. International Trade Commission Building. Prehearing statements must be filed with the Commission on or before October 15, 1982.

A staff report containing preliminary findings of fact in this investigation will be available to all interested parties on October 8, 1982.

Testimony at the public hearing is governed by § 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing statements and to new information. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing statements in accordance with rule § 207.22. Posthearing briefs should be filed with the Commission no later than the close of business, October 28, 1982.

water content, by weight, of the non-fat matter not exceeding 47 percent, provided for in TSUS items 117.65, 117.67, or 117.70, and Feta cheese, made from goat's or sheep's milk, not graded or powdered, of a fat content, by weight, not exceeding 40 percent, a water content, by weight, of the non-fat matter exceeding 62 percent but not exceeding 72 percent, and with a fat content, by weight, of the dry matter of 39 percent or more, all the foregoing in containers holding briefs, provided for in TSUS items 117.72, 117.75, or 117.83.

**Service of documents.**—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided for in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than September 30, 1982. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with § 201.8 of the Commission's Rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of the investigation must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

**Written submissions.**—Any person may submit to the Commission on or before October 28, 1982, written statements of information pertinent to the subject matter of the investigation, a signed original and fourteen true copies of such statements must be submitted in accordance with § 201.8 of the Commission's Rules of Practice and Procedure, 19 CFR 201.8 (1980). All written submissions, except confidential business data, will be available for public inspection.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Rules of Practice and Procedure (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and C (19 CFR Part 207, 47 FR 6182, February 10, 1982) and part 201, subparts A through E (19 CFR part 201, 47 FR 6182, February 10, 1982).

This notice is published pursuant to § 207.30 of the Commission's Rules of Practice and Procedure (19 CFR 207.30).

By order of the Commission.

Issued: September 30, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-21751 Filed 9-9-82, 8:45 am]

BILLING CODE 7020-02-14

[Investigation 337-TA-110]

Certain Methods for Extruding Plastic Tubing; Issuance of Exclusion Order

AGENCY: U.S. International Trade Commission.

ACTION: Issuance of exclusion order.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation to determine whether there is a violation of section 337 of the Tariff Act of 1937 in connection with the importation or sale of certain extruded plastic tubing and reclosable plastic bags, and published notice thereof in the Federal Register of November 12, 1981 (46 FR 55797).

On August 3, 1982, the Commission unanimously determined that there is a violation of section 337 in the unauthorized importation and sale of certain extruded plastic tubing and reclosable plastic bags which are the product of a process which, if practiced in the United States, would infringe certain claims of U.S. Letters Patents Re. 26,991, Re. 28,950, and/or Re. 29,208. The Commission further determined that the appropriate remedy is an order directing that the articles in question be excluded from entry into the United States.

Copies of the Commission's Action and Order, the Commission's opinion and all other public documents on the record of the investigation are available for inspection by the public during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Room 161, Washington, D.C. 20436, telephone 202-523-0161.

**FOR FURTHER INFORMATION CONTACT:** Eliza Patterson, Esq., Office of the General Counsel, U.S. International Trade Commission, telephone 202-523-0359.

Issued: September 2, 1982.

By order of the Commission.

Kenneth R. Mason,

Secretary.

A-71

[FR Doc. 82-21753 Filed 9-9-82, 8:45 am]

BILLING CODE 7020-02-14

CALENDAR OF WITNESSES

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Certain Dairy Products from  
The European Community

Inv. No. : 104-TAA-10

Date and time: October 21, 1982 - 10:00 a.m., e.d.t.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Domestic:

Associated Milk Producers, Inc., San Antonio, Texas

George D. Atkinson, Administrative Assistant to the  
General Manager

National Milk Producers Federation, Arlington, Virginia

Patrick B. Healy, Secretary

Farmers Union Milk Marketing Cooperative, Madison, Wisconsin

Douglas J. Caruso, General Manager

APPENDIX C

SELECTED PORTIONS OF THE TARIFF SCHEDULES OF THE  
UNITED STATES ANNOTATED (1982)

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TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 4. - Dairy Products; Birds' Eggs

C S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
<b>PART 4. - DAIRY PRODUCTS; BIRDS' EGGS</b>							
<u>Part 4 headnote:</u>							
1. The percentages of butterfat specified in this part shall be the percentages of butterfat by weight.							
-----							
<b>Subpart A. - Milk and Cream</b>							
<u>Subpart A headnote:</u>							
1. The term "milk and cream", as used in this subpart, includes whole milk, skimmed milk, buttermilk, and cream, except cream described in subpart B of this part.							
-----							
Fluid milk and cream, fresh or sour:							
115.00	00		Buttermilk.....	Gal.....	1.5¢ per gal.		2.05¢ per gal.
Other:							
115.05	00		Containing not over 1 percent of butterfat....	Gal.....	1.5¢ per gal.		2.05¢ per gal.
Containing over 1 percent but not over 5.5 percent of butterfat:							
115.10	00		For not over 3,000,000 gallons entered in any calendar year.....	Gal.....	2¢ per gal.		6.5¢ per gal.
115.15	00		Other.....	Gal.....	6.5¢ per gal.		6.5¢ per gal.
Containing over 5.5 percent but not over 45 percent of butterfat:							
115.20	00		For not over 1,500,000 gallons entered in any calendar year <sup>1/</sup> .....	Gal.....	12¢ per gal.		56.6¢ per gal.
115.25	00		Other.....	Gal.....	56.6¢ per gal.		56.6¢ per gal.
Milk and cream, condensed or evaporated:							
In airtight containers:							
115.30	20		Not sweetened.....		1¢ per lb.		1.8¢ per lb.
Evaporated, provided for in item 949.90.....							
	40		Other.....	Lb.			
115.35	20		Sweetened.....		1.75¢ per lb.		2.75¢ per lb.
Condensed, provided for in item 949.90.....							
	40		Other.....	Lb.			
115.40	20		Other.....		1.5¢ per lb.		2.53¢ per lb.
	40		Evaporated, provided for in item 949.90.....	Lb. <sup>1/</sup>			
			Condensed, provided for in item 949.90.....	Lb.			
Dried milk and cream:							
115.45	00		Buttermilk containing not over 6 percent of butterfat <sup>2/</sup> .....	Lb.....	1.5¢ per lb.		3¢ per lb.
<sup>1/</sup> See item 949.80 in part 3, Appendix to Tariff Schedules. <sup>2/</sup> See item 950.01 in part 3, Appendix to Tariff Schedules.							

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

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SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 4. - Dairy Products; Birds' Eggs

1 - 4 - A, B, C  
115.50 - 117.05

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
			Dried milk and cream (con.):				
	115.50	00	Other:				
			Containing not over 3 percent of butterfat 1/.	Lb.....	1.5¢ per lb.		3¢ per lb.
	115.55	00	Containing over 3 percent but not over 35 percent of butterfat 2/.....	Lb.....	3.1¢ per lb.		6.2¢ per lb.
	115.60	00	Containing over 35 percent of butterfat 3/....	Lb.....	6.2¢ per lb.		12.4¢ per lb.
			<b>Subpart B. - Butter, Oleomargarine, and Butter Substitutes</b>				
			Butter, and fresh or sour cream containing over 45 percent of butterfat:				
			When entered during the period from November 1, in any year, to the following March 31, inclusive:				
	116.00	00	For not over 50,000,000 pounds 4/.....	Lb.....	5.6¢ per lb.		14¢ per lb.
	116.05	00	Other.....	Lb.....	14¢ per lb.		14¢ per lb.
	116.06		If product of Cuba.....		11.2¢ per lb. (s)		
			When entered during the period from April 1 to July 15, inclusive, in any year:				
	116.10	00	For not over 5,000,000 pounds 4/.....	Lb.....	5.6¢ per lb.		14¢ per lb.
	116.15	00	Other.....	Lb.....	14¢ per lb.		14¢ per lb.
	116.16		If product of Cuba.....		11.2¢ per lb. (s)		
			When entered during the period from July 16 to October 31, inclusive, in any year:				
	116.20	00	For not over 5,000,000 pounds 4/.....	Lb.....	5.6¢ per lb.		14¢ per lb.
	116.25	00	Other.....	Lb.....	14¢ per lb.		14¢ per lb.
	116.26		If product of Cuba.....		11.2¢ per lb. (s)		
	116.30	20	Oleomargarine and butter substitutes.....		7¢ per lb.		14¢ per lb.
		40	Butter substitutes containing over 45% butterfat, provided for in item 950.06.....	Lb.			
			Other.....	Lb.			
			<b>Subpart C. - Cheeses</b>				
			<u>Subpart C headnote:</u>				
			1. No allowance in weight shall be made for inedible, not readily removable, protective cover- ings of cheese.				
			<b>Blue-mold cheese:</b>				
	117.00	10	In original loaves.....		15% ad val.		35% ad val.
		30	Provided for in item 950.07.....	Lb.			
			Other.....	Lb.			
	117.05	10	Other.....		20% ad val.		35% ad val.
		30	Provided for in item 950.07.....	Lb.			
			Other.....	Lb.			
			(s) = Suspended. See general headnote 3(b).				
			1/ See item 950.02 in part 3, Appendix to Tariff Schedules.				
			2/ See item 950.03 in part 3, Appendix to Tariff Schedules.				
			3/ See item 950.04 in part 3, Appendix to Tariff Schedules.				
			4/ See item 950.05 in part 3, Appendix to Tariff Schedules.				

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 4. - Dairy Products; Birds' Eggs

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
	117.10	00	Bryndza cheese.....	Lb.....	8.5% ad val.		35% ad val.
	117.15		Cheddar cheese: Not processed otherwise than by division into pieces.....	.....	12% ad val.		35% ad val.
		20	Provided for in item 950.08A and subject to the provisions of headnote 3(a)(i) of part 3, Appendix to Tariff Schedules.....	Lb.			
		40	Other, provided for in item 950.08A.....	Lb.			
	117.20		Other.....	.....	16% ad val.		35% ad val.
		20	Provided for in item 950.08A and subject to the provisions of headnote 3(a)(i) of part 3, Appendix to Tariff Schedules.....	Lb.			
		40	Other, provided for in item 950.08A.....	Lb.			
	117.25		Edam and Gouda cheeses.....	.....	15% ad val.		35% ad val.
		20	Provided for in item 950.09A.....	Lb.			
		40	Provided for in item 950.09B.....	Lb.			
	117.30	00	Gjetost cheeses: Made from goat's milk whey or from whey obtained from a mixture of goat's milk and not more than 20 percent of cow's milk.....	Lb.....	6.5% ad val.		35% ad val.
	117.35	00	Other.....	Lb.....	10% ad val.		35% ad val.
	117.42		Goya cheese.....	.....	25% ad val.		35% ad val.
		20	Provided for in item 950.10A.....	Lb.			
		40	Other.....	Lb.			
	117.44		Sbrinz cheese.....	.....	22.8% ad val.	19% ad val.	35% ad val.
		20	Provided for in item 950.10.....	Lb.			
		50	Provided for in item 950.10A.....	Lb.			
	117.45	00	Roquefort cheese: In original loaves.....	Lb.....	6% ad val.		35% ad val.
	117.50	00	Other.....	Lb.....	10% ad val.		35% ad val.
	117.55		Romano made from cow's milk, Reggiano, Parmesano, Provoloni, and Provolette cheeses.....	.....	15% ad val.		35% ad val.
		20	Romano made from cow's milk: Provided for in item 950.10.....	Lb.			
		30	Provided for in item 950.10A.....	Lb.			
		40	Parmesano and Reggiano: Provided for in item 950.10.....	Lb.			
		50	Provided for in item 950.10A.....	Lb.			
		55	Other.....	Lb.			
		60	Provoloni and Provolette: Provided for in item 950.10.....	Lb.			
		70	Provided for in item 950.10A.....	Lb.			
		75	Other.....	Lb.			
	117.60		Swiss or Emmenthaler cheese with eye formation, Gruyere-process cheese, Gammelost, and Nokkelost.....	.....	7.4% ad val.	6.4% ad val.	35% ad val.
		25	Swiss or Emmenthaler cheese with eye formation 1/..	Lb.			
		45	Gruyere-process cheese 2/.....	Lb.			
		60	Gammelost and Nokkelost.....	Lb.			

1/ See item 950.10B in part 3, Appendix to the  
Tariff Schedules.  
2/ See item 950.10C in part 3, Appendix to the  
Tariff Schedules.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 4. - Dairy Products; Birds' Eggs

1 - 4 - C  
117.65 - 117.88

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
			Other cheeses, and substitutes for cheese: Cheeses made from sheep's milk:				
A	117.65	00	In original loaves and suitable for grating.....	Lb.....	9% ad val.		35% ad val.
A	117.67	00	Pecorino, in original loaves, not suitable for grating.....	Lb.....	12% ad val.		35% ad val.
	117.70	00	Other.....	Lb.....	15% ad val.		35% ad val.
	117.75		Other:				
		10	Valued not over 25 cents per pound.....		5c per lb.		8.75c per lb.
		15	Provided for in item 950.07.....	Lb.			
		25	Provided for in item 950.08A.....	Lb.			
		30	Provided for in item 950.08B.....	Lb.			
		35	Provided for in item 950.09B.....	Lb.			
		45	Provided for in item 950.10A.....	Lb.			
		55	Provided for in item 950.10C.....	Lb.			
		65	Provided for in item 950.10D.....	Lb.			
		75	Other.....	Lb.			
	117.81	00	Valued over 25 cents per pound: Colby 1/.....	Lb.....	20% ad val.		35% ad val.
	117.86	00	Other: Cheese and substitutes for cheese, whether or not in original loaves, containing or processed from Romano, Reggiano, Parmesano, Provoloni, Provalatte, Sbrinz, and Goya, all the foregoing made from cow's milk 2/.....	Lb.....	9.1% ad val.	7.5% ad val.	35% ad val.
	117.88		Other.....		10% ad val.		35% ad val.
		10	Provided for in item 950.07.....	Lb.			
		15	Provided for in item 950.08A.....	Lb.			
		25	Provided for in item 950.08B.....	Lb.			
		30	Provided for in item 950.09B.....	Lb.			
		45	Provided for in item 950.10C.....	Lb.			
		55	Provided for in item 950.10D.....	Lb.			
		65	Provided for in item 950.10E.....	Lb.			
		75	Other.....	Lb.			

1/ See item 950.08B in part 3, Appendix to the Tariff Schedules.

2/ See item 950.10A in part 3, Appendix to the Tariff Schedules.

Note: For explanation of the symbol "A" or "A\*" in the column entitled "GSP", see general headnote 3(c).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 4. - Dairy Products; Birds' Eggs

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
<b>Subpart D. - Other Milk Products</b>							
<b>Whey:</b>							
	118.00	00	Fluid.....	Gal.....	1.5¢ per gal.		2.05¢ per gal.
	118.05	00	Dried <u>1/</u> .....	Lb.....	1.5¢ per lb.		3¢ per lb.
	118.10	00	Yoghurt and other fermented milk.....	Lb.....	20% ad val.		20% ad val.
	118.15	00	Chocolate milk drink.....	Gal.....	20% ad val.		20% ad val.
	118.25	00	Ice cream <u>2/</u> .....	Gal.....	20% ad val.		20% ad val.
	118.30	00	Malted milk; and articles not specially provided for, of milk or cream <u>3/</u> .....	Lb.....	17.5% ad val.		35% ad val.
<b>Subpart E. - Poultry and Other Birds' Eggs</b>							
<b>Subpart E headnote:</b>							
1. The importation of eggs of wild birds is prohibited, except eggs of game birds imported for propagating purposes under regulations prescribed by the Secretary of the Interior, and specimens imported for scientific collections.							
Bird eggs, and bird-egg yolks and albumen, fresh, frozen, prepared or preserved (whether or not sugar or other material is added):							
Eggs in the shell:							
A	119.50	00	Poultry (except chicken).....	Doz.....	3.5¢ per doz.		10¢ per doz.
A	119.55	00	Chicken.....	Doz.....	3.5¢ per doz.		10¢ per doz.
	119.60	00	Other.....	Doz.....	Free		Free
Whole eggs not in the shell, egg yolks, and egg albumen:							
	119.65	00	Dried.....	Lb.....	27¢ per lb.		27¢ per lb.
	119.70	00	Other.....	Lb.....	5.5¢ per lb.		11¢ per lb.
<p><u>1/</u> See item 950.01 in part 3, Appendix to Tariff Schedules.</p> <p><u>2/</u> See item 950.18 in part 3, Appendix to Tariff Schedules.</p> <p><u>3/</u> See item 950.11 in part 3, Appendix to Tariff Schedules.</p>							
<p>Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).</p>							



TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

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SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 14. - Animal and Vegetable Oils, Fats, and Greases

1 - 14 - C  
177.02 - 177.72

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
Subpart C. - Animal Oils, Fats, and Greases, Crude or Refined							
Subpart C headnotes:							
1. This subpart covers animal oils, fats, and greases, whether crude or subjected to refining processes, but does not cover any of such products which have been artificially mixed or which have been sulfonated, sulfated, hydrogenated, or processed otherwise than by refining. The fish oils described in this subpart are classifiable hereunder even if they are deemed to be vitamins or drugs within the meaning of those terms in part 3 of schedule 4.							
2. This subpart does not cover products of American fisheries (see part 15A of schedule 1).							
Marine-animal oils:							
Fish-liver oils:							
	177.02	00	Cod.....	Lb.....	Free		Free
	177.04	00	Other.....	Lb.....	2.5% ad val.		3¢ per lb. + 10% ad val.
Fish oils other than liver oils:							
A	177.12	00	Anchovy.....	Lb.....	0.75¢ per lb. + 5% ad val.		3¢ per lb. + 20% ad val.
	177.14	00	Cod.....	Lb.....	Free		Free
A	177.16	00	Shark.....	Lb.....	0.4¢ per lb. + 2% ad val.		3¢ per lb. + 20% ad val.
	177.20	00	Eulachon.....	Lb.....	0.7¢ per lb.		3¢ per lb.
A	177.22	00	Herring.....	Lb.....	0.46¢ per lb.		3-2/3¢ per lb.
A	177.24	00	Menhaden.....	Lb.....	1.7¢ per lb.		3-2/3¢ per lb.
A	177.26	00	Other.....	Lb.....	0.7¢ per lb. + 5% ad val.		3¢ per lb. + 20% ad val.
Other marine-animal oils:							
	177.30	00	Seal.....	Lb.....	0.95¢ per lb.		3.8¢ per lb.
Sperm:							
	177.32	00	Crude.....	Lb.....	0.03¢ per lb.		0.67¢ per lb.
	177.34	00	Other than crude.....	Lb.....	0.2¢ per lb.		1.87¢ per lb.
	177.36	00	Whale (except sperm).....	Lb.....	0.6¢ per lb.		3.8¢ per lb.
A	177.40	00	Other.....	Lb.....	0.75¢ per lb. + 5% ad val.		3¢ per lb. + 20% ad val.
Other animal oils, fats, and greases:							
	177.50	00	Lard.....	Lb.....	3¢ per lb.		3¢ per lb.
	177.52	00	Oleo oil and oleo stearin.....	Lb.....	2¢ per lb.		4¢ per lb.
	177.56	00	Tallow.....	Lb.....	0.43¢ per lb.		3.5¢ per lb.
Wool grease:							
A	177.58	00	Conforming to the specifications for wool fat (including hydrous wool fat) appearing in the U.S. Pharmacopoeia, 15th revision.....	Lb.....	5¢ per lb.		6¢ per lb.
A	177.62	00	Other.....	Lb.....	1.3¢ per lb.		4.3¢ per lb.
Other:							
Edible:							
	177.67	00	Derived from milk <sup>1/</sup> .....	Lb.....	10% ad val.		20% ad val.
A	177.69	00	Other.....	Lb.....	5% ad val.		20% ad val.
A	177.72	00	Not edible.....	Lb.....	0.75¢ per lb. + 5% ad val.		3¢ per lb. + 20% ad val.
<sup>1/</sup> Imports of butter oil are subject to additional import restrictions. See item 950.06 in part 3, Appendix to Tariff Schedules.							
Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).							

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 15. - Other Animal and Vegetable Products

1 - 15 - C

184.10 - 184.53

C S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
Subpart C. - Animal Feeds							
Subpart C headnotes:							
1. For the purposes of this subpart -- (a) the term "animal feeds, and ingredients therefor" embraces products chiefly used as food for animals, or chiefly used as ingredients in such food, respectively, but such term does not include any product provided for in schedule 4 (except part 2E thereof) or schedule 5 (except part 1K thereof); and (b) the terms "mixed feeds" and "mixed-feed ingredients" in item 184.70 embrace products which are admixtures of grains (or products, including byproducts, obtained in milling grains) with molasses, oil cake, oil-cake meal, or other feed-stuffs, and which consist of not less than 6 percent by weight of the said grains or grain products.							
2. None of the provisions of this subpart cover fertilizer or fertilizer materials (see part 11 of schedule 4).							
	184.10	00	Bran, shorts, and middlings obtained in milling grains.....	S. ton..	Free		10% ad val.
	184.20	00	Beet pulp, dried.....	S. ton..	Free		\$4.45 per short ton
	184.25	00	Brewers' and distillers' grains and malt sprouts.....	S. ton..	Free		\$4.45 per short ton
	184.30	00	Hay.....	S. ton..	Free		\$5 per short ton
	184.35	00	Straw (except flax straw and rice straw).....	S. ton..	Free		\$1.50 per short ton
	184.40	00	Grain hulls, ground or not ground.....	Cwt.....	Free		10c per 100 lbs.
			Grain or seed screenings, scalplings, chaff, or scourings, ground or not ground:				
	184.45	00	Of flaxseed.....	S. ton..	Free		10% ad val.
	184.47	00	Other.....	S. ton..	Free		10% ad val.
			Soy bean and other vegetable oil cake and oil-cake meal:				
A	184.50	00	Linseed oil cake and oil-cake meal.....	Lb.....	0.12c per lb.		0.3c per lb.
A	184.51	00	Rapeseed oil cake and oil-cake meal.....	Lb.....	0.23c per lb.	0.12c per lb.	0.3c per lb.
			Other:				
	184.52	00	Soy bean and cottonseed oil cake and oil-cake meal.....	Lb.....	0.3c per lb.		0.3c per lb.
A	184.53	00	Other.....	Lb.....	0.3c per lb.		0.3c per lb.

Note: For explanation of the symbol "A" or "A\*" in the column entitled "CSP", see general headnote 3(c).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS  
Part 15. - Other Animal and Vegetable Products

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
			Tankage; dead fish and whales; fish and whale scrap, meal and solubles; homogenized condensed fish and whales; all the foregoing not fit for human consumption:				
	184.54	00	Cod-liver solubles.....	Lb.....	5% ad val.		20% ad val.
	184.55		Other.....		Free		Free
		10	Fish or whale meat in airtight containers.....	lb.			
		20	Tankage.....	S. ton			
		30	Scrap and meal.....	S. ton			
		60	Other.....	S. ton			
A	184.58	00	Wheat gluten to be used as animal feed.....	Lb.....	7.8% ad val.	4% ad val.	20% ad val.
			Animal feeds, and ingredients therefor, not specially provided for:				
			Meat, including meat offal, not fit for human consumption:				
			Raw, whether or not chilled or frozen:				
	184.60	00	Horsemeat (except meat packed in immediate containers weighing with their contents less than 10 pounds each).....	Lb.....	Free		Free
			Other.....	Lb.....	Free		10% ad val.
A	184.61	00	Prepared or preserved.....	lb.....	2% ad val.		20% ad val.
	184.65	00	Byproducts obtained from the milling of grains, mixed feeds, and mixed-feed ingredients.....		Free		10% ad val.
	184.70		Pet food packaged for retail sale.....	Lb.			
		20	Other.....	S. ton			
		70	Other:				
	184.80	00	Animal feeds containing milk or milk derivatives <sup>1/</sup> .....	Cwt.....	7.5% ad val.		20% ad val.
	184.85	00	Other.....	Cwt.....	3% ad val.		20% ad val.
			<b>Subpart D. - Feathers, Down, Bristles, and Hair</b>				
			<b>Subpart D headnotes:</b>				
			1. For the purposes of this subpart, the term "treated" means cleaned, disinfected, or treated for preservation.				
			2. (a) Except as provided in (b) and (c) of this headnote, the importation of the feathers or skin of any bird is hereby prohibited. Such prohibition shall apply to the feathers or skin of any bird --				
			(i) whether raw or processed;				
			(ii) whether the whole plumage or skin or any part of either;				
			(iii) whether or not attached to a whole bird or any part thereof; and				
			(iv) whether or not forming part of another article.				
			<sup>1/</sup> See item 950.17 in part 3, Appendix to Tariff Schedules.				
			Note: For explanation of the symbol "A" or "A*" in the column entitled "GSP", see general headnote 3(c).				

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

APPENDIX TO THE TARIFF SCHEDULES

Part 3. - Additional Import Restrictions Proclaimed Pursuant to Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. Suffix	Articles	Units of Quantity
		<p style="text-align: center;"><b>PART 3. - ADDITIONAL IMPORT RESTRICTIONS PROCLAIMED PURSUANT TO SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED</b></p> <p><u>Part 3 headnotes:</u></p> <p>1. This part covers the provisions proclaimed by the President pursuant to section 22 of the Agricultural Adjustment Act, as amended (7 USC 624), imposing import fees, herein referred to as duties, and quantitative limitations on articles imported into the United States. The duties provided for in this part are cumulative duties which apply in addition to the duties, if any, otherwise imposed on the articles involved. Unless otherwise stated, the duties and quantitative limitations provided for in this part apply until suspended or terminated.</p> <p>2. Exclusions.--The import restrictions provided for in this part do not apply with respect to--</p> <p>(a) articles imported by or for the account of any agency of the United States;</p> <p>(b) commercial samples of cotton or cotton waste of any origin in uncompressed packages each weighing not more than 50 pounds gross weight; and articles (except cotton and cotton waste) with an aggregate value not over \$25 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research;</p> <p>(c) articles entered for exhibition, display, or sampling at a Trade Fair or for research, but only if written approval of the Secretary of Agriculture or his designated representative is presented at the time of entry or bond is furnished in a form prescribed by the Commissioner of Customs in an amount equal to the value of the merchandise as set forth in the entry plus the estimated duty as determined at the time of entry, conditioned upon the production of such written approval within six months from the date of entry; and</p> <p>(d) [deleted]</p> <p>(e) [deleted]</p>	

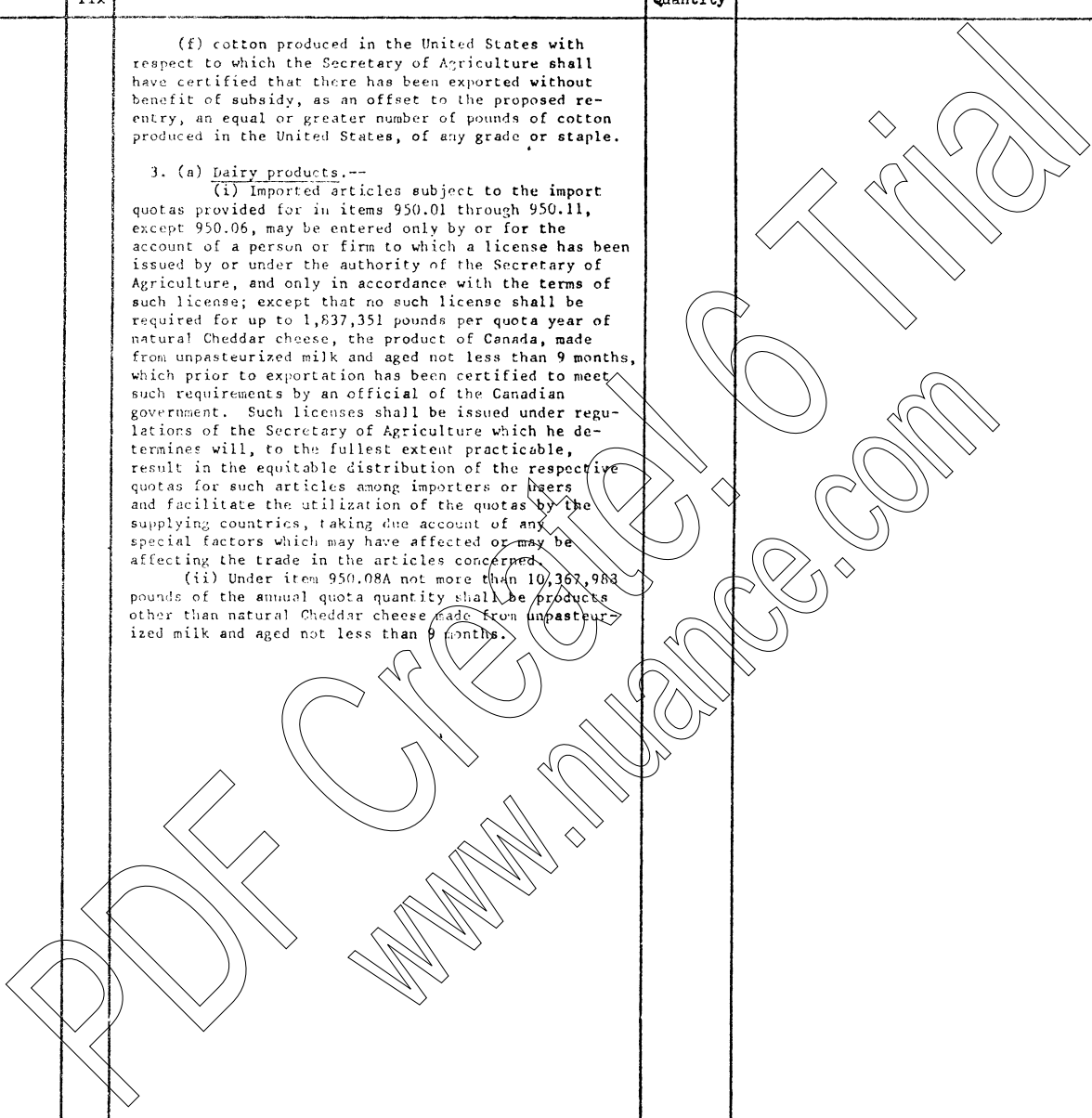
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APPENDIX TO THE TARIFF SCHEDULES  
 Part 3. - Additional Import Restrictions Proclaimed Pursuant to  
 Section 22 of the Agricultural Adjustment Act, as Amended

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Item	Stat. Suffix	Articles	Units of Quantity	Quota Quantity
		<p>(f) cotton produced in the United States with respect to which the Secretary of Agriculture shall have certified that there has been exported without benefit of subsidy, as an offset to the proposed re-entry, an equal or greater number of pounds of cotton produced in the United States, of any grade or staple.</p> <p>3. (a) Dairy products.--                      (i) Imported articles subject to the import quotas provided for in items 950.01 through 950.11, except 950.06, may be entered only by or for the account of a person or firm to which a license has been issued by or under the authority of the Secretary of Agriculture, and only in accordance with the terms of such license; except that no such license shall be required for up to 1,837,351 pounds per quota year of natural Cheddar cheese, the product of Canada, made from unpasteurized milk and aged not less than 9 months, which prior to exportation has been certified to meet such requirements by an official of the Canadian government. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines will, to the fullest extent practicable, result in the equitable distribution of the respective quotas for such articles among importers or users and facilitate the utilization of the quotas by the supplying countries, taking due account of any special factors which may have affected or may be affecting the trade in the articles concerned.                      (ii) Under item 950.08A not more than 10,367,983 pounds of the annual quota quantity shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months.</p>		



TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

APPENDIX TO THE TARIFF SCHEDULES

Part 3. - Additional Import Restrictions Proclaimed Pursuant to Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. Suf- f: :	Articles	Units of Quantity
		<p>(iii) Notwithstanding any other provision of this part, if the Secretary of Agriculture determines that a quantity specified in the column entitled "Quota Quantity" opposite the name of any country is not likely to be entered from such country within any calendar year, he may provide with respect to such article for the adjustment for that calendar year, within the aggregate quantity of such article permitted to be entered from all countries during such calendar year, of the quantities of such article which may be entered during such year from the countries specified as countries of origin for such article. The Secretary of Agriculture shall notify the Secretary of the Treasury of such adjustment and, with respect to country of origin adjustments for any article for which a license is not required, file notice thereof with the <u>Federal Register</u>. With respect to articles for which a license is not required, such adjustment shall become effective 3 days after the date of publication in the <u>Federal Register</u>.</p> <p>(iv) For the purposes of this part, the term "soft ripened cow's milk cheese" means cheese which--</p> <ol style="list-style-type: none"> <li>(1) has a prominent crust formed on the exterior surface as a result of curing or ripening by biological curing agents such as molds, yeasts, or other microorganisms,</li> <li>(2) visibly cures or ripens from the surface toward the center,</li> <li>(3) has a fat content by weight (on a moisture-free basis) of not less than 50 percent, and</li> <li>(4) has a moisture content (calculated by weight of the non-fat matter) of not less than 65 percent, but does not include cheese with mold distributed throughout its interior.</li> </ol> <p>(b) Cotton Waste.--For the purposes of item 955.09, the minimum quota in column (A) is that part of the total quota in column (C) which must be reserved for comber waste made from cotton 1-3/16 inches or more in staple length, and the unreserved quota in column (E) is that part of the total quota available for any quota-type waste, including comber waste made from cotton 1-3/16 inches or more in staple length.</p> <p>(c) Suspension.--Notwithstanding any other provision of this part, the quantitative limitations for the articles provided for in item 955.09 are suspended beginning January 26, 1974.</p>	

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

APPENDIX TO THE TARIFF SCHEDULES

Part 3. - Additional Import Restrictions Proclaimed Pursuant to Section 22 of the Agricultural Adjustment Act, as Amended

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Quota Quantity			
					Evaporated		Condensed	
					In air-tight containers (in pounds)	Other (in pounds)	In air-tight containers (in pounds)	Other (in pounds)
	949.80	<u>1/</u>	Whenever, in any 12-month period beginning January 1 in any year, the respective aggregate quantity specified below for one of the numbered classes of articles has been entered, no article in such class may be entered during the remainder of such period: Milk and cream, fluid or frozen, fresh or sour, containing over 5.5 percent but not over 45 percent by weight of butterfat: New Zealand..... Other.....	<u>1/</u> <u>1/</u>	1,300,000 gallons None			
	949.90	<u>1/</u>	Milk and cream, condensed or evaporated, classifiable for tariff purposes under items 115.30, 115.35, and 115.40: Netherlands..... Canada..... Denmark..... West Germany..... Australia..... Other.....	<u>1/</u> <u>1/</u> <u>1/</u> <u>1/</u> <u>1/</u> <u>1/</u>	1,209,000 70,000 11,000 22,000 None None	None None None None None None	338,000 2,192,000 1,334,000 None 202,000 8,000	None 5,000 None None None None

1/ See Appendix statistical headnote 2.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

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950.01 - 950.06

APPENDIX TO THE TARIFF SCHEDULES  
Part 3. - Additional Import Restrictions Proclaimed Pursuant to  
Section 22 of the Agricultural Adjustment Act, as Amended

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Quota Quantity (in pounds)
			Whenever, in any 12-month period, etc. (con.): Dried milk, dried cream, and dried whey provided for in part 4 of schedule 1:		
	950.01	1/	Described in items 115.45 and 118.05.....	1/	496,000
	950.02	1/	Described in item 115.50.....	1/	1,807,000
	950.03	1/	Described in item 115.55.....	1/	7,000
	950.04	1/	Described in item 115.60.....	1/	500
	950.05	1/	Butter, and fresh or sour cream containing over 45 percent of butterfat, provided for in part 4B of schedule 1.....	1/	707,000
	950.06	1/	Butter substitutes containing over 45 percent of butterfat provided for in item 116.30, part 4B, schedule 1, and butter oil however pro- vided for elsewhere in these schedules.....	1/	1,200,000

1/ See Appendix statistical headnote 2.



TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

APPENDIX TO THE TARIFF SCHEDULES  
 Part 3. - Additional Import Restrictions Proclaimed Pursuant to  
 Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. Suffix	Articles	Units or Quantity	Quota Quantity (in pounds)	Metric Equivalent (in kilograms)
950.07	1/	Whenever, in any 12-month period, etc. (con.): Cheeses and substitutes for cheese provided for in part 4C, schedule 1: Blue-mold cheese (except Stilton produced in the United Kingdom) and cheese and substitutes for cheese containing, or processed from, blue-mold cheese (provided for in item 117.00, 117.05, 117.75, or 117.88): European Economic Community.....	1/	5,465,209	2,479,000
		Argentina.....	1/	4,409	2,000
		Other.....	1/	2	1
950.08A	1/	Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese (provided for in item 117.15, 117.20, 117.75, or 117.88): European Economic Community.....	1/	579,809	263,000
		Australia.....	1/	2,645,520	1,200,000
		New Zealand.....	1/	6,834,260	3,100,000
		Canada.....	1/	1,837,351	833,417
		Other.....	1/	308,399	139,889
950.08B	1/	American-type cheese, including Colby, washed curd, and granular cheese (but not including Cheddar) and cheese and substitutes for cheese containing, or processed from, such American-type cheese (provided for in item 117.75, 117.81, or 117.88): European Economic Community.....	1/	559,968	254,000
		Australia.....	1/	2,204,600	1,000,000
		New Zealand.....	1/	4,409,200	2,000,000
		Other.....	1/	371,598	168,556
950.09A	1/	Edam and Gouda cheeses (provided for in item 117.25): European Economic Community.....	1/	8,842,650	4,011,000
		Sweden.....	1/	90,388	41,000
		Argentina.....	1/	275,575	125,000
		Other.....	1/	2	1
950.09B	1/	Cheese and substitutes for cheese containing, or processed from, Edam and Gouda cheese (provided for in item 117.25, 117.75, or 117.88): European Economic Community.....	1/	2,727,090	1,237,000
		Norway.....	1/	368,168	167,000
		Other.....	1/	55,999	25,401

1/ See Appendix statistical headnote 2.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

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APPENDIX TO THE TARIFF SCHEDULES  
Part 3. - Additional Import Restrictions Proclaimed Pursuant to  
Section 22 of the Agricultural Adjustment Act, as Amended

9 - 3 --

950.10 - 950.10B

Item	Stat. Suffix	Articles	Units of Quantity	Quota Quantity (in pounds)	Metric Equivalent (in kilograms)
950.10	1/	Whenever, in any 12-month period, etc. (con.):			
		Cheeses and substitutes for cheese, etc. (con.):			
		Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz) (provided for in item 117.44 or 117.55):			
		European Economic Community.....	1/	3,886,709	1,763,000
		Argentina.....	1/	8,487,710	3,850,000
		Other.....	1/	2	1
950.10A	1/	Italian-type cheeses, made from cow's milk, not in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, Sbrinz, and Goya) and cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves (provided for in item 117.42, 117.44, 117.55, 117.75, 117.86, or 117.88):			
		European Economic Community.....	1/	103,616	47,000
		Argentina.....	1/	1,417,557	643,000
		Other.....	1/	28,798	13,063
950.10B	1/	Swiss or Emmentaler cheese with eye formation (provided for in item 117.60):			
		European Economic Community.....	1/	13,227,600	6,000,000
		Austria.....	1/	13,844,888	6,280,000
		Finland.....	1/	18,077,720	8,200,000
		Norway.....	1/	15,174,261	6,883,000
		Switzerland.....	1/	7,561,778	3,430,000
		Israel.....	1/	59,524	27,000
		Australia.....	1/	1,102,300	500,000
		Canada.....	1/	154,322	70,000
		Iceland.....	1/	661,380	300,000
		Argentina.....	1/	176,368	80,000
		Other.....	1/	187,999	85,276

1/ See Appendix statistical headnote 2.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1982)

APPENDIX TO THE TARIFF SCHEDULES  
Part 3. - Additional Import Restrictions Proclaimed Pursuant to  
Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. Suf- fix	Articles	Units of Quantity	Quota Quantity (in pounds)	Metric Equivalent (in kilograms)
950.10C	1/	Whenever, in any 12-month period, etc. (con.): Cheeses and substitutes for cheese, etc. (con.): Swiss or Emmentaler cheese other than with eye formation, Gruyere-process cheese, and cheese and substitutes for cheese containing, or processed from, such cheeses (provided for in item 117.60, 117.75, or 117.88): European Economic Community..... Austria..... Finland..... Switzerland..... Portugal..... Other.....	1/ 1/ 1/ 1/ 1/ 1/	7,716,100 2,028,232 2,204,600 4,078,510 275,575 175,999	3,500,000 920,000 1,000,000 1,850,000 125,000 79,833
950.10D	1/	Cheeses and substitutes for cheese provided for in item 117.75 or 117.88 (except cheese not containing cow's milk and soft ripened cow's milk cheese, cheese (except cottage cheese) containing 0.5 percent or less by weight of butterfat, and articles within the scope of other import quotas provided for in this part): European Economic Community..... Finland..... Iceland..... Norway..... Poland..... Sweden..... Switzerland..... New Zealand..... Canada..... Portugal..... Austria..... Israel..... (no more than 352,736 of which shall contain more than 3 percent by weight of butterfat) Argentina..... Australia..... Other.....	1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/ 1/	44,092,009 2,865,980 712,685 330,690 2,083,999 2,334,671 2,889,612 24,960,481 2,515,448 1,005,297 1,432,990 1,483,695 220,460 2,314,830 444,525	20,000,000 1,300,000 323,000 150,000 936,224 1,059,000 1,220,000 11,322,000 1,141,000 456,000 650,000 673,000 100,000 1,050,000 201,635 (no more than 160,000 of which shall contain more than 3 percent by weight of butterfat)

1/ See Appendix statistical headnote 2.

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950, 10E

APPENDIX TO THE TARIFF SCHEDULES  
Part 3. - Additional Import Restrictions Proclaimed Pursuant to  
Section 22 of the Agricultural Adjustment Act, as Amended

Item	Stat. Suffix	Articles	Units of Quantity	Quota Quantity (in pounds)	Metric Equivalent (in kilograms)
950.10E	1/	Whenever, in any 12-month period, etc. (con.): Cheeses and substitutes for cheese, etc. (con.): Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat, provided for in item 117.75 or 117.88 (except articles within the scope of other import quotas provided for in this part): European Economic Community..... Poland..... Australia..... New Zealand..... Sweden..... Israel..... Other.....	1/ 1/ 1/ 1/ 1/ 1/ 1/	8,818,400 285,599 551,150 2,204,600 551,150 110,230 2	4,000,000 174,907 250,000 1,000,000 250,000 50,000 1

1/ See Appendix statistical headnote 2.

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