UNITED STATES TARIFF COMMISSION

WHEAT AND MILLED WHEAT PRODUCTS

Interim Report to the President on Investigation No. 22-38
Under Section 22 of the
Agricultural Adjustment Act, as Amended

TC Publication 643
Washington, D.C.
January 1974

UNITED STATES TARIFF COMMISSION

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Washington, D.C. 20436

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INTERIM REPORT TO THE PRESIDENT

U.S. Tariff Commission,
January 15, 1974.

To the President:

Pursuant to your request of October 31, 1973, 1/ the U.S. Tariff Commission is conducting an investigation under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended, (7 U.S.C. 624). 2/ The purpose of the investigation is to determine whether the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States (TSUS) may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

An interim report of the Commission in the investigation, including its finding and recommendation, is submitted herewith. A final report in the investigation will be submitted at the earliest practicable date. The information contained in this report was obtained from evidence submitted at the public hearing, from other Government agencies, and from the Commission's files.

1/ The full text of the letter from the President dated October 31, 1973, is shown in appendix A.

2/ Public notice of the institution of the investigation was issued on November 7, 1973. The notice was posted at the Commission's offices in Washington, D.C., and in New York City, and was published in the Federal Register of November 14, 1973 (38 F.R. 31482).

Finding and Recommendation of the Commission

On the basis of its investigation, the Commission finds that the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States (TSUS) may be suspended until June 30, 1974, without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

We therefore recommend that the President issue a proclamation pursuant to section 22(d) of the Agricultural Adjustment Act, as amended, suspending until June 30, 1974, the annual import quotas on wheat and milled wheat products.

Statement of the Commission

Information obtained to date during this investigation (No. 22-38), including evidence presented at the public hearing, leads us to conclude that the suspension to June 30, 1974, of the import quotas on wheat and milled wheat products will not render or tend to render ineffective, or materially interfere with, the programs for wheat now conducted by the Department of Agriculture, or reduce substantially the amount of any products processed from wheat. The principal considerations supporting our finding and recommendation, which we believe are consistent with the requirements of section 22 of the Agricultural Adjustment Act, as amended, are set out below.

Interim report

This interim report is being submitted in view of the evidence showing an extremely tight supply situation with respect to wheat for the current crop year ending June 30, 1974. An additional report will be submitted at a later date which will cover our findings and recommendations for wheat and milled wheat products for the period beginning July 1, 1974.

Current supply and demand situation

Carryover stocks of wheat on June 30, 1973, at 430 million bushels, were 50 percent lower than the level of a year earlier and, with one exception, were the lowest in the past twenty years. The sharp reduction was due primarily to such an increase in foreign demand for U.S. wheat

that exports almost doubled from the level of a year earlier. In spite of a slightly larger domestic crop in 1973, present indications point to stocks on June 30, 1974, of only 210 million bushels. Such carryover would be at the lowest level since 1948.

The price-support program in effect for wheat for the current crop year consists of a nonrecourse loan to farmers at $1.25 per bushel (national average) plus income payments to farmers. The quantity of wheat owned by the Commodity Credit Corporation (CCC) on June 30, 1973, was the lowest since 1947, and the quantity of wheat placed under CCC loan during the current crop year, which began July 1, 1973, has been the lowest in two decades (table 1).

As a consequence of the tight supply situation, domestic wheat prices and world wheat prices soared. The mid-December average price received by farmers was $4.78 per bushel. This price is in contrast to the average annual farm price for 1964 to 1972 which ranged between $1.24 and $1.80 per bushel. It is our opinion that the suspension of the import quotas for the period ending June 30, 1974, would not have sufficie impact on market prices to materially interfere with the $1.25 per bushel price-support loan to farmers. On January 10, the cash price of No. 1 Hard Red Winter Wheat (ordinary protein) at Kansas City was at an all-time high, $5.86 per bushel. Futures prices of current crop wheat on the Chicago Board of Trade have also been at record high levels recently. This is in spite of a record high 1973 wheat crop of over 1.7 billion bushels and a 1974 projected crop of 2 billion bushels.

The current annual import quota for wheat of 800,000 bushels was established by the President on May 29, 1941. Although the quota is apportioned among 14 countries, virtually all of it (795,000 bushels) is allotted to Canada. For the past three full quota years, less than half of the annual quota has been utilized. For the current quota year which began May 29, 1973, only 136 bushels had entered the United States by January 10, 1974. The annual import quota for milled wheat products, 4 million pounds, has been about 95 percent filled in recent years; the quota is equivalent to about 90,000 bushels of wheat.

Carryover stocks at the beginning of the current crop year in the principal wheat exporting countries were substantially below normal. Although wheat production in foreign exporting countries in 1973 was slightly above the level of the preceding year, the supply of wheat available for export from these countries to their normal customers for the most part is committed for the balance of the current crop year. Wheat prices outside the United States have also increased.

Conclusion

In view of the foregoing, we conclude that the import quotas on wheat and milled wheat products described in item 950.60 of the appendix to the Tariff Schedules of the United States (TSUS) may be suspended until June 30, 1974, without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

Appendix A

The President's Letter and the Commission's Notices of Investigation and Hearing

THE WHITE HOUSE

WASHINGTON

October 31, 1973

Dear Madam Chairman:

Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amounts of products processed in the United States from domestic wheat.

Specifically, reference is made to the articles presently subject to Section 22 quantitative limitations as described in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States.

The United States Tariff Commission is therefore directed to make an investigation under Section 22 of the Agricultural Adjustment Act, as amended, and to make findings and recommendations as to whether the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

We must, of course, anticipate the possibility that the suspension of import quotas on wheat could at some future date result in interference with the Department of Agriculture's support program for wheat. If significant

acquisitions of wheat products by the Commodity Credit Corporation occur or threaten to occur, it would be my intention to invoke the Section 22 authority to impose the necessary import controls.

The Commission shall report its findings and recommendations at the earliest practicable date.

Sincerely,

The Honorable Catherine Bedell
Chairman
U.S. Tariff Commission
Eighth and E Streets
Washington, D.C. 20436

UNITED STATES TARIFF COMMISSION
Washington

[22-38]

WHEAT AND MILLED WHEAT PRODUCTS

Notice of Investigation

At the request of the President (reproduced herein), the United States Tariff Commission, on November 5, 1973, instituted an investigation under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to review the quotas for wheat and milled wheat products provided for in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States. Specifically, the Commission instituted the investigation under subsection (d) to determine whether the annual import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

The text of the President's letter of October 31, 1973, to the Commission follows:

> Pursuant to Section 22 of the Agricultural Adjustment Act, as amended, I have been advised by the Secretary of Agriculture, and I agree with him, that there is reason to believe that the import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted

by the Department of Agriculture, or reducing substantially the amounts of products processed in the United States from domestic wheat.

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We must, of course, anticipate the possibility that the suspension of import quotas on wheat could at some future date result in interference with the Department of Agriculture's support program for wheat. If significant acquisitions of wheat products by the Commodity Credit Corporation occur or threaten to occur, it would be my intention to invoke the Section 22 authority to impose the necessary import controls.

The Commission shall report its findings and recommendations at the earliest practicable date.

Sincerely,

(Signed)
Richard Nixon

The date for a public hearing in connection with this investigation will be announced at a later time.

By order of the Commission:

KENNETH R. MASON
Secretary

Issued: November 7, 1973

UNITED STATES TARIFF COMMISSION
Washington

[22-38]

WHEAT AND MILLED WHEAT PRODUCTS

Notice of Hearing

Notice is hereby given that on January 7, 1974, the United States Tariff Commission will hold a public hearing in connection with Investigation No. 22-38 under subsection (d) of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), to review the quotas for wheat and milled wheat products provided for in item 950.60 of Part 3 of the Appendix to the Tariff Schedules of the United States. The Commission on November 5, 1973, instituted the investigation under subsection (d) to determine whether the annual import quotas on wheat and milled wheat products may be suspended without rendering or tending to render ineffective, or materially interfering with, the programs for wheat now conducted by the Department of Agriculture, or reducing substantially the amount of products processed in the United States from domestic wheat.

The public hearing will be held in the Tariff Commission's Hearing Room, Tariff Commission Building, 8th and E Streets, N.W., Washington, D.C., beginning at 10 a.m., E.S.T., on January 7, 1974. All parties will be given opportunity to be present, to produce evidence, and to be heard at such hearing. Interested parties desiring to appear at the public hearing should notify the Secretary of the Tariff Commission, in writing, at its offices in Washington, D.C., not later

than noon Wednesday, January 2, 1974. The notification should indicate the name, address, telephone number, and organization of the person filing the request, and the name and organization of the witnesses who will testify.

Because of the limited time available, the Commission reserves the right to limit the time assigned to witnesses. Questioning of witnesses will be limited to members of the Commission and officials of the Department of Agriculture.

Written submissions. Interested parties may submit written statements of information and views, in lieu of their appearance at the public hearing, or they may supplement their oral testimony by written statements of any desired length. In order to be assured of consideration, all written statements should be submitted at the earliest practicable date, but not later than ten days after the conclusion of the public hearing.

With respect to any of the aforementioned written submissions, interested parties should furnish a signed original and nineteen (19) true copies. Business data to be treated as business confidential shall be submitted on separate sheets, each clearly marked at the top "Business Confidential," as provided for in section 201.6 of the Commission's Rules of Practice and Procedure.

By order of the Commission:

KENNETH R. MASON
Secretary

Issued: November 8, 1973

Appendix B

Statistical Tables

Table 1.--Wheat: U.S. production, imports, exports, domestic consumption, and ending stocks, crop years 1950/51 to 1974/75

Crop year beginning July 1--	Production	Imports 1/	Exports 2/			Domestic consumption			Ending stocks, June 30--				
			Commercial 3/	Other	Total 4/	Food 5/	Seed and feed 6/	Total	CCC	Under loan: Current	Under loan: Reseal	Commercial	Total 7/
1950/51	1,019	12	193	173	366	493	197	690	137	9	2	193	400
1951/52	988	32	316	159	475	497	192	689	129	12	-	101	256
1952/53	1,306	22	288	30	318	488	173	661	384	23	-	113	606
1953/54	1,172	5	116	101	217	488	146	634	738	71	4	84	934
1954/55	984	4	116	158	274	486	125	611	961	11	3	46	1,036
1955/56	937	10	105	241	346	481	123	604	908	28	1	54	1,034
1956/57	1,005	8	174	375	549	481	108	539	799	10	3	72	909
1957/58	955	11	155	247	402	487	105	592	835	15	3	28	881
1958/59	1,458	7	140	303	443	497	111	608	1,147	52	10	52	1,295
1959/60	1,118	7	135	375	510	497	100	597	1,195	26	35	26	1,313
1960/61	1,355	8	204	458	662	497	106	603	1,195	42	45	43	1,411
1961/62	1,232	6	228	491	719	502	106	608	1,091	18	40	130	1,322
1962/63	1,092	5	159	485	644	500	80	580	1,113	42	26	15	1,195
1963/64	1,147	4	353	503	856	504	85	589	815	17	36	19	901
1964/65	1,284	1	158	567	725	509	135	644	608	48	27	134	817
1965/66	1,316	1	299	569	868	515	216	731	252	32	43	195	535
1966/67	1,312	1	371	373	744	502	178	680	122	33	37	225	425
1967/68	1,522	1	284	477	761	519	129	643	101	166	55	216	539
1968/69	1,577	1	242	302	544	520	234	754	157	279	174	203	819
1969/70	1,460	3	277	329	606	521	270	791	290	180	251	153	885
1970/71	1,352	8/	401	336	737	520	249	769	364	74	118	169	731
1971/72	1,618	8/	315	317	632	526	329	855	358	201	148	148	863
1972/73	1,545	8/	975	209	1,184	526	269	795	6	15	67	139	430
1973/74 9/	1,711	1	10/	10/	1,175	528	227	755	10/	10/	10/	10/	210
1974/75 9/	2,000												

1/ Includes full-duty wheat, wheat imported for feed and dutiable flour in terms of wheat. Excludes wheat imported for milling in bond and export as flour.

2/ Includes exports of flour and semolina and macaroni products in terms of wheat. Beginning 1961/62, includes bulgar and rolled wheat in terms of wheat.

3/ Includes some exports with Government assistance in the form of (1) export payments in cash and (2) extension of credit and credit guarantees for relatively short periods.

4/ Adjusted for transshipments of U.S. wheat through Canada, beginning 1961/62.

5/ Includes shipments to U.S. Territories and wheat for military food use at home and abroad.

6/ Residual; approximates feed use and includes negligible quantities used for distilled spirits and beer.

7/ Includes wheat held by the CCC but contracted to be sold or committed for domestic and foreign donations.

8/ Less than 500,000 bushels.

9/ Projected.

10/ Not available.

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

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Table 2 --Wheat: U.S. average price per bushel received by farmers on the 15th of the month, crop years 1971/72 to 1973/74

Month	Crop year beginning July 1--		
	1971/72	1972/73	1973/74
July	$1.34	$1.32	$2.47
August	1.28	1.51	4.45
September	1.26	1.73	4.62
October	1.30	1.89	4.22
November	1.31	1.97	4.20
December	1.34	2.38	4.78
January	1.33	2.38	
February	1.34	1.97	
March	1.34	2.06	
April	1.36	2.15	
May	1.38	2.15	
June	1.33	2.43	

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

Table 3.--Wheat: Average U.S. cash prices for leading classes at major markets, by months, July 1971 to December 1973 1/

(In dollars per bushel)

Crop year (July 1-June 30) and month	No. 2 Soft Red Winter Chicago	No. 1 Soft White Portland	No. 1 Hard Red Winter Ordinary Protein Kansas City	No. 1 Dark Northern Spring 15% Protein Minneapolis	No. 1 Hard Amber Durum Minneapolis
1971/72:					
July	1.54	1.60	1.54	1.73	1.70
August	1.45	1.55	1.54	1.66	1.64
September	1.45	1.54	1.53	1.72	1.65
October	1.53	1.56	1.56	1.77	1.68
November	1.60	1.55	1.56	1.72	1.67
December	1.71	1.56	1.58	1.72	1.70
January	1.69	1.57	1.58	1.74	1.72
February	1.61	1.57	1.57	1.69	1.70
March	1.62	1.60	1.58	1.70	1.71
April	1.66	1.70	1.61	1.73	1.72
May	1.63	1.74	1.62	1.76	1.73
June	1.46	1.67	1.52	1.70	1.73
1972/73:					
July	1.53	1.60	1.58	1.74	1.76
August	1.76	1.82	1.82	1.96	1.89
September	2.02	2.12	2.10	2.09	2.05
October	2.11	2.41	2.15	2.14	2.14
November	2.28	2.53	2.25	2.22	2.16
December	2.60	2.78	2.62	2.42	2.39
January	2.65	2.80	2.67	2.42	2.51
February	2.47	2.56	2.48	2.29	2.45
March	2.37	2.59	2.42	2.33	2.52
April	2.45	2.61	2.51	2.39	2.52
May	2.71	2.78	2.63	2.57	2.62
June	2.82	3.13	2.69	2.80	2.89
1973/74:					
July	3.08	3.43	2.90	3.07	4.04
August	4.75	4.88	4.67	4.50	7.52
September	5.11	5.20	5.01	4.80	7.08
October	4.75	4.95	4.67	4.50	5.90
November	5.47	4.81	4.78	4.48	6.26
December	5.84	5.27	5.22	4.99	7.57

1/ Domestic prices are on-track prices established at the close of the market. Prices do not include 75-cent per bushel payment required of processors of wheat for domestic human consumption during 1971/72 and 1972/73. Payment was not required in 1973/74.

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Table 4 --Wheat: World wheat supply and disappearance, crop years 1969/70 to 1974/75

(In millions of bushels)

Crop year 1/	Carryover stocks 2/	Production	Exports	Consumption 3/
1969/70	2,849	11,230	2,053	11,157
1970/71	2,922	11,340	2,054	11,865
1971/72	2,398	12,514	2,059	12,369
1972/73 4/	2,543	12,164	2,698	13,059
1973/74 5/	1,649	13,037	2,465	13,242
1974/75 5/	1,444			

1/ Data in this table are based on an aggregate of differing local crop years.
2/ Stocks data are only for selected countries and exclude such important counties as the USSR, the People's Republic of China and part of Eastern Europe for which stocks data are not available.
3/ For countries for which stock data are not available, consumption estimates assume a constant stock level.
4/ Preliminary.
5/ Estimated.

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