UNITED STATES TARIFF COMMISSION

SUMMARIES OF TRADE AND TARIFF INFORMATION

Prepared in Terms of the Tariff Schedules of the United States (TSUS)

Schedule 1

Animal and Vegetable Products (In 14 volumes)

Volume 4

Dairy Products and Birds' Eggs

TC Publication 240
Washington, D.C.
1968

The Summaries series will consist of 62 volumes. The titles of the volumes previously released are listed inside the back cover of this volume.

Address all communications to
United States Tariff Commission
Washington, D.C. 20436

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SUMMARIES OF TRADE AND TARIFF INFORMATION BY SCHEDULES

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F O R E W O R D

In an address delivered in Boston on May 18, 1917, Frank W. Taussig, distinguished first chairman of the Tariff Commission, delineated the responsibility of the newly established Commission to operate as a source of objective, factual information on tariffs and trade. He stated that the Commission was already preparing a catalog of tariff information--

> designed to have on hand, in compact and simple form, all available data on the growth, development and location of industries affected by the tariff, on the extent of domestic production, on the extent of imports, on the conditions of competition between domestic and foreign products.

The first such report was issued in 1920. Subsequently three series of summaries of tariff information on commodities were published--in 1921, 1929, and 1948-50. The current series, entitled Summaries of Trade and Tariff Information, presents the information in terms of the tariff items provided for in the eight tariff schedules of the Tariff Schedules of the United States (TSUS), which on August 31, 1963, replaced the 16 schedules of the Tariff Act of 1930.

Through its professional staff of commodity specialists, economists, lawyers, statisticians, and accountants, the Commission follows the movement of thousands of articles in international commodity trade, and during the years of its existence, has built up a reservoir of knowledge and understanding, not only with respect to imports but also regarding products and their uses, techniques of manufacturing and processing, commercial practices, and markets. Accordingly, the Commission believes that, when completed, the current series of summaries will be the most comprehensive publication of its kind and will present benchmark information that will serve many interests. This project, although encyclopedic, attempts to conform with Chairman Taussig's admonition to be "exhaustive in inquiry, and at the same time brief and discriminating in statement."

This series is being published in 62 volumes of summaries, each volume to be issued as soon as completed. Although the order of publication may not follow the numerical sequence of the items in the TSUS, all items are to be covered. As far as practicable, each volume reflects the most recent developments affecting U.S. foreign trade in the commodities included.

SUMMARIES OF TRADE AND TARIFF INFORMATION

SCHEDULE 1

Volume 4

C O N T E N T S

Numerical List of TSUS Items in This Volume

The articles discussed in this volume of summaries (identified as volume 1:4) are classified under schedule 1, part 4, of the Tariff Schedules of the United States (TSUS). Part 4 of schedule 1 is divided into 5 subparts as follows:

Subpart A.--Milk and Cream
Subpart B.--Butter, Oleomargarine, and Butter Substitutes
Subpart C.--Cheeses
Subpart D.--Other Milk Products
Subpart E.--Poultry and Other Birds' Eggs

Generally, the summaries appear in the numerical order of the TSUS item numbers. Whenever a summary contains more than one TSUS item, the first number of the summary controls the sequence of that summary in the volume.

Raw milk is the basic material from which the other articles included in subparts A through D (except oleomargarine) are made. Oleomargarine is derived chiefly from vegetable oils and fats rather than from fat contained in milk (butterfat). The U.S. Government price-support programs for milk and butterfat and the import quotas on certain dairy products (provided for in part 3 of the appendix to the Tariff Schedules and reproduced in appendix A to this volume) affect, directly or indirectly, the trade of all the articles included in these four subparts. Subpart E includes all birds' eggs whether or not in the shell. Eggs of chickens (item 119.55) account for the great bulk of the trade in birds' eggs.

Among the articles of commercial importance that are frequently associated with dairy products but are not provided for in part 4 of schedule 1 of the TSUS are butter oil (classifiable in item 177.70), butterfat-sugar mixtures containing slightly less than 45 percent of butterfat (classifiable in item 182.92), and casein (classifiable in item 493.15). These items are discussed in volumes 1:12, 1:14, and 4:12, respectively.

The world output of milk has been increasing for many years; in 1967, production in the 37 countries for which data are available--probably accounting for 85 percent of the total--amounted to about 690 billion pounds (or 80 billion gallons). Prior to 1965 the United States had been the world's largest producing country of milk and other dairy products. In that year, however, the U.S.S.R. accounted for about 20 percent of estimated world output and the United States, 19 percent; France and West Germany, next in rank, supplied 9 percent and 7 percent, respectively.

Inasmuch as fluid milk is a bulky, perishable product that is difficult to ship, the international trade in products manufactured from milk has been larger than has that of fluid milk. In recent

years, New Zealand, Denmark, the Netherlands, Australia, France, and the United States (until 1966) have been the principal exporters of dairy products, whereas the United Kingdom has been the major importer. Although the United States has generally been a net exporter of dairy products since World War II, exports have absorbed a small share of the domestic production. In recent years, most of the U.S. exports have been in connection with Government programs. Commercial exports of U.S. dairy products generally cannot compete on the basis of price with the products of most other countries. The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83rd Cong.) and the Payment-in-Kind (PIK) export program initiated by the U.S. Department of Agriculture in 1956 (62 Stat. 1070) comprise the principal Government programs to assist exports of dairy products. Public Law 480 provides for sales for foreign currency, famine relief and donations, barter of farm products for strategic and other materials, and long-term credit sales. Under the PIK program, the U.S. Government reimburses exporters of butter and nonfat dry milk in the form of commodities--usually grain owned by the Commodity Credit Corporation (CCC) of the Department of Agriculture--an amount equal approximately to the difference between domestic prices and the lower foreign prices; hence, such programs are termed "Payment-in-Kind".

During the period 1962-64, annual U.S. exports of dairy products (excluding nonfat dry milk) increased from 1,287 million pounds in 1962, in terms of whole milk equivalent, to 6,880 million pounds in 1964, or from 1.0 percent to 5.4 percent of the domestic output of whole milk. Exports, which were largely under the PIK program, increased sharply in 1963 and 1964, principally because of the low levels of milk production in western Europe. By 1966, however, U.S. exports of dairy products had declined to 785 million pounds, equivalent to about 0.6 percent of the domestic output of whole milk in that year; in 1967 exports will probably amount to about 500 million pounds. The decline in exports in 1966 and 1967 reflects both the virtual depletion of U.S. supplies available for export and the increased output of milk in western Europe. During the period 1962-66, exports of nonfat dry milk ranged from 388 million (1966) to 1,311 million pounds (1964).

Only a small part of the U.S. consumption of dairy products has traditionally been supplied from imports because (1) the importation of certain dairy products has been restricted, and (2) the domestic output has been so large. Cheeses (items 117.00-117.85) have generally accounted for the bulk of these imports in recent years. During the period 1962-65, aggregate annual imports of dairy products, including butter oil and butterfat-sugar mixtures, averaged about 871 million pounds (in terms of whole milk equivalent), while the annual U.S. output of whole milk averaged about 126 billion pounds. Imports were equivalent to about 0.7 percent of production during that period. In 1966, however, U.S. imports of dairy products amounted to 2,752 million pounds (equivalent to about 2.3 percent of production), while the

domestic output of whole milk declined to 120 billion pounds. U.S. imports of dairy products in 1967 amounted to about 2,800 million pounds; domestic output was only slightly lower than in 1966. Imports of nonfat dry milk have been insignificant for many years.

The United States, like most other countries, maintains controls on imports of fluid milk and cream and on certain dairy products. Imports of fluid milk and cream, chocolate milk drink, yoghurt, and condensed or evaporated milk from all countries are prohibited unless accompanied by a valid permit issued under the provisions of the Federal Import Milk Act of 1927, as amended (21 U.S.C. 141 et seq.). This act is discussed in the summary on fluid milk and cream.

In order to prevent imports from materially interfering with the Government price-support program for milk and butterfat, quotas applicable to designated dairy products were established, effective July 1, 1953, under section 22 of the Agricultural Adjustment Act, as amended (Presidential Proclamation 3019). The section 22 quotas currently in effect on dairy products are reproduced in appendix A to this volume. In 1966 and 1967, the maximum permissible imports of dairy products subject to section 22 quotas were equivalent to about 0.2 percent of the U.S. output of milk in those years.

From time to time in recent years, New Zealand, Australia, and Ireland have agreed to limit their exports of Colby cheese, butterfat-sugar mixtures (discussed in volume 1:14), and frozen cream to the United States. The agreements are discussed in the summaries on the respective products. Colby cheese, butterfat-sugar mixtures, and frozen cream accounted for the great bulk of the increase in imports of dairy products that occurred from 1965 to 1966. Because imports of these three products were so large in the first half of 1967, the level of U.S. imports of all dairy products in 1967 will probably be slightly larger than that of 1966. Pursuant to Presidential Proclamation 3790 of June 30, 1967, imports of Colby cheese, butterfat-sugar mixtures, and frozen cream were made subject to section 22 quota restrictions. These quotas generally limited annual U.S. imports of such products to approximately the average annual volume that entered in 1962-65. As a result of the imposition of the quotas, the imports of dairy products in the last half of 1967--and subsequent years--are expected to enter at an annual rate far lower than that of 1966 and the first half of 1967.

The TSUS items on which the United States granted concessions in the tariff negotiations concluded on June 30, 1967--commonly referred to as the Kennedy Round--and the staged rates are listed in appendix A to this volume, page A-14. Under the Trade Expansion Act of 1962 (76 Stat. 872), which gave the President authority to reduce duties by 50 percent of the rate existing on July 1, 1962, most U.S. concessions

involving reduction in duty must be placed in effect in five stages. The first stage became effective January 1, 1968, and subsequent stages will go into effect at annual intervals. In 1966 the imports of the products included in this volume on which concessions were granted were valued at about $34 million. If the duty on these 1966 imports ($6 million) had been assessed on the basis of the final stage rates rather than the current rates, the total amount of the duty would have been reduced by about 43 percent. In appendix B to this volume is shown the 1966 value of U.S. imports of the dairy products included in the individual summaries, total and from the 3 principal suppliers.

Commodity	TSUS item
Buttermilk	115.00
Skimmed milk	115.05
Whole milk	115.10, -.15
Cream	115.20, -.25
Whey	118.00

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Annual U.S. imports of fluid milk and cream have been insignificant compared with domestic production, notwithstanding the increase in imports of frozen cream in 1962-66. U.S. exports of milk and cream have been small.

Description and uses

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, the cow supplies the great bulk of the world's output of milk. 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 can readily be distributed.

In 1966 about 49 percent of the whole milk produced in the United States was used in the commercial manufacturing of dairy products, 44 percent was consumed in the fluid form (i.e., not processed other than by normal preparation for consumption as fresh milk or cream) by the non-farm population, and 5 percent was consumed in the fluid form by the farm population. The remaining 2 percent was used mainly for feeding calves, making farm butter, and other miscellaneous purposes. Of the milk used in manufactured dairy products in 1966, about 40 percent was used in butter, 30 percent in cheese, and 30 percent in ice cream, frozen products, condensed or evaporated milk, and other milk products. The share of the U.S. output of milk used in the manufacture of butter has declined somewhat in recent years, whereas that used in the manufacture of cheese and most other dairy products has increased. Manufactured dairy products are discussed in other summaries of this volume.

Cream is the fatty liquid separated from whole milk. Cream containing over 45 percent of butterfat is dutiable as butter and

discussed in the summary on butter (items 116.00, -.26). 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. In recent years, frozen cream (containing not over 45 percent of butterfat) from New Zealand has been virtually the only one of the products covered by this summary to be imported. The imported cream is quite comparable to the domestic cream.

Skimmed milk is whole milk from which butterfat has been removed. 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. Although the former product has at times created disposal problems for butter plants, it is often used for animal feed, or condensed or 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.

In the past decade buttermilk and skimmed milk, which are valuable sources of calcium, riboflavin, and protein, have become important articles of commerce. In addition to being consumed in fluid form, they are used extensively in producing dried buttermilk (item 115.45) and dried skimmed milk (item 115.50), which in turn are used as ingredients in ice cream mixes and bakery and confectionery products; skimmed milk is used extensively to make cottage cheese, and condensed or evaporated milk. In earlier years, however, skimmed milk and buttermilk were used mainly as animal feeds. Skimmed milk is a desirable product from which to manufacture casein. In recent years, however, the price-support program of the U.S. Department of Agriculture has increased the price of nonfat dry milk substantially. Accordingly, large qualtities of domestic skimmed milk have been diverted from the production of casein to nonfat dry milk. Virtually all the domestic requirements for casein are currently being supplied by imports of casein (see summary for item 493.15).

Fluid whey is the liquid portion that remains after cheese is made from milk. Although fluid whey at times has created disposal problems for cheese plants, it does have important commercial uses. It is the principal source of lactose (milk sugar), is frequently used for animal feeds, and is sometimes used to make cheeses such as Ricotta, Mysost, and Primost. In recent years, increasing quantities of fluid whey have been dried (item 118.05) for use in the confectionery, bakery, and chemical industries.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports of fluid milk and cream (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
115.00	Buttermilk	1.5¢ per gal.
115.05	Skimmed milk	1.5¢ per gal.
	Other milk:	
115.10	Within quota of 3,000,000 gallons	2¢ per gal.
115.15	Over quota	6.5¢ per gal.
	Cream:	
115.20	Within quota of 1,500,000 gallons	15¢ per gal.
115.25	Over quota	56.6¢ per gal.
118.00	Whey	1.5¢ per gal.

The rates of duty for the foregoing products, which are the same as the respective rates provided therefor in paragraph 707 (by virtue of similitude to buttermilk in the case of whey) of the former tariff schedules, reflect concessions granted by the United States under the General Agreement on Tariffs and Trade (GATT). The rate of duty for cream within the quota (item 115.20) has been in effect since June 1951, and the rates for over-quota cream (item 115.25) and over-quota whole milk (item 115.15) are the original statutory rates. The rates of duty on buttermilk, skimmed milk, whole milk (within-quota), and whey have been in effect since January 1948. The existing rates of duty are not ones on which the United States gave concessions in the sixth round of trade negotiations under the GATT.

The ad valorem equivalent of the current specific rate on item 115.20, based on U.S. imports entering during 1966, is 8.4 percent; there were no imports of the other products in recent years.

Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, U.S. imports of "Milk and cream, fluid or frozen, fresh or sour, containing over 5.5 percent and not over 45 percent by weight of butterfat" were made subject to quantitative restrictions under section 22 of the Agricultural Adjustment Act, as amended (see item 950.00 of the appendix to the TSUS). The annual quota of 1,500,000 gallons was allocated entirely to New Zealand 1/, the only significant supplier in recent years. (During the period 1963-65 New Zealand, after representations by the United States, undertook to restrict its exports of

1/ For 1967, the quota was the quantity entered on or before June 30, 1967, plus 750,000 gallons.

frozen cream to the United States to a volume of not more than 1.5 million gallons annually.) Other forms of fluid milk and cream discussed in this summary are not subject to quota. As mentioned earlier, cream containing more than 45 percent of butterfat is dutiable as butter and subject to the quota for butter.

The Federal Import Milk Act of 1927, as amended (21 U.S.C. 141 et seq.), which is administered by the Food and Drug Administration (FDA) of the U.S. Department of 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, Education, and Welfare." 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.

Fluid and frozen milk and cream, chocolate milk drink, yoghurt, and other fermented milk, and condensed and evaporated milk are subject to the provisions of the Federal Import Milk Act. Currently, only four permits are in effect--the New Zealand Dairy Products Marketing Board holds a permit to ship frozen cream to the United States, two Canadian firms hold permits to ship sweetened condensed milk to the United States, and one Canadian firm holds a permit to ship concentrated milk to the United States. From time to time the FDA has issued temporary permits to import specified products that are subject to the act. Until recently the FDA had allowed imports of condensed and evaporated milk from foreign firms not holding permits, if such milk was packed in 6-ounce or 14-ounce hermetically sealed tins. In September 1966, however, the FDA modified its policy; it announced that, henceforth, U.S. imports of milk and cream were to be restricted to shippers holding valid permits.

U.S. consumption

Apparent consumption of milk and cream, which is supplied almost entirely by domestic production of cow's milk averaged about 14.7 billion gallons annually during 1962-64; it amounted to 14.4 billion gallons in 1965 and to 13.9 billion gallons in 1966 (see table). It is expected that the level of apparent consumption in 1967 will be about 2 percent below that of 1966. During the 1962-66 period the annual per capita commercial consumption of fluid whole milk decreased from 266 pounds to 260 pounds and that of fluid cream decreased from 8.6 pounds to 7.4 pounds. The annual per capita consumption of skimmed milk, buttermilk, and other low-fat items, however, increased from 27 pounds in 1962 to 38 pounds in 1966.

In recent years consumers have been substituting foods high in

vegetable fat and foods low in butterfat for those high in butterfat inasmuch as nutritional practices have been changing. Moreover, butterfat has been higher priced than vegetable fats.

The retail price index of fresh milk (1957-59 = 100) increased from 104 in 1962 to 113 in 1967. Meanwhile, the retail price index of dairy products increased from 104 in 1962 to 117 in 1967. As noted above, apparent consumption of milk and cream (in all forms) declined about 5 percent from 1962 to 1966 and about 2 percent from 1966 to 1967.

U.S. producers

The North Atlantic and the East North Central and West North Central States accounted for about 70 percent of the marketings of milk in 1966. In recent years, Wisconsin has been the largest milk-producing State, followed by New York, Minnesota, and California.

The number of U.S. farms selling milk and cream has been decreasing at the rate of about 9 percent annually since the early 1960's. Some 500,000 farms sold milk in the United States in 1966. About 200,000 of that total were farms having sales of more than $5,000 from dairy products; such operations probably accounted for 75 percent of the U.S. output of milk in 1966.

While the total number of U.S. farms selling milk and cream has decreased in recent years, the average size of the dairy herds has risen materially. The farms with small herds--which are generally not as efficient as those with large herds--have declined greatly in number while the number with large herds has risen markedly. Between 1959 and 1964 (the latest years for which data are available) the number of farms having less than 30 milk cows declined about 40 percent, while the number having more than 30 milk cows increased about 25 percent. Indeed, the largest percentage increase in number of farms--72 percent--occurred in the category of farms having 100 or more milk cows. Such farms are estimated to have accounted for about 20 percent of the U.S. sales of milk in 1964, compared with 10 percent in 1959. The next largest percentage increase in both numbers of milk cows and in sales of milk occurred in the category of farms having 50 to 99 milk cows.

U.S. production and stocks

Fluctuations in the annual U.S. output of milk rarely exceed 2 percent. The U.S. production of milk increased from 14.7 billion gallons in 1962 to a record level of 14.8 billion gallons in 1964. Thereafter, output declined; by 1966, it amounted to

14.0 billion gallons (valued at $5.8 billion). In 1967 the United States output was about 75 million gallons lower than in 1966. The decline in milk production that has occurred since 1964 has been associated with high prices for livestock, which has encouraged dairy farmers either to cull their herds more than usual or to discontinue dairy farming, more favorable returns in alternative farm enterprises, and increasing opportunities for off-farm employment.

In recent years dairy farms have altered their operations considerably through persistent progress in disease control, breeding practices, feeding, and management. Output per cow, which averaged 7,500 pounds in 1962 amounted to 8,500 pounds in 1966, and to 8.800 pounds in 1967. Meanwhile, the number of milk cows on U.S. farms decreased from 17 million head in 1962 to 14 million head in 1967. Dairy farmers have expanded and specialized their operations in order to take advantage of improvements in technology, gain access to better markets, and offset rising costs. Many have joined in marketing cooperatives, which have enhanced the competitive position of their members.

In recent years cooperatives have played an increasing role in the marketing and processing of milk and dairy products. Many local cooperatives, moreover, have formed large federations. In 1964 (the latest year for which data are available) 66 percent of all milk sold by farmers to plants and dealers was marketed through cooperatives as compared with 59 percent in 1957. In the fall of 1967, two federations of cooperatives were marketing nearly 40 percent of all milk sold under Federal Milk Marketing Orders, an amount equivalent to nearly 20 percent of the U.S. output of milk.

In recent years Grade A milk (milk eligible for fluid consumption) has accounted for an increasing share of the U.S. output of milk, and manufacturing grade milk, for a decreasing share. 1/ In 1966, 70 percent of the milk sold by farmers to plants and dealers was Grade A compared with about 67 percent in 1962 and 60 percent in 1950. Dairy economists predict that eventually virtually all U.S. production of milk will be Grade A. The production of Grade A milk in the United States for a number of years has exceeded materially the quantity sold for fluid consumption at the prevailing prices; the output of Grade A milk not sold for fluid consumption is channeled into the production of manufactured dairy products. In 1966 nearly a third of the Grade A milk sold by U.S. farmers was used in manufactured dairy products; that milk accounted for about two-fifths of the total amount of milk used to produce such products.

1/ Grade A milk, which is produced under specified sanitary conditions, may be either sold for fluid consumption or used in the production of manufactured dairy products. Manufacturing grade milk may not be sold for fluid consumption but may be sold to produce manufactured dairy products.

For many years, dairymen have been using less of their output on farms where produced. Moreover, they have been marketing an increasing proportion of their output to processors as whole milk and less as farm-separated cream. During the period 1962-66 the share of farm-separated cream accounted for by farmers' marketings of milk declined from 5.3 percent to 2.6 percent of the sales. Consequently, the proportion of butterfat to solids-not-fat marketed by dairy farmers has decreased. The increasing quantities of solids-not-fat have been principally channeled into low-fat dairy products such as nonfat dry milk and cottage cheese.

Inasmuch as milk and cream are perishable, stocks of such products have been negligible. In terms of milk equivalent, however, U.S. yearend stocks of manufactured dairy products (commercial and Government-owned) have varied considerably for many years. They increased from an annual average of 4.6 billion pounds in the period 1948-50 to 10.6 billion pounds in 1953 and to 13.7 billion pounds in 1954; they then declined to 4.8 billion pounds in 1958. By 1961 the yearend stocks had increased to 9.9 billion pounds and by 1962 to 12.2 billion pounds; they amounted to about 10 percent of the output of milk in 1962. In 1966 they amounted to 4.8 billion pounds. In the years when the total stocks were high, the bulk of the stocks were owned by the Government. In 1966, for example, Government-owned stocks accounted for less than 1 percent of the total--the lowest level of such stocks in more than a decade. Government-owned stocks generally reflect the output of milk that was not absorbed by the commercial market.

The price-support programs for milk and butterfat

Milk is marketed in the United States under a complex of Federal, State, and local laws and regulations. The major Federal programs designed to support the prices of milk and the income of dairy farmers are two in number 1/; their stated purpose is to assure the production of an adequate supply of milk.

One Federal program is commonly called the price-support program. In keeping with the policy of Congress, as declared in the Agricultural Adjustment Act of 1938 (7 U.S.C. 1282), the Agricultural Act of 1949, as amended, requires the Secretary of Agriculture to support the prices of whole milk, butterfat, and products made therefrom at such level between 75 percent and 90 percent of parity

1/ Other Federal programs, such as the school lunch and the special milk programs, also indirectly benefit the dairy farmer.

as will assure an adequate supply of milk. 1/ To achieve this objective, the Secretary announces in advance of the marketing year (beginning April 1) the prices at which the Department will purchase all butter, Cheddar cheese, and nonfat dry milk offered to it, provided the products meet its specifications. 2/

Nearly three-fourths of all milk utilized in manufactured dairy products, or about 35 percent of all milk produced in the United States, is used to make butter, Cheddar cheese, and nonfat dry milk. Accordingly, the Department of Agriculture maintains its purchase program on these products to support the price of all milk sold by the farmer, particularly during periods when there would otherwise be distressed prices.

The other Federal program, the Federal Milk Marketing Orders, requires "handlers" of milk (processors) to pay farmers certain minimum prices for Grade A milk based on its end use. 3/ Currently, 74 Federal orders for milk are in effect. Such orders apply to about two-thirds of the Grade A milk sold in the United States and to about half of all milk sold. 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 1964 about 168,000 dairy farmers sold milk under Federal orders to about 2,000 handlers.

Under the Federal Milk Marketing Orders minimum prices are established for both Grade A milk marketed for consumption in the fluid state (Class I) and that for manufacturing use (surplus milk). 4/

1/ The "parity price" of individual commodities is determined by the Secretary of Agriculture according to a statutory formula; it is, in effect, the price that a given quantity of a specific commodity would have to command in order to give the farmer the purchasing power equivalent to that in existence during a statutory base period (1910-14).

2/ Under section 709 of Public Law 89-321, the Secretary of Agriculture, beginning November 3, 1965, was authorized to purchase butter, Cheddar cheese, and nonfat dry milk at prices above support levels if CCC supplies purchased at support prices are deemed insufficient to meet commitments under various Government programs such as the school lunch program.

3/ The orders are issued by the Secretary of Agriculture under the authority of the Agriculture Marketing Agreement of 1937, as amended (7 U.S.C. 601).

4/ Frequently handlers pay farmers premiums over the minimum prices established for a class of milk; such premiums are generally negotiated by the farmer's cooperatives and the handlers.

Most orders derive Class I prices from the Minnesota-Wisconsin price series, which reports market prices for manufacturing milk in that area. Class I prices are generally fixed at specified premiums above such prices. The prices on which the Minnesota-Wisconsin price series is based are influenced in part by competitive conditions in that two-State area, where about half of the U.S. output of milk for manufacturing is produced and where more than half of such milk is sold free from Milk Marketing Orders. Nevertheless, the prices of milk for manufacturing sold in Minnesota and Wisconsin are materially influenced by the Department of Agriculture purchase program for dairy products inasmuch as changes in the price-support levels for such products will be reflected in the prices established by the orders throughout the country.

In addition to Federal programs, a variety of State and local programs also affect the production and marketing of milk within the United States. Twenty States operate programs on behalf of the dairy farmer. Local laws affecting the production and marketing of milk generally impose health and quality standards. Thus, in combination Federal, State, and local programs strongly influence the farm price of all milk produced in the United States.

Government purchases of dairy products.--Dairy products have been removed from the commercial market through both the Department of Agriculture's purchase program and the Payment-in-Kind (PIK) export program. 1/ The great bulk of the dairy products so removed have been acquired by the Government under the purchase program, which is conducted by the Commodity Credit Corporation (CCC). The share of the U.S. annual production of milk (milk equivalent basis) removed by programs of the U.S. Department of Agriculture from the commercial market in the form of butter, Cheddar cheese, and nonfat dry milk during

1/ Under the Agricultural Act of 1949, as amended, the Department of Agriculture conducts school milk programs under which Federal grants are given to subsidize local purchase of milk for school children. The Congress directed, however, that the grants thereunder were not to be regarded as amounts expended for the purpose of carrying out the price-support program. Data on the annual cost of the school milk programs are given later in this summary.

1953-67 is shown in the following tabulation (in millions of pounds):

Calendar year	U.S. milk production	Milk equivalent of CCC purchases and PIK exports	Percent
1953	120,221	10,328	8.6
1954	122,094	9,216	7.5
1955	122,945	4,780	3.9
1956	124,860	5,224	4.2
1957	124,628	5,899	4.7
1958	123,220	4,713	3.8
1959	121,989	3,214	2.6
1960	122,951	3,112	2.5
1961	125,442	8,024	6.4
1962	126,021	10,748	8.5
1963	125,009	7,777	6.2
1964	127,000	8,464	6.7
1965	121,061	6,449	5.2
1966	120,230	648	.5
1967	119,583	7,400	6.2

The price-support program has generally played a central role in determining market prices of milk and dairy products in the United States in recent years. Market prices of butter, Cheddar cheese, and nonfat dry milk have usually approximated the Government's purchase prices. The purchase prices of these three products determine the Government's price-support objective for manufacturing milk. During the marketing years 1962-65, the Department's support objective for manufacturing milk was equivalent to 75 percent of parity; the actual price objective was increased gradually from $3.11 to $3.24 per hundred pounds during that period. In the spring and early summer of 1966, the support levels for dairy products were increased sharply; on April 1, 1966, the Department increased the support objective to $3.50 per hundred pounds (78 percent of parity), and on June 29 to $4.00 per hundred pounds (89.5 percent of parity). In October 1966, the Secretary of Agriculture announced that the support objective of $4.00 per hundred pounds would be continued through March 31, 1968. In March 1967, he further announced (a) that the purchase (support) prices for butter, Cheddar cheese, and nonfat dry milk would remain unchanged in the year ending March 30, 1968, and (b) that stocks of dairy products

owned by the CCC would not be resold to the domestic market at less than 110 percent of the current purchase price. The Department's resale price of dairy products for unrestricted use had been 105 percent of the current purchase price for butter and 110 percent for Cheddar cheese and nonfat dry milk. During most years of the past decade the resale of Government-purchased dairy products to domestic buyers for unrestricted use has been negligible or nil. Nonetheless, the announced resale prices ordinarily set a ceiling on the wholesale market prices of milk for manufacturing and the supported products. It is likely that market prices would exceed CCC resale prices only when Government stocks are low.

With the exception of 1966, supplies of dairy products appear to have been consistently in excess of commercial demand at support prices, and, as noted above, substantial quantities have been purchased by the Government. In 1966, however, market prices increased sharply, apparently because the supply of milk and dairy products was not in excess of commercial demand. Throughout much of the year, market prices of the supported dairy products were materially higher than the Government's purchase prices. The market in 1966 absorbed almost all of the supply of dairy products at such prices; the Government purchased only about one-half billion pounds. Indeed, the Department of Agriculture did not purchase any cheese from October 1965 through October 1966, nor did it purchase any butter during the period April-September 1966.

When the Department began to purchase butter and cheese in October and November 1966, respectively, such purchases were, for the first time, made at market prices under section 709 of Public Law 89-321. About 30 percent of the butter purchased by the Department of Agriculture in 1966 was under the authority of section 709; all of the cheese was so purchased. Nonfat dry milk has not been purchased under section 709. By December 1966, when the market prices for butter had declined to support levels, and the market prices for Cheddar cheese were closer to support levels, Government purchases under section 709 were discontinued. Since then, purchases by the Department have been made at support prices.

In recent years uncommitted yearend supplies of dairy products held by the Government have been small. At the end of 1966, the uncommitted supplies of butter and Cheddar cheese owned by the Government totaled only 6 million and 8 million pounds, respectively; nonfat dry milk amounted to 64 million pounds. The uncommitted supplies at the end of 1967 were materially larger than at the end of 1966 and generally were larger than they have been in recent years.

The purchases of butter and Cheddar cheese in recent years have generally been disposed of through school lunch and welfare programs within the United States, whereas most of the nonfat dry milk has been donated abroad. In 1962-65, however, substantial quantities of

nonfat dry milk and small amounts of butter were exported under the U.S. Government PIK program. In 1963-65, export sales of butter and nonfat dry milk were also made through the CCC's export sales program, and considerable quantities of butter were donated abroad.

Under the PIK program, commercial stocks of butter and nonfat dry milk may be purchased by U.S. exporters at domestic market prices and exported at the prices prevailing in the foreign markets. The U.S. Government affords the exporter an announced subsidy (in the form of CCC-owned commodities--principally grain) equal approximately to the difference between the U.S. and foreign market prices. In March 1966, the U.S. Department of Agriculture announced that the PIK export program for dairy products had been temporarily suspended until the domestic dairy supply situation again justified its use; by January 1, 1968, the program had not been reinstated.

Costs of the programs.--The net 1/ Government expenditures on dairy price-support and related programs 2/ and the school lunch milk program as reported by the Department of Agriculture for the years 1953-67 is shown in the following tabulation (in millions of dollars):

Year ending June 30--	Expenditures		
	Excluding the school lunch program	For the school lunch program	Total
1953	300.0	-	300.0
1954	474.4	-	474.4
1955	246.1	22.2	268.3
1956	264.3	48.5	312.8
1957	298.0	61.0	359.0
1958	349.3	66.7	416.0
1959	227.9	74.7	302.6
1960	206.3	81.2	287.5
1961	277.5	87.0	364.5
1962	602.4	91.7	694.1
1963	471.2	93.7	564.9
1964	359.4	97.1	456.5
1965	329.0	86.5	415.5
1966	54.1	97.0	151.1
1967	299.0	96.1	395.1

1/ CCC purchase and other costs (processing, repackaging, transportation, storage, and handling), less proceeds from sales.

2/ Data on Government expenditures do not include those under Titles I, II, and IV of Public Law 480; such costs on dairy products are estimated by the U.S. Department of Agriculture to have been less than $50 million annually in the last decade, except in the 12 months ending June 30, 1967 (when they amounted to about $70 million).

Over the years the aggregate cost of the dairy price-support program has been large--amounting to $4.7 billion in 1953-67. The annual Government expenditures on the price-support program generally have been higher during the periods of high milk production. The aggregate cost of the school lunch milk program amounted to about $1.0 billion in 1955-67.

U.S. exports

Although U.S. annual exports of fluid milk and cream have been generally larger than imports, they are insignificant compared with domestic production. Exports ranged from 0.8 million to 1.2 million gallons during 1962-66. Inasmuch as these products are bulky and perishable, they are generally difficult to ship for long distances. Moreover, foreign prices are generally lower than domestic prices. In recent years, the bulk of the exports have gone to the Bahamas, the Philippine Republic, Canada, and Mexico.

U.S. imports

U.S. imports of milk and cream for fluid consumption have been negligible or nil for many years. As mentioned earlier, frozen cream from New Zealand--used in manufactured dairy products--comprised the bulk of the imports in recent years.

Until recently, fluid cream has not been an important article in international trade. In recent years techniques of preparing (freezing) and transporting cream have been improved; 1/ in 1961, moreover, the Food and Drug Administration issued a permit to the New Zealand Dairy Products Marketing Board enabling it to export frozen cream to the United States.

Although U.S. imports of frozen cream were negligible or nil before 1962, they increased from 13,000 gallons in that year to 1,789,000 gallons in 1966. In 1966 U.S. imports of cream were equivalent to less than 0.2 percent of the combined domestic output of cream, i.e., the cream that is actually separated from milk plus the cream in whole milk used directly in manufacturing dairy products. Imports in 1966 exceeded the tariff quota of 1.5 million gallons for the first time. In January-June 1967, imports amounted to 1,132,000 gallons. Effective July 1, 1967, imports of fluid or frozen cream were made subject to the section 22 quota discussed earlier. Because of the quota, imports of cream could not exceed 1,882,000 gallons in 1967; thereafter, they are limited to no more than 1.5 million gallons annually.

1/ The imported cream is generally packed in 50- to 60-pound plastic containers.

Before 1966 the imported cream was purchased primarily by producers of ice cream. In 1966 such producers found it advantageous to use imported butterfat-sugar mixtures (Junex, etc.) rather than imported frozen cream. Nevertheless, as noted earlier, imports of cream in that year reached a record high; the bulk of the imported cream was purchased by producers of soups and dairy products other than ice cream.

Fluid milk and cream, fresh and sour, and fluid whey: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Exports	Apparent consumption
	Quantity (1,000 gallons)			
1962	14,680,349	17	782	14,679,584
1963	14,558,372	881	1,118	14,558,135
1964	14,763,605	1,188	1,181	14,763,612
1965	14,438,721	1,507	1,049	14,439,179
1966	13,980,233	1,789	1,145	13,980,877
	Value (1,000 dollars)			
1962	5,200,000	23	1,032	3/
1963	5,200,000	1,566	1,274	3/
1964	5,300,000	2,014	1,404	3/
1965	5,300,000	2,487	1,429	3/
1966	5,800,000	3,195	1,764	3/

1/ Production of milk converted to gallons at the rate of 8.6 pounds per gallon. The value is the farm value of all milk produced, whether used on the farm or marketed by farmers.

2/ Imports have consisted largely of frozen cream from New Zealand in each calendar year.

3/ Not meaningful.

Source: Production 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.

Commodity	TSUS item
Milk and cream, condensed or evaporated:	
In airtight containers:	
Not sweetened	115.30
Sweetened	115.35
Other	115.40

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

The United States is the world's largest producer of condensed or evaporated milk. In recent years U.S. imports have supplied less than 1 percent of domestic consumption, and less than 5 percent of domestic production has been exported.

Description and uses

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 is usually 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 is generally in hermetically-sealed retail-sized metal containers. The characteristic caramelized flavor is less pronounced in evaporated milk than in condensed milk.

Condensed and evaporated milk are both made from whole milk and skimmed milk; however, little evaporated skimmed milk is produced. Condensed and evaporated skimmed milk are not imported; exports, if any, are small. In the United States virtually all of the evaporated whole milk is packaged in retail-size containers; but only about 10 percent of the condensed whole milk is so packaged. The remainder of the condensed whole milk and virtually all of the condensed skimmed milk is sold in bulk (i.e., not in retail-size containers). Condensed or evaporated cream is not an important article of commerce in the United States.

In the United States, the bulk of the condensed or evaporated milk is used by bakers and candy and ice-cream manufacturers. It is

also used in the preparation of baby formulas and cooking in the home, and for other food purposes.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
	Condensed or evaporated milk and cream:	
	In airtight containers:	
115.30	Not sweetened	1¢ per lb.
115.35	Sweetened	1.75¢ per lb.
115.40	Other	1.5¢ per lb.

These rates of duty, which are the same as the rates provided for condensed or evaporated milk under paragraph 708(a) of the former tariff schedules, have been in effect since January 1948 and reflect concessions granted by the United States in the General Agreement on Tariffs and Trade (GATT). The existing rates of duty are not ones on which the United States gave concessions in the sixth round of trade negotiations under the GATT.

Based on imports entered in 1966, the ad valorem equivalent of the specific rate of duty on item 115.30, 9.3 percent, was representative inasmuch as imports from the supplying countries (the Netherlands and Canada) were similar in value. On item 115.40 the ad valorem equivalent was 21.0 percent and was likewise representative. On item 115.35 the ad valorem equivalent on imports from supplying countries averaged 10.1 percent, although for individual countries it ranged from about 7 percent to 12 percent.

There are no quantitative limitations on U.S. imports of condensed and evaporated milk and cream. These products, however, are subject to the sanitary restrictions imposed by the Federal Import Milk Act of 1927, as amended (21 U.S.C. 141 et seq.), which has been discussed in the summary on fluid milk and cream (items 115.00, -.25).

U.S. consumption

Apparent annual consumption of condensed or evaporated whole and skimmed milk decreased from 3.3 billion pounds in 1962 to 3.0 billion pounds in 1966 (see table). The per capita consumption of whole condensed and evaporated milk declined from 12.5 pounds to 10.3 pounds

during the period, while that of the skimmed product increased slightly. The decrease in consumption resulted from a steady decline in per capita consumption of evaporated whole milk. Skimmed condensed and evaporated milk has appealed to consumers principally because of its low butterfat content. Per capita consumption of condensed milk (whole and skimmed), which has been substantially lower than that of evaporated milk, has not changed greatly in recent years. The decline in U.S. consumption of evaporated milk has been caused largely by food processors substituting nonfat dry milk for evaporated milk, and the increasing use of other products in babys' formulas.

U.S. producers

Some 200 plants (condenseries) produced condensed and evaporated milk in 1966. Most of them probably marketed such milk in bulk, as well as in retail-size containers. Most of these condenseries are owned by large concerns, which manufacture other dairy products and other foods. California, Kentucky, Pennsylvania, Wisconsin, and Tennessee were the leading producing States in 1966. Condenseries usually pay the farmer a premium over the price of milk used for producing most other dairy products. Producers of condensed and evaporated milk can readily convert their facilities to produce butter, Cheddar cheese, or nonfat dry milk, which the U.S. Government purchases under the price-support program.

U.S. production and stocks

The domestic production of condensed and evaporated milk made from whole milk and skimmed milk for the years 1962-66, is shown in the following tabulation (in millions of pounds):

Item	1962	1963	1964	1965	1966
Condensed:					
Unskimmed, retail-size	74.1	79.0	94.6	95.9	128.6
Unskimmed, bulk	405.8	392.7	412.1	388.9	360.1
Skimmed, bulk	874.3	834.9	889.3	956.7	1,035.3
Total	1,354.2	1,306.6	1,396.0	1,441.5	1,524.0
Evaporated (retail-size):					
Unskimmed	1,928.8	1,897.3	1,880.1	1,693.0	1,696.1
Skimmed	11.8	11.4	10.4	10.4	10.5
Total	1,940.6	1,908.7	1,890.5	1,703.4	1,706.6
Grand total	3,294.8	3,215.3	3.286.5	3,144.9	3,230.6

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1:4

In 1966 nearly 5 billion pounds of whole milk, equivalent to 4 percent of the U.S. production of milk, was used to make evaporated and condensed milk. Domestic production of condensed and evaporated milk has supplied virtually all of domestic consumption (and small exports).

In 1962-66 yearend stocks of evaporated and condensed milk at condenseries ranged from 139 million pounds (1963) to 206 million pounds (1966); at the end of 1967 they are expected to be about 212 million pounds. The stocks on hand at the end of 1966 were equivalent to 6.3 percent of the domestic production in that year; average yearend stocks in 1962-65 were equivalent to 4.8 percent of average domestic production in those years. The stocks (all commercially owned) consisted almost wholly of evaporated milk in retail-size containers; stocks of bulk condensed and evaporated milk generally are negligible.

U.S. exports

U.S. exports of condensed and evaporated milk averaged 111.9 million pounds annually in 1962-66--equivalent to about 3 percent of domestic production. Total exports of such milk in 1966 amounted to 132.7 million pounds. In recent years exports have consisted almost wholly of evaporated or condensed milk in retail-size containers.

The principal markets for U.S. exports of condensed and evaporated milk in recent years were South Viet-Nam and Mexico. Nearly all of the exports to South Viet-Nam consisted of condensed milk that was paid for in local currencies under the provisions of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.). Exports have gone largely to countries having warm climates; condensed and evaporated milk are less susceptible to spoilage than is fluid milk.

U.S. imports

Annual U.S. imports of condensed and evaporated milk increased from 75,000 pounds in 1962 to 3.3 million pounds in 1966. In the latter year they were equivalent to about one-tenth of 1 percent of U.S. production.

Imports have consisted principally of condensed milk in airtight containers; the Netherlands, Denmark, and Canada have been the principal sources in recent years. Total imports of canned condensed and evaporated milk increased from 73,000 pounds in 1962 to 2.7 million pounds in 1966; in January-September 1967 they amounted to 4.7 million pounds. Imports of condensed or evaporated milk in bulk increased from 2,000 pounds in 1962 to 576,000 pounds in 1966; in

January-September 1967 they amounted to 10,000 pounds. West Germany, the Netherlands, and Denmark were the sources of the imports in 1966.

As indicated earlier, imports of condensed and evaporated milk are subject to the provisions of the Federal Import Milk Act of 1927. Two firms in Canada currently hold permits, issued by the U.S. Food and Drug Administration (FDA), to export sweetened condensed milk to the United States; one firm in Canada holds a permit to export concentrated milk to the United States. Before September 1966, it had been a longstanding practice of the FDA to allow imports of condensed and evaporated milk from foreign firms not holding permits, if such milk was packed in 6-ounce or 14-ounce hermetically-sealed tins. As a result, significant quantities of canned condensed and evaporated milk not authorized by individual permit had been imported. In 1966, for example, more than half of the condensed milk and all of the evaporated milk imported came from foreign firms not holding import permits; these imports in the aggregate comprised nearly two-thirds of the total imports in 1966. In September 1966 the FDA decided that it must discontinue this practice. It concluded that "the Federal Import Milk Act (21 U.S.C. 141 et seq.) prohibits the importation of all imported milk and cream, whether sterilized or not, unless the shipper holds a valid import milk permit. There is no authority to waive this requirement." 1/ Currently, therefore, only condensed and evaporated milk produced by the three foreign firms holding permits is eligible for entry into the United States.

Foreign production and trade

The principal foreign producers of condensed and evaporated milk are the Netherlands, West Germany, the Soviet Union, the United Kingdom, Canada, and France. Production in the 14 largest producing countries, including the United States, but excluding the Soviet Union, for which data are not available, increased from 6.7 billion pounds in 1960 to 7.3 billion pounds in 1964; the output in the United States accounted for about half of the combined output of these 14 countries in 1960-64.

Annual exports of condensed and evaporated milk from the 8 principal exporting countries increased from 1.1 billion pounds in 1960 to 1.3 billion pounds in 1964; these countries accounted for the great bulk of world exports. By far the largest exporter of condensed and evaporated milk in recent years has been the Netherlands; that country exported about three-fourths of the condensed and evaporated milk it produced. France, the United States, Australia, and the United Kingdom have also exported large quantities.

1/ F.R. Doc. 66-9943; filed September 9, 1966.

The bulk of the condensed and evaporated milk which entered international trade in recent years was shipped to tropical Asian and African countries. The diets of the people in tropical countries are usually low in animal protein; condensed and evaporated milk supply protein in a form that is easily transported and not highly perishable. The principal countries importing condensed and evaporated milk in 1960-64 were Malaysia, Thailand, the Philippines, South Viet-Nam, Greece, Hong Kong, Nigeria, Ghana, and Senegal. Imports into these countries, which increased from 571 million pounds in 1960 to 631 million pounds in 1964, accounted for nearly half of world imports of condensed and evaporated milk in those years.

Condensed and evaporated milk and cream: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1962-66

Year	Production 1/	Imports	Exports 2/	Yearend stocks	Apparent consumption
	Quantity (1,000 pounds)				
1962	3,294,764	75	114,004	147,000	3,327,835
1963	3,215,285	613	122,969	139,000	3,231,929
1964	3,294,522	991	100,551	193,000	3,387,962
1965	3,144,893	1,799	90,499	141,000	3,197,193
1966	3,230,661	3,289	132,664	205,500	3,306,786
	Value (1,000 dollars)				
1962	479,088	10	21,327	24,696	3/
1963	469,076	90	21,646	23,352	3/
1964	492,009	164	20,883	33,389	3/
1965	468,394	316	19,783	24,816	3/
1966	498,224	469	28,632	37,812	3/

1/ Includes skimmed and unskimmed condensed and evaporated milk; values partly estimated.

2/ Mostly commercial sales; includes some private and U.S. Government donations.

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; apparent consumption comprises production plus imports, minus exports, and adjusted for net change in stocks.

Note.--Condensed or evaporated cream is not an important article of commerce; separate data are not available.

Commodity	TSUS item
Dried buttermilk	115.45
Dried whole milk	115.55
Dried cream	115.60
Dried whey	118.05
Malted milk and articles n.s.p.f., of milk and cream	118.30

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

In recent years, U.S. annual imports of dried milk and cream, which are subject to import quotas, have been insignificant compared with domestic production. U.S. annual exports have been small.

Description and uses

Dried milk and cream are the products resulting from the removal of water from the original fluid products. Nonfat dry milk (item 115.50), the most important of these products, is discussed in a separate summary.

Both the imported and the domestic dried milk and cream products are used for the same purposes. In recent years, over three-fourths of the dried whole milk has been used in making chocolate coatings for candy; practically all of the remaining dried whole milk and nearly all the dried buttermilk, dried cream, and dried whey (the product that remains and is dried after cheese is made from milk) have been used in bakery (including dietary breads in the case of dried buttermilk) and dairy products, prepared dry mixes, and baby foods. Dried whey is also used in animal feeds and in the chemical industry. The dried milk products considered herein are rarely reconstituted for beverage purposes.

Item 118.30 provides for numerous articles of milk and cream, some of which may not be dried. In recent years malted milk has accounted for virtually all of the imports. Malted milk is a dried product consisting of whole milk combined with the fluid separated from a mash of ground barley malt and wheat flour. The imported and the domestic products, which are quite comparable, have been used mainly in making malted milk drinks. Malted milk, however, is also

used for infants and invalids because of its high food value and easy digestibility.

In the TSUS, dried buttermilk, dried whole milk, and dried cream are distinguished on the basis of their butterfat content. Thus, in the TSUS, dried buttermilk (item 115.45) must contain not over 6 percent of butterfat; other dried milk and cream is subdivided into three classes, as follows:

TSUS item	Butterfat content	Commercial products normally within the description
115.50 1/	Not over 3 percent----------	Dried skimmed milk
115.55	Over 3, not over 35 percent--	Dried whole milk
115.60	Over 35 percent----------	Dried cream

1/ Discussed in separate summary.

There is generally little difference in the butterfat content of the products falling within each of the individual items shown above regardless of whether such products are produced in the United States or in other countries. Hence, these classifications are practical for trade and tariff purposes even though they do not, in some instances, coincide with the standards prescribed for these products by the U.S. Department of Agriculture.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
	Dried milk and cream:	
115.45	Buttermilk containing not over 6 percent of butterfat.	1.5¢ per lb.
	Other: 1/	
115.55	Containing over 3 percent but not over 35 percent butterfat.	3.1¢ per lb.
115.60	Containing over 35 percent butterfat--	6.2¢ per lb.
118.05	Dried whey----------	1.5¢ per lb.
118.30	Malted milk and articles not specially provided for, of milk or cream.	17.5% ad val.

1/ The TSUS classification of "Dried milk and cream (other than buttermilk) containing not over 3 percent of butterfat"--TSUS item 115.50--(which is not shown above) applies almost exclusively to nonfat dry milk; that product is discussed in the following summary.

The rates of duty for the foregoing products, which are the same as the respective rates provided therefor in paragraph 708(b) for dried buttermilk, dried whole milk, dried cream (by virtue of similitude to dried buttermilk in the case of dried whey) and paragraph 708(c) for malted milk of the former tariff schedules, reflect concessions granted by the United States in the General Agreement on Tariffs and Trade (GATT). The rate of duty for malted milk has been in effect since June 1951, the rate of duty on dried buttermilk, as well as dried whey, has been in effect since January 1939, and the rates of duty on dried whole milk and dried cream have been in effect since January 1948. The existing rates of duty are not ones on which the United States gave concessions in the sixth round of trade negotiations under the GATT.

The only imports in the above items in 1966 that were subject to specific rates of duty consisted of dried buttermilk (item 115.45) and dried whole milk (item 115.55). The ad valorem equivalent of the duty on imports of dried buttermilk, 10.6 percent, was representative. The ad valorem equivalent on imports from Canada, the principal supplier, averaged 10.4 percent; on imports from New Zealand it averaged 11.7 percent. The ad valorem equivalent of the duty on dried whole milk, 12.8 percent, was likewise representative; there was only one entry of that product in 1966.

DRIED MILK AND CREAM
(except nonfat dry milk)

Since July 1, 1953, annual imports of the products considered herein have been subject to absolute quotas established pursuant to section 22 of the Agricultural Adjustment Act, as amended, (see items 950.01, 950.03, -.04, and 950.11 of the appendix to the TSUS). The allocation of the quotas by the U.S. Department of Agriculture to the eligible countries, imports under the quotas, and the proportion of the quotas used on dried buttermilk and dried whey, dried whole milk, and malted milk, respectively, are shown in tables 1, 2, and 3 for the years (ending June 30) 1963-67. 1/ In recent years there have been no imports under the dried cream quota; the small quantity permitted entry is not regarded as an amount that would be traded commercially.

U.S. consumption

In recent years U.S. apparent consumption of dried milk and cream has increased each year; annual consumption rose from 458 million pounds in 1962 to 646 million pounds in 1966 (table 4). The great bulk of the increase in consumption in those years resulted from increased use of dried whey--a high protein, low butterfat product; it accounted for about two-thirds of U.S. consumption of dried milk and cream in 1966. Notwithstanding the increase in population, the aggregate consumption of the other products considered herein--dried whole milk, dried cream, and malted milk--has not changed greatly in the 1960's because many consumers have been reducing their intake of products high in butterfat.

U.S. producers

Some 300 U.S. plants produced dried milk and cream (except nonfat dry milk) in 1962-66. About 80 percent of these plants produced dried buttermilk and dried whey. Plants that produce dried milk and cream generally engage in the production of other manufactured products such as nonfat dry milk (item 115.50), butter, cheese, or condensed and evaporated milk. Wisconsin, Minnesota, Illinois, and Iowa have produced the bulk of the U.S. output of dried milk and cream in recent years.

U.S. production and stocks

U.S. production of dried milk and cream (except nonfat dry milk) increased from 473 million pounds in 1962 to 665 million pounds in

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

1966. The U.S. output in those years is shown in the following tabulation (in thousands of pounds):

Year	Dried whey	Dried buttermilk	Dried whole milk	Malted milk	Dried cream	Total
1962	283,557	86,375	79,090	23,111	659	472,792
1963	316,923	87,516	91,015	22,495	1,018	518,967
1964	371,947	92,035	87,622	22,369	1,121	575,094
1965	404,301	87,442	88,622	22,184	982	603,531
1966	470,931	76,193	94,350	22,904	528	664,906

In recent years the production of dried whey has accounted for two-thirds or more of the U.S. output of dried milk and cream. In 1963-66, the average annual output of dried whey was twice the average annual output in the 1948-50 period. The increase in domestic production of this product is attributable mainly to growing U.S. demand; the section 22 import quotas have limited supplies from foreign sources.

Yearend stocks of dried milk and cream have consisted entirely of commercially-owned dried whole milk. They have been small compared with domestic production. In 1962-66 they ranged from 5 million to 7 million pounds; at the end of 1967 they are expected to be about 8 million pounds.

U.S. exports

Although annual U.S. exports of dried milk and cream have been larger than imports, they have been small compared with domestic production. Prices for these products have generally been higher in the United States than in other countries. During the period 1962-66, U.S. exports of dried milk and cream ranged from 15 million to 32 million pounds annually. In recent years practically all of such exports have consisted of commercial sales of dried whole milk. In 1966 Japan, Venezuela, and the Congo were the largest export markets.

U.S. imports and foreign trade

Since 1953 annual U.S. imports of dried milk and cream have been limited to relatively small quantities because of the section 22 quotas discussed in the tariff treatment section. Aggregate imports

ranged from 89,000 pounds to 640,000 pounds in 1962-66. Imports supplied less than half of 1 percent of consumption during the period.

U.S. imports of dried buttermilk have accounted for practically all of the imports of dried milk and cream in recent years. Imports of that product amounted to 400,000 pounds in 1966. In 1966 three-fourths of the imports of dried buttermilk came from Canada and the remainder from New Zealand. Imports of dried whole milk, dried cream, dried whey, and malted milk have been negligible in recent years.

Although the United States is the world's largest producer of the products covered by this summary, it has not been important in the international trade of these products in recent years. The Netherlands (the largest producer of dried whole milk), Denmark, and New Zealand have been the largest exporters of dried milk and cream. Venezuela, the United Kingdom, West Germany, the Congo, and Ceylon have been the largest import markets.

Table 1.--Dried buttermilk and dried whey, subject to import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
Canada	386,280	386,220	386,220	387,940	355,300
New Zealand	108,600	108,600	107,600	108,060	140,700
Denmark	1,000	-	-	-	-
Total	495,880	494,820	493,820	496,000	496,000
	Quantity imported (pounds)				
Canada	271,700	271,700	-	272,850	70,000
New Zealand	108,248	108,472	87,528	107,968	140,504
Denmark	-	-	-	-	-
Total	379,948	380,172	87,528	380,818	210,504
	Proportion of license used (percent)				
Canada	70.3	70.3	-	70.3	19.7
New Zealand	99.7	99.9	81.3	99.9	99.9
Denmark	-	-	-	-	-
Average	76.6	76.8	17.7	76.8	42.4

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

DRIED MILK AND CREAM
(except nonfat dry milk)

Table 2.--Dried whole milk, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
New Zealand	6,060	6,060	5,850	7,000	7,000
Total	6,060	6,060	5,850	7,000	7,000
	Quantity imported (pounds)				
New Zealand	5,950	6,000	5,800	6,950	6,950
Total	5,950	6,000	5,800	6,950	6,950
	Proportion of license used (percent)				
New Zealand	98.2	99.0	99.1	99.3	99.3
Average	98.2	99.0	99.1	99.3	99.3

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

Table 3.--Malted milk and compounds, subject to import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
Australia	6,000	6,000	-	-	6,000
Denmark	-	-	6,000	6,000	-
Total	6,000	6,000	6,000	6,000	6,000
	Quantity imported (pounds)				
Australia	5,992	5,992	-	-	-
Denmark	-	-	-	6,000	-
Total	5,992	5,992	-	6,000	-
	Proportion of license used (percent)				
Australia	99.9	99.9	-	-	-
Denmark	-	-	-	100.0	-
Average	99.9	99.9	-	100.0	-

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

Table 4.--Dried milk and cream (other than nonfat dry milk): U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1962-66

Year	Production 1/	Imports	Exports	Apparent consumption 2/
	Quantity (1,000 pounds)			
1962	472,792	419	15,423	457,788
1963	518,967	640	32,092	487,515
1964	575,094	221	16,449	558,866
1965	603,531	89	22,711	580,909
1966	664,906	408	18,988	646,326
	Value (1,000 dollars)			
1962	58,414	36	8,583	3/
1963	69,759	60	14,146	3/
1964	71,956	25	6,966	3/
1965	92,099	15	9,640	3/
1966	112,146	59	5,950	3/

1/ Values partly estimated by the staff of the U.S. Tariff Commission based on wholesale price quotations in Dairy and Poultry Market News, a publication of the Agricultural Marketing Service of the U.S. Department of Agriculture.

2/ Yearend stocks, which have consisted entirely of commercially-owned dried whole milk, have been small compared with domestic production; in 1962-66 they ranged from 5 million to 7 million pounds annually.

3/ Not meaningful.

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

Commodity	TSUS item
Nonfat dry milk---	115.50

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

The United States has accounted for about 60 percent of the world output of nonfat dry milk in recent years. U.S. exports, generally under Government programs or as donations, have been large. U.S. imports, which are subject to an import quota, have been insignificant compared with domestic production.

Description and uses

Nonfat dry milk (dried skimmed milk) is the product resulting from the removal of fat and water from milk. Other dried milk and cream products (items 115.45, 115.55, 115.60, 118.05, and 118.30) are discussed in a separate summary. Nonfat dry milk, a relatively inexpensive source of protein, has appealed to many consumers because of its low butterfat content. Moreover, it is an important additive in food processing. Because of its low moisture content, nonfat dry milk is easy to handle and store.

The foreign and domestic products are generally identical and competitive. In 1964 about one-fourth of the nonfat dry milk utilized in the United States was sold to bakeries, one-fourth was packaged for home use, one-fourth was used in dairy products, and the remaining fourth was used in processed meat products, prepared food mixes, confectionery, chemicals and pharmaceuticals, soft drinks, soups, and animal feeds. The so-called low-heat powder, after further processing, is packaged for home use; it ordinarily averages about one-half cent per pound higher at wholesale than high-heat powder.

Item 115.50 provides for dried milk containing not over 3 percent of butterfat. Despite the upper limit of 3 percent butterfat, virtually all of the trade in the products described in this item is comprised of so-called nonfat dry milk containing not over 1.5 percent of butterfat, the maximum allowance provided therefore by statute (21 U.S.C. 321c).

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade agreement) rate of duty applicable to imports (see general headnote 3 in the TSUSA-1968) is as follows:

TSUS item	Commodity	Rate of duty
115.50	Nonfat dry milk----------	1.5¢ per lb.

This rate of duty, which is the same as the rate provided for dried skimmed milk under paragraph 708(b) of the former tariff schedules, has been in effect since January 1948 and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade (GATT). The existing rate of duty is not one on which the United States gave a concession in the sixth round of trade negotiations under the GATT.

The ad valorem equivalent of the duty, based on imports in 1966, 11.5 percent, was representative. The average foreign unit value on all imports was 12.6 cents per pound. On imports from Australia, which supplied virtually all of the total, the ad valorem equivalent averaged 12.3 percent; for entries from Canada, it averaged 9.1 percent and for entries from New Zealand, it averaged 13.1 percent.

Since July 1, 1953 annual imports of "dried skimmed milk" have been subject to an absolute quota of 1,807,000 pounds under section 22 of the Agricultural Adjustment Act, as amended (see item 950.02 of the appendix to the TSUS). The allocation of the quota by the U.S. Department of Agriculture to the eligible countries, imports under the quota, and the proportion of the quota used are shown in table 1 for the years (ending June 30) 1963-67. 1/

U.S. consumption

Annual consumption of nonfat dry milk for human use in 1962-66 ranged from 1,147 million pounds to 1,245 million pounds (table 2). The per capita consumption of nonfat dry milk has increased significantly since World War II. During the period 1948-50 it averaged 3.4 pounds annually; during 1962-66 it averaged 5.9 pounds.

Although bakeries have been the largest users of nonfat dry milk for many years, consumption of that product in the home has been increasing more rapidly than consumption in other uses. Sales of nonfat dry milk packaged for home use increased from about 2 million

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

pounds in 1948 to 245 million pounds in 1964. Since 1962 sales of nonfat dry milk packaged for home use have been second in importance to sales to bakeries. The household consumption of the product has been stimulated by the low price of nonfat dry milk compared with many other milk products, recent improvement in the quality of the product, and the promotional efforts of domestic producers. Although nonfat dry milk is generally reconstituted into fluid milk in the home, it is also used for cooking purposes.

Small quantities of nonfat dry milk (not included above) are used as animal feed.

U.S. producers

Nonfat dry milk is produced largely in the United States by concerns that produce butter; these concerns, known as butter-powder plants, have large quantities of skimmed milk remaining after cream is separated from whole milk to produce butter. For many years more than 70 percent of the U.S. output has been in the North Central States. Minnesota and Wisconsin, the leading butter producing States, accounted for slightly more than half of the U.S. output of nonfat dry milk in 1966. Nonfat dry milk frequently is a byproduct of the production of ice cream. Notable quantities are also produced in the North Atlantic States where the output of ice cream is large.

The number of plants producing nonfat dry milk decreased from 425 in 1962 to 326 in 1966. Several of the large butter-powder plants produce more than 20 million pounds of nonfat dry milk annually. The average annual output per plant producing nonfat dry milk increased from 4 million pounds in 1953 to 6 million pounds in 1963. The trend toward larger plants is attributable mainly to lower unit costs as the volume of milk dried per plant has increased. Manufacturers' selling prices for nonfat dry milk have generally not varied greatly in recent years inasmuch as supplies above commercial requirements have been purchased under the Government price support program (see the section on price support operations).

U.S. production and stocks

Annual U.S. production of nonfat dry milk did not exceed 400 million pounds before World War II. During the 1940's, however, the output expanded in response to increased domestic demand, wartime military needs, and foreign requirements; nonfat dry milk was readily exported because its transportation costs were low and spoilage was negligible. Annual U.S. production amounted to 1.7 billion pounds in 1958. It amounted to 2.2 billion pounds in 1962, valued at about $332 million--the highest level on record. Production in 1964 amounted to nearly 2.2 billion pounds, but declined to 1.6 billion

pounds in 1966. The decline in U.S. output of nonfat dry milk in 1965 and 1966 was associated with a reduction in both the total U.S. output of milk and the production of butter. In 1967, however, the production of nonfat dry milk increased slightly from the level of 1966. The general increase in the production of nonfat dry milk in the 1950's and early 1960's coincided with a shift in farmers' sales from farm-separated cream to whole milk. Many dairy farmers who had marketed farm-separated cream (and used the skimmed milk as animal feed) ceased doing so. Hence, concerns producing butter increasingly purchased whole milk and separated the cream; most of them dried the skimmed milk.

Total yearend stocks of nonfat dry milk (commercial and Government-owned) amounted to a record high of 675 million pounds in 1962 (the year in which production was also at a record high). By 1966 stocks had decreased to 119 million pounds. At the end of 1962 stocks were equivalent to nearly a third of the U.S. production of that year; the Government owned about 85 percent of the total. At the end of 1966, however, stocks were equivalent to less than a tenth of production, and none were owned by the Government. Government-owned stocks of nonfat dry milk generally reflect surplus production. In 1965, Government disposals of the product exceeded acquisitions. When production declined in 1966 the quantities offered to the Government were smaller than in any year since the early 1950's. Thus, the small quantities of nonfat dry milk purchased by the Department of Agriculture in 1966 were used to fulfill Government commitments. At the end of 1967, however, total stocks of nonfat dry milk amounted to about 260 million pounds, more than half of which were Government-owned.

Price-support operations

The price of nonfat dry milk is supported directly by the U.S. Department of Agriculture under the price-support program for dairy products. The Commodity Credit Corporation (CCC) stands ready to purchase all nonfat dry milk offered to it at announced prices. 1/ Moreover, the Department of Agriculture generally stands ready to resell dairy products to the domestic commercial users for unrestricted use at announced prices, which are always above the Government purchase prices. Although the quantities of nonfat dry milk resold to the commercial market have been small, the resale prices ordinarily

1/ Under section 709 of Public Law 89-231, the Secretary of Agriculture, beginning Nov. 3, 1965, was authorized to purchase dairy products--including nonfat dry milk--at market prices above support prices if CCC supplies purchased at support prices are deemed insufficient to meet commitments under various Government programs such as the school lunch program. Thus far, there have been no purchases of nonfat dry milk under section 709.

set a ceiling on the wholesale market prices for nonfat dry milk inasmuch as market prices probably would exceed the CCC resale prices only when Government stocks are low.

The dairy price-support program has generally played a central role in determining market prices of nonfat dry milk in the United States for many years. During the ten year period 1953-62, market prices generally remained close to the Government purchase prices, and the Government purchased about half of the domestic output. After 1964, however, the share of the annual U.S. output of nonfat dry milk purchased by the Department was generally smaller than in earlier years. As mentioned earlier, the domestic output of nonfat dry milk has generally been declining since 1964 while the consumption of that product has been increasing for many years. Moreover, the output of nonfat dry milk that would have normally been available for purchase by the CCC in the last part of 1963 and in 1964 was exported under the U.S. Government Payment-in-Kind (PIK) program (discussed in the following section).

The share of the U.S. production of nonfat dry milk purchased by the Government, the purchase prices, and the market prices are shown in the following tabulation for the years 1962-66: 1/

Year	U.S. production	CCC purchases		Market price (U.S. average)	CCC purchase price
		Total	Share of U.S. production		
	Million pounds	Million pounds	Percent	Cents per pound	Cents per pound
1962	2,231	1,378	62	14.4	14.4
1963	2,106	1,019	48	14.5	14.4
1964	2,178	672	31	14.6	14.4
1965	1,993	882	44	14.9	14.6
1966	1,594	364	23	1/ 16.9	1/ 16.6
				2/ 19.5	2/ 19.6

1/ Apr. 1-June 29.
2/ June 30-Mar. 31 (1967).

In 1966 the Government purchased a smaller share of the U.S. ouput of nonfat dry milk than in any year since 1953. In 1967, however, the Government purchased about 615 million pounds of nonfat dry milk or some 35 percent of the U.S. output. In 1967 the U.S. production of nonfat dry milk was probably slightly larger than in 1966;

1/ Prices are reported on a marketing-year basis (beginning April 1).

moreover, market prices have been closer to the CCC purchase prices in 1967 than during the period 1964-66.

U.S. exports

U.S. exports of nonfat dry milk increased from 872 million pounds in 1962 to 1.1 billion pounds in 1963 and to 1.3 billion pounds in 1964; subsequently they declined, amounting to only 388 million pounds in 1966. In 1963 and 1964 more than half of the U.S. output of nonfat dry milk was exported. A decline in the output of nonfat dry milk in Europe and strong European demand for the product for feeding to calves to produce veal largely stimulated these exports. By 1965, however, the European output of nonfat dry milk had increased, and U.S. exports to Europe declined. A large part of the exports to Europe were subsidized under the Payment-in-Kind (PIK) program for dairy products because domestic prices were generally higher than foreign prices, and substantial shares of the exports to other countries were donated by the Government.

Under the PIK program, nonfat dry milk is purchased by U.S. exporters at domestic market prices and exported at prices prevailing in the foreign markets. The U.S. Government affords the exporter a subsidy (in the form of CCC-owned commodities) approximately equal to the difference between the U.S. and foreign market prices of nonfat dry milk. The average export subsidy rate for nonfat dry milk decreased from 8.6 cents per pound in 1963 to 6.5 cents in 1964; it amounted to 1.2 cents per pound in 1965. In March 1966 the payment of export subsidies under the PIK program was temporarily suspended by the U.S. Department of Agriculture until the domestic dairy situation again justified its use.

In 1963 and 1964 about a third of total U.S. exports of nonfat dry milk were donated by the Department of Agriculture; about half of the exports were donated in 1965, and about four-fifths in 1966. In earlier years, donations generally accounted for the bulk of the U.S. exports. In recent years, the Netherlands, Japan, Spain, Brazil, Mexico, India, and Viet Nam have been the major markets for the combined donations and commercial U.S. exports of nonfat dry milk.

U.S. imports

Annual U.S. imports of nonfat dry milk have generally been insignificant compared with the domestic output. Since 1953 imports have been limited to the amount provided in the section 22 quota discussed in the tariff treatment section. Because the quota has been imposed for 12-month periods ending June 30 and because imports have entered irregularly during the quota year, imports recorded

on a calendar-year basis have varied substantively. U.S. imports ranged from 1.3 million to 2.8 million pounds annually in the calendar years 1962-66. U.S. imports of nonfat dry milk have virtually all been supplied by Australia, Canada, and New Zealand.

Foreign production and trade

The United States has accounted for about 60 percent of the total world production of nonfat dry milk in recent years; France, West Germany, and Canada also have produced large quantities. The United States has also been the world's leading exporter of nonfat dry milk in recent years. In 1963 and 1964, the United States supplied over two-thirds of the total world exports; France and New Zealand were the next largest suppliers. By 1966, however, the U.S. exports of nonfat dry milk had declined substantially inasmuch as the U.S. supplies available for export were virtually exhausted.

Western Europe has accounted for about 35 percent of the total world imports of nonfat dry milk in recent years. In 1963 Japan became an important import market for nonfat dry milk because of increased use in that country in school lunch programs. In Europe nonfat dry milk is used for animal feed as well as for human consumption. In most other countries, however, it is used principally for human consumption; plants have been established in many Asian, African, Caribbean, and Latin American countries for reconstituting nonfat dry milk into fluid milk for human use.

Table 1.--Dried skimmed milk, subject to import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
Australia	1,320,740	1,208,740	1,320,740	1,319,110	1,322,940
Canada	483,260	483,260	483,260	483,260	484,050
New Zealand	-	112,000	-	-	-
Total	1,804,000	1,804,000	1,804,000	1,802,370	1,806,990
	Quantity imported (pounds)				
Australia	1,320,704	1,206,088	1,318,632	1,205,680	1,317,792
Canada	483,250	483,050	-	483,250	380,050
New Zealand	-	56,000	-	-	-
Total	1,803,954	1,745,138	1,318,632	1,688,930	1,697,842
	Proportion of license used (percent)				
Australia	99.9	99.8	99.8	91.4	99.6
Canada	99.9	99.9	-	99.9	78.5
New Zealand	-	50.0	-	-	-
Average	99.9	96.7	73.1	93.7	94.0

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

Table 2.--Nonfat dry milk: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1962-66

Year	Production 1/	Imports	Exports	Yearend stocks 1/	Apparent consumption
	Quantity (1,000 pounds)				
1962	2,230,629	1,360	872,279	675,000	1,171,710
1963	2,106,058	1,950	1,119,190	487,000	1,176,818
1964	2,177,189	1,561	1,310,902	174,000	1,180,848
1965	1,988,508	1,342	863,074	154,000	1,146,776
1966	1,595,104	2,835	387,683	119,000	1,245,256
	Value (1,000 dollars)				
1962	332,364	100	75,081	100,575	2/
1963	303,272	158	94,109	70,128	2/
1964	313,462	130	112,677	25,056	2/
1965	286,956	169	117,653	22,176	2/
1966	312,640	370	63,271	23,324	2/

1/ Values based on Commodity Credit Corporation (CCC) purchase prices.
2/ Not meaningful.

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

Commodity	TSUS item
Butter, and fresh or sour cream containing over 45 percent of butterfat	116.00, -.26

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Although the world trade in butter is large, U.S. imports of butter, which are limited by a quota, have accounted for an insignificant portion of the U.S. consumption for many years. Generally, U.S. exports have been small because domestic butter prices have been substantially above the world butter prices.

Description and uses

Butter is the solidified fat of milk churned from cream. Although fresh and sour cream containing over 45 percent of butterfat is classified and dutiable as butter, practically all imports under TSUS items 116.00, -.25 have been butter and have contained not less than 80 percent of milk fat, the minimum content required for butter in the U.S. statutory definition (21 U.S.C. 321a). Butter is made exclusively from milk or cream, or both; salt and coloring matter are generally added. The principal butter substitute, oleomargarine (commonly called margarine), is invariably made from vegetable oils and fats, although it sometimes contains animal fats. Margarine is discussed in the summary on item 116.30; butteroil is discussed in the summary on item 177.70.

Butter is inspected and graded by the U.S. Department of Agriculture when a producer or assembler requests this service. The Federal grade designations "U.S. Grade AA, A, or B" are seen on butter cartons in most retail stores; grade "C" butter is not eligible for packaging under official grade labels. The grade terms reflect quality characteristics of butter such as flavor, texture or consistency, color, and salt content.

In the United States butter is used mainly for consumption without further processing, although significant quantities are used by food processors in bakery products, candy, and ice cream. The imported and the domestic butter are generally considered to be competitive. Butter imported from New Zealand and the Netherlands has generally been consumed both for table use and in processed foods in

the United States while that imported from Denmark has been used almost entirely as table butter.

U.S. tariff treatment

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
	Butter, and fresh or sour cream containing over 45 percent of butterfat:	
	Period entered:	
	November 1 to the following March 31:	
116.00	Not over 50,000,000 pounds	7¢ per lb.
116.05	Other	14¢ per lb.
116.06	If product of Cuba	11.2¢ per lb.
	April 1 to July 15:	
116.10	Not over 5,000,000 pounds	7¢ per lb.
116.15	Other	14¢ per lb.
116.16	If product of Cuba	11.2¢ per lb.
	July 16 to October 31:	
116.20	Not over 5,000,000 pounds	7¢ per lb.
116.25	Other	14¢ per lb.
116.26	If product of Cuba	11.2¢ per lb.

The rates of duty shown above for butter, which are the same as the respective rates provided therefor in paragraph 709 of the former tariff schedules, reflect concessions granted by the United States in the General Agreement on Tariffs and Trade (GATT). The rate of duty for items 116.05, 116.15, and 116.25 is the original statutory rate. The rate of duty for item 116.00 has been in effect since January 1948; the rates of duty for items 116.10 and 116.20 have been in effect since May 1950. The existing rates of duty are not ones on which the United States gave a concession in the sixth round of trade negotiations under the GATT. The rates shown for items 116.06, 116.16, and 116.26, the preferentail rates for products of Cuba, were suspended on May 24, 1962. Imports from Cuba have been prohibited since February 7, 1962.

The ad valorem equivalent of the duty on imports under item 116.00 in 1966 averaged 12.5 percent. On imports from New Zealand, the principal supplier, it averaged 12.4 percent; on imports from the remaining countries it ranged from 10.6 percent to 25.8 percent. The ad valorem equivalent of the duty on the imports under item 116.10 in 1966 averaged 14.6 percent; it ranged from 10.9 percent to 26.2 percent among the supplying countries. The ad valorem equivalent of the duty on the imports under item 116.20 in 1966 averaged 11.3 percent.

On imports from New Zealand, the principal supplier, it averaged 11.0 percent; on imports from the remaining countries it ranged from 3.9 percent to 24.1 percent. The absolute quota imposed under the provisions of section 22 of the Agricultural Adjustment Act precluded imports under items 116.05, 116.15, and 116.25.

Since July 1, 1953, annual imports of "butter, and fresh or sour cream containing over 45 percent of butterfat" have been subject to an absolute quota of 707,000 pounds under section 22 of the Agricultural Adjustment Act, as amended (see item 950.05 of the appendix to the TSUS). This quota in effect supersedes the tariff quotas shown above (items 116.00, 116.10, and 116.20). The allocation of the quota by the U.S. Department of Agriculture to the eligible countries, imports under the quota, and the proportion of the quota used are shown in table 1 for the years (ending June 30) 1963-67. 1/

U.S. consumption

Annual apparent consumption of butter in the United States ranged from 1.4 billion to 1.1 billion pounds in 1962-66 (table 2). During that period the annual per capita consumption of butter decreased from 7.3 pounds to 5.7 pounds while that of margarine increased from 9.3 to 10.5 pounds. The declining per capita consumption of butter and increasing per capita consumption of margarine is part of a continuing trend which began during World War II; in 1942 per capita consumption of butter was 15.9 pounds and that of margarine, 2.8 pounds. The declining consumption of butter has been principally the result of the efforts of many consumers to reduce their consumption of high-fat products (particularly those high in animal fats) and the effect of the competition from margarine. In 1964 the U.S. Department of Agriculture reported that the average retail price of butter was nearly 3 times that of margarine.

U.S. producers

The number of plants producing butter in the United States declined from 1,411 in 1961 to 1,048 in 1966. Although some large dairy firms produce butter and other dairy products, many smaller firms specialize in the output of butter. The sale of butter generally affords the primary source of cash income to the bulk of these plants. Minnesota, the leading producing State, accounted for 28 percent of the domestic production in 1966, followed by Wisconsin, which accounted for 20 percent, Iowa, Nebraska, New York, and North and South Dakota. These 7 States accounted for nearly three-fourths of the total output in that year.

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

BUTTER AND CREAM CONTAINING OVER 45 PERCENT OF BUTTERFAT

Butter is usually the dairy product which provides the least return for the milk used; milk is not used for its manufacture, therefore, until other demands have been met. The output of butter fluctuates throughout the year depending on the amounts of milk available. During the period 1962-66 the amount of U.S. milk used to manufacture butter declined from 27 percent to 20 percent of the total output.

U.S. production and stocks

U.S. production of butter amounted to about 1.5 billion pounds in 1962; it had declined to 1.1 billion pounds in 1966. In 1967 production amounted to about 1.2 billion pounds. The U.S. production of butter has been declining for several decades; the decline began after 1933, the year in which output reached a record high of 2.4 billion pounds.

Yearend stocks of butter (commercial and Government-owned) amounted to 359 million pounds in 1962; they then declined to 271 million pounds in 1963, 71 million pounds in 1964, 52 million pounds in 1965, and 32 million pounds in 1966. In both 1962 and 1963, when stocks were high, about 90 percent of the total stocks were owned by the Government. In 1966, however, only 6 percent of the stocks were Government-owned. In 1967, however, yearend stocks of butter amounted to about 190 million pounds. The great bulk of such stocks were Government-owned. The Government generally acquires stocks of butter when production is greater than commercial demand at the supported level of prices.

Price-support operations

The price of butter is supported directly by the U.S. Department of Agriculture under the price-support program for dairy products. The Commodity Credit Corporation (CCC) stands ready to purchase unlimited quantities of butter at preannounced support prices. Since November 1965 the Secretary of Agriculture has also been authorized to purchase butter (as well as Cheddar cheese and nonfat dry milk) at market prices above the support prices, if the quantities purchased at support prices are deemed insufficient to meet commitments under various Government programs (e.g., the school lunch program). 1/ About 30 percent of the butter acquired by the Department in 1966 (9 million pounds) was purchased at market prices. During most of 1966 the market prices of butter were above support prices; in December, however, market prices were closer to support levels than in

1/ Section 709 of Public Law 89-321.

earlier months and the Government purchases at market prices were discontinued. Since then, purchases by the Department have been at support prices. The Department of Agriculture generally stands ready to resell dairy products to domestic commercial users for unrestricted use at announced prices, which are always above the Government purchase prices. Although the quantities of butter resold to the commercial market have been small, the resale prices ordinarily set a ceiling on the wholesale market prices for butter inasmuch as market prices probably would exceed the CCC resale prices only when Government stocks are low.

The dairy price-support program has generally played a central role in determining market prices of butter in the United States for many years. Market prices have usually remained close to the Government purchase prices and the Government has frequently purchased a substantial share of the domestic output of butter. The share of U.S. production of butter purchased by the Government, the purchase prices, and the market prices at Chicago are shown in the following tabulation for the years 1962-66: 1/

Year	U.S. production	CCC purchases		Butter (Grade A)	
		Total	Share of U.S. production	Market price at Chicago	CCC purchase price
	Million pounds	Million pounds	Percent	Cents per pound	Cents per pound
1962	1,537	403	26	58.6	58.0
1963	1,420	308	22	58.2	58.0
1964	1,442	266	18	59.1	58.0
1965	1,323	216	16	61.1	59.0
1966	1,112	29	2	1/ 62.8	1/ 61.0
				2/ 71.2	2/ 66.5

1/ April 1-June 29.
2/ June 30-March 31 (1967).

Purchases of butter were small in 1966 when the market prices were above the support levels. In 1967, however, the market prices have generally been at support levels. Purchases of butter by the CCC totaled about 259 million pounds, or about 20 percent of the U.S. output.

1/ Prices are reported on a marketing-year basis (beginning April 1).

The CCC has developed programs to utilize its purchases of butter as promptly as possible. Domestic donations, such as to the school lunch program, have utilized the bulk of the CCC acquisitions in recent years and have had priority over foreign donations, which have been small. Subsidized exports, however, were large in 1963 and 1964, especially to Western Europe, where butter was temporarily in short supply. These exports were facilitated by the Payment-in-Kind (PIK) program; they consisted of butter purchased by U.S. exporters at domestic market prices and exported at prices prevailing in the foreign markets. The U.S. Government affords the exporter a subsidy (in the form of CCC-owned commodities) approximately equal to the difference between the U.S. and foreign market prices of butter. The average export subsidy rate for butter decreased from 32 cents to 15 cents per pound during the 1964 calendar year. It rose during the following year and averaged 28.5 cents per pound during May-December 1965. In 1965, PIK exports declined largely because of the reduced foreign demand. Moreover, the foreign donations of butter were curtailed in 1965. In March 1966 the payment of export subsidies under the PIK program was temporarily suspended by the U.S. Department of Agriculture until the domestic dairy situation again justified its use; foreign donations of butter were negligible in 1966.

U.S. exports

Although U.S. exports of butter have been larger than imports, they have generally been small compared with domestic production. Inasmuch as the prices of butter are generally lower in foreign countries, U.S. exports of butter without Government assistance have been insignificant. Annual U.S. exports of butter increased from 35 million pounds in 1962 to 190 million pounds in 1963 and 297 million pounds in 1964; they then declined to 66 million pounds in 1965 and to 13 million pounds in 1966. In 1967 U.S. exports of butter will be somewhat below the level of 1966.

About half of the U.S. exports of butter in 1963-65 were to Western Europe. Inasmuch as the production of butter in Europe declined during 1963-64, the United Kingdom and other Western European markets liberalized their U.S. quota allocations in those years in order to meet their domestic market requirements. Thus, U.S. exports of butter played a part in maintaining butter supplies in Western Europe at that time. Because of a rise in the output of milk in Western Europe in 1965, the production of butter increased; by January 1966, stocks of butter in Western Europe were quite large. Other countries that received notable quantities of U.S. butter in recent years include Poland, Chile, Algeria, Peru, Israel, Iran, Morocco, and Tunisia.

U.S. imports

For a number of years U.S. imports of butter have been insignificant compared with the domestic production. Since 1953 imports have been limited to the amount provided in the section 22 quota discussed in the tariff treatment section. In the period 1962-66 calendar-year imports of butter into the United States ranged from 665,000 to 748,000 pounds. In each of the quota years since 1961, importers have used 86 percent or more of the quota allocated to them (table 1). In the calendar year 1966, 55 percent of the U.S. imports came from New Zealand, 24 percent from Denmark, 17 percent from the Netherlands, and the remaining 4 percent from other countries. The butter imported from New Zealand and the Netherlands has been consumed in continental United States; about half of the imports from Denmark--consisting of low-moisture butter that is packaged in cans--have been imported into Puerto Rico. Such butter does not spoil easily in warm climates.

Foreign production and trade

Total world butter production in 1966 amounted to about 12 billion pounds. The Soviet Union, the leading butter-producing country for many years, accounted for about 2.6 billion pounds of the total production in 1966; the United States accounted for 1.1 billion pounds, West Germany for 1.1 billion pounds, and France for 1.0 billion pounds.

World trade in butter averaged 1.2 billion pounds annually during 1960-64. New Zealand, Denmark, and Australia combined accounted for about two-thirds of the total world exports in that period. Butter has been in demand in many countries, despite the price advantage of margarine. The United Kingdom has been the world's major importer of butter for many years; in the period 1960-64, the United Kingdom annually imported about three-fourths of all the butter entering international trade. Butter imported into the United Kingdom from New Zealand, Australia, and Denmark, the principal suppliers, has been used mainly as table butter, while that from continental Europe has been used principally for processed foods and for cooking.

The reported wholesale prices of New Zealand's finest butter on the London Provision Exchange increased from 35.6 cents per pound in January 1962 to 43.7 cents per pound in January 1965; the price then declined to 37.5 cents per pound in July 1966. The price of butter in the United Kingdom was substantially below that in the United States throughout the period 1962-66.

BUTTER AND CREAM CONTAINING OVER 45 PERCENT OF BUTTERFAT

Table 1.--Butter, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
New Zealand	331,632	331,576	331,981	331,800	332,000
Denmark	211,656	211,945	211,750	211,876	212,010
Netherlands 1/				162,624	162,965
Australia	160,524	162,960	156,750	-	-
Norway				-	-
Sweden				-	-
Total	703,812	706,481	700,481	706,300	706,975
	Quantity imported (pounds)				
New Zealand	316,904	331,486	330,680	331,744	331,632
Denmark	199,313	170,191	165,358	190,566	160,509
Netherlands	142,772	-	63,803	157,133	154,781
Australia	3,528	126,000	-	-	-
Norway	-	16,540	43,479	-	-
Sweden	10,192	1,680	-	-	-
Total	672,709	645,897	603,320	679,443	646,922
	Proportion of license used (percent)				
New Zealand	95.6	99.9	99.6	99.9	99.9
Denmark	94.2	80.3	78.1	89.9	75.7
Netherlands	97.5	88.5	68.4	96.6	95.0
Australia				-	-
Norway				-	-
Sweden				-	-
Average	95.6	91.4	86.1	96.2	91.5

1/ The license was not necessarily allocated to the Netherlands, but to any one of the group of countries listed in Presidential Proclamation No. 3019, comprised of Argentina, Australia, Canada, the Netherlands, Norway, Sweden, and Switzerland.

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

Table 2 .--Butter, and fresh or sour cream containing over 45 percent of butterfat: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Exports	Yearend stocks 1/3/	Apparent consumption
	Quantity (1,000 pounds)				
1962	1,537,143	711	35,000	359,000	1,368,854
1963	1,419,688	707	190,000	271,000	1,318,395
1964	1,442,447	665	297,000	71,000	1,346,112
1965	1,322,825	748	66,000	52,000	1,276,573
1966	1,112,009	667	13,000	32,000	1,119,676
	Value (1,000 dollars)				
1962	906,914	334	12,250	211,810	4/
1963	823,419	339	64,600	157,180	4/
1964	836,619	362	115,830	41,180	4/
1965	780,467	385	28,380	30,680	4/
1966	708,350	365	8,280	20,380	4/

1/ Values based on Commodity Credit Corporation (CCC) purchase prices.
2/ Imports subject to quotas established pursuant to sec. 22 of the Agricultural Adjustment Act, as amended.
3/ Commercial and Government-owned.
4/ Not meaningful.

Source: Production, imports for 1962-63, exports, and yearend stocks compiled from official statistics of the U.S. Department of Agriculture; imports for 1964-66 compiled from official statistics of the U.S. Department of Commerce.

Commodity	TSUS item
Oleomargarine and butter substitutes-----	116.30

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

There have been no U.S. imports of oleomargarine and butter substitutes for many years. In recent years about one-half of 1 percent of domestic production has been exported.

Description and uses

Oleomargarine (commonly termed margarine) is a plastic food of a consistency suitable for spreading that contains not less than 80 percent fat, as defined in the standards of the Food and Drug Administration, U.S. Department of Health, Education, and Welfare (21 CFR 45). Virtually all of the margarine produced in the United States is made from vegetable oils and fats, although it sometimes contains animal fats, cream, whole milk, or skim milk, coloring, and certain other additives as permitted in the aforementioned standards. Margarine resembles butter and is used as a substitute for butter, especially as a spread and as an ingredient in baked goods and confectionery. Butter, however, is produced exclusively from the fat of milk (see the summary on butter, items 116.00-.25).

Margarine is the only butter substitute currently used. Butter oil was formerly classified as a butter substitute, but in July 1962, the Customs Court (C.D. 2351) decided that it was properly classifiable as an "animal fat or oil, n.s.p.f." (TSUS item 177.70). Butter oil, consequently, is discussed in the summary on tallow, oleo oil, etc.

U.S. tariff treatment

The column 1 (or trade-agreement) rate of duty applicable to imports (see general headnote 3 in the TSUSA-1968) is as follows:

TSUS item	Commodity	Rate of duty
116.30	Oleomargarine----------	7¢ per lb.

This rate of duty, which is the same as the rate provided for oleomargarine in paragraph 709 of the former tariff schedules, has been in effect since January 1948 and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The existing rate of duty is not one on which the United States gave a concession in the sixth (Kennedy) round of trade negotiations. In addition to the duty, imports of oleomargarine are subject to a tax of 15 cents per pound under section 4591 of the Internal Revenue Code.

U.S. consumption

Apparent consumption of margarine increased from 1.7 billion pounds in 1962 to 2.1 billion pounds in 1966 (see table). The consumption of margarine was small (averaging about 2 or 3 pounds per capita annually) until World War II. Due to the scarcity of butter and its resultant high price in the 1940's margarine was substituted in many homes for the first time, causing consumption to double compared with prewar amounts. Increased civilian consumption was given further impetus by repeal of the U.S. processing tax on colored and uncolored margarine in 1950 and by continued improvements in quality and appearance. By 1960 the consumption of margarine had surpassed that of butter. In 1966 the per capita consumption of margarine amounted to 10.5 pounds, whereas that of butter was 5.7 pounds. In 1964 the U.S. Department of Agriculture reported that the retail price of butter was nearly 3 times the retail price of margarine. In addition to the price advantage, margarine's appeal to many users lies in a lower cholesterol content than that of butter.

U.S. producers, production, and stocks

About 30 firms produce margarine in the United States. Most of them are large establishments which own several margarine plants and manufacture other foods and related products. Although the bulk of the domestic output is made from soybean oil, manufacturers also use cottonseed oil, corn oil, and other vegetable oils. About a fourth of the soybean oil produced in the United States is used in margarine.

Domestic production of margarine increased each year from about 1.7 billion pounds in 1962 to 2.1 billion pounds in 1966. Domestic output had not exceeded 400 million pounds in any year before 1942. Total stocks have been small; they ranged from 33 million to 53 million pounds annually in 1962-66. The increase in production occurred despite the fact that some States impose taxes on the manufacture and sale of both colored and uncolored margarine. Illinois, New York, California, and Texas have been the leading manufacturing States.

U.S. exports

Exports of margarine have been small. They have accounted for about one-half of 1 percent of domestic production in recent years. Such exports ranged from 8 million to 14 million pounds annually during 1962-66. The bulk of the exports during that period went to countries in southeast Asia and Central America. U.S. exports of margarine have been small primarily because margarine is higher-priced in the United States than in most other countries; thus, most other countries prefer to import the oil and the oil-bearing materials for manufacturing margarine.

U.S. imports and foreign trade

U.S. imports of margarine have been nil for many years principally because there is a 15 cents-per-pound Internal Revenue tax in addition to the duty on imports.

International trade in margarine has been small both in relation to the total world production and to trade in the materials used in its manufacture. The Netherlands, the United Kingdom, and Norway, the leading exporting countries in 1963, shipped about 50 million pounds, or nearly 70 percent of the total world exports. Sweden, Rhodesia, and Algeria, the leading import markets for margarine in 1963, took about 16 million pounds, or nearly 40 percent of the total world imports.

Oleomargarine and butter substitutes: U.S. production, exports of domestic merchandise, and disappearance 1962-66 1/

Year	Production	Exports	Disappearance 2/
	Quantity (1,000 pounds)		
1962	1,726,000	8,000	1,711,000
1963	1,794,000	9,000	1,785,000
1964	1,857,000	9,000	1,835,000
1965	1,904,000	8,000	1,902,000
1966	2,110,000	14,000	2,084,000
	Value (1,000 dollars)		
1962	483,000	2,000	3/
1963	493,000	2,000	3/
1964	483,000	2,000	3/
1965	499,000	2,000	3/
1966	553,000	4,000	3/

1/ There have been no imports of oleomargarine in recent years; imports reported in item 116.30 in 1966 are believed to be misclassified.

2/ Includes domestic and overseas military utilization as reported by the U.S. Department of Agriculture. Stocks (all commercial) ranged from 33 million to 53 million pounds annually in 1962-66.

3/ Not meaningful.

Source: Production, exports, and disappearance compiled from official statistics of the U.S. Department of Agriculture; values based on average wholesale prices for yellow quartered margarine at Chicago as reported by the U.S. Department of Agriculture.

Cheese is the curd formed generally by the coagulation of milk; several cheeses are made from whey (the liquid portion that remains after cheese is made from milk). Although the methods of manufacturing various cheeses differ somewhat, coagulation of the milk, stirring and heating the curd, draining off the whey, collecting, salting, and pressing the curd are common to the production of most cheeses. In addition, some cheeses are ripened (i.e., aged or cured). Aging or curing cheese is mainly a function of age, combined with temperature under conditions of controlled humidity, which permits certain desired activity by bacteria or molds.

Cheeses are often classified as to whether they are natural cheeses or processed cheeses. A natural cheese is cheese first produced directly from milk whereas a processed cheese is any such natural cheese which has been further processed by heating, emulsifying, and stirring into a plastic mass (21 CFR 19.750). Processed cheese may be produced from a single variety of natural cheese or from a blend or combination of natural cheeses. The greater part of the cheeses consumed in the United States are in the form of natural cheeses.

The varieties of cheeses are often distinguished on the basis of inherent differences such as the types of milk; butterfat (milkfat) content; bacteria or molds used; moisture content; coloring; ingredients added such as spices, seeds, or meats; and the degree to which aged or cured. Cheeses are sometimes described in terms of their relative hardness or softness--factors which are closely related to their moisture content. Distinctions between cheeses may also be made on the basis of locality and methods of manufacture, the size of the loaf, and packaging.

The foregoing differences in cheeses generally form the basis for distinguishing the cheeses in world commerce which are said to number in excess of 400 varieties and subvarieties. In a number of instances, however, objective differences between cheeses either do not exist or at best are elusive and difficult to establish.

The U.S. Food and Drug Administration has established standards of identity for certain of the varieties of cheese (21 CFR 19) which provide the official specifications for imported and domestic cheese for the purpose of enforcement of the Federal Food, Drug, and Cosmetic Act. Generally, these "standards" prescribe a minimum fat content, a maximum moisture content, and a method of manufacturing the cheese. The Bureau of Customs sometimes uses the standards as aids in classifying cheeses for tariff purposes.

Inasmuch as cheese is a relatively inexpensive source of protein, it is frequently substituted for meat. Although the United States consumes a larger aggregate quantity of cheese than any other country,

its per capita consumption is lower than that of most European countries. Currently, the annual per capita consumption of cheese in the United States is about 10 pounds, while annual per capita consumption in Denmark, France, Switzerland, Norway, and Italy averages about 20 pounds. Nonetheless, per capita consumption of cheese is higher in the United States than in countries such as Canada, New Zealand, and Australia where, as in the United States, the consumption of meat is very high.

The per capita consumption of cheese in the United States, unlike that of many dairy products, has been increasing over the past decade, notwithstanding rising retail prices. Annual consumption increased from 7.7 pounds per capita in 1957 to 9.9 pounds in 1966. The strong U.S. market prices for cheese reflect the impact of many factors, each of which alone cannot be appraised precisely. The slow but steady rise that has occurred in the aggregate demand for cheese stems from both population growth and rising incomes. The variety of cheeses available to the consumer has become greater in recent years and cheese has been used increasingly in a wide variety of manufactured foods. After 1965, moreover, prices of important protein foods (such as meat and fish) increased sharply, contributing to increased consumption (and increased prices) for cheese, an alternative source of protein. The consumer price index of processed meat, poultry, and fish (1957-59 = 100) increased from 99 in 1964 to 114 in 1966; in 1967 it averaged 111.

The total cheese production in the countries reporting output in 1965 amounted to about 7.9 billion pounds; the international trade in cheese amounted to some 1.2 billion pounds. The following tabulation shows the share of the world production, exports, and imports of cheese accounted for by selected countries in 1965:

Country	Production (Percent)	Exports (Percent)	Imports (Percent)
United States----------	22	1	6
France----------	15	12	5
Italy----------	12	4	11
Netherlands----------	6	22	1/
New Zealand----------	3	17	1/
Denmark----------	3	14	1/
United Kingdom----------	3	2/	27
West Germany----------	4	2/	24
Switzerland----------	2	7	2

1/ Less than 1 percent.
2/ Not available.

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1:4

In 1966 the international trade in cheese increased about 9 percent to a record of 1.3 billion pounds. For the first time, the annual trade in cheese (on a poundage-basis) equaled that of butter. With the exception of a rapid rise in U.S. imports of Colby cheese (see the summary on items 117.75 (pt.) and 117.81) and the rise in imports of cheese in Japan--currently the world's fastest growing cheese market--the share of the world production, exports and imports of cheese accounted for by individual countries generally remained unchanged from 1965 to 1966. Although the United States has been the world's largest cheese-producing country in recent years, the Netherlands and New Zealand have been the largest exporters of cheese. The United States has been a small exporter of cheese because the prices of cheese in most other countries have been lower than domestic prices. The United Kingdom has been the world's largest importer of cheese for many years, although West Germany has recently been a close second.

U.S. imports of cheese have been small because they are controlled by quotas and because the domestic output has been large. U.S. annual imports of cheese ranged from 78 million to 79 million pounds in 1962-65 and then increased to 135 million pounds in 1966; most of the increase in annual imports that occurred from 1965 to 1966 was accounted for by increased entries of Colby, a cheese that was not subject to U.S. quota restrictions until July 1, 1967. Because U.S. imports of Colby were substantial before the quota restrictions became effective in 1967, total imports of cheese in that year will probably be somewhat larger than in 1966. Thereafter, however, annual U.S. imports of cheese will most likely only slightly exceed the levels that existed during the period 1962-65. The annual U.S. output of cheese increased from 1.6 billion to nearly 1.9 billion pounds during the 1962-66 period; in 1967, the output is expected to average about the same as in 1966. Cheddar cheese has accounted for about 1.0 billion pounds of the U.S. output in recent years.

In most recent years, about a fifth of U.S. imports of cheese have come from Italy, about 10 percent each from Switzerland, Denmark, and New Zealand, and about 6 percent each from the Netherlands and Australia. The remaining two-fifths came from 35 other countries. With the exception of 1966--when the imports of Colby cheese were large--about three-fourths of the U.S. imports of cheese in recent years have consisted of "specialty-type" cheeses such as sheep's milk, Swiss, and Gruyere-process cheeses; these cheeses are not closely competitive with, but generally complementary to, domestic cheeses. The remaining one-fourth of cheese imports were controlled by quotas imposed under section 22 of the Agricultural Adjustment Act. 1/ The section 22 quotas for cheese in effect before July 1, 1967, which have been substantially filled in recent years, permitted annual entries of cheese equivalent to about 266 million pounds of milk; this quantity of milk

1/ TSUS items 950.07-950.10.

equals about 2 percent of the amount of milk used annually in the United States to produce cheese, but only 0.2 percent of the total U.S. production of milk. On July 1, 1967, pursuant to Presidential Proclamation No. 3790, the quota year (ending June 30) on cheeses was changed to a calendar-year basis; the quota for Cheddar cheese was modified and imports of Colby cheese were made subject to quotas. For the 1968 calendar year, the milk equivalent of the quotas on cheese will amount to about 379 million pounds, equal to slightly more than 2 percent of the quantity of milk currently used to produce cheese and about 0.3 percent of the current U.S. annual output of milk.

Commodity	TSUS item
Blue-mold cheese:	
In original loaves	117.00
Other	117.05

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Approximately 20 percent of the blue-mold cheese consumed in the United States in recent years has been supplied by imports. U.S. exports have been negligible. Blue-mold cheese has accounted for about 1 percent of the total cheese produced in the United States in recent years.

Description and uses

The cheeses discussed in this summary are the mold-ripened, blue-veined cheeses commonly referred to as "blue-mold" or "blue" cheeses. Blue cheeses are semisoft in texture and generally made from cow's milk. "Gorgonzola" and "Stilton" cheeses are specialty varieties of blue cheese that are consumed in the United States. Gorgonzola is produced both in the United States and abroad, whereas Stilton is produced in the United Kingdom exclusively. Roquefort cheese, the only other blue cheese of importance, is made from sheep's milk; it is discussed in a separate summary (TSUS items 117.45-117.50).

Most blue cheese, regardless of origin, is produced and marketed in the form of 5- to 6-pound loaves although a small part is marketed in 3- to 8-ounce separately wrapped pieces. The bulk of it is sold to consumers through chain-stores; some goes to cheese variety stores, restaurants, hotels, and manufacturers of prepared salad dressings and other processed foods. Chainstores generally repackage the loaves of blue cheese in small wedges, which they wrap in a plastic film; a small part of the blue cheese sold at the retail level bears the brand name of the firm that produced the cheese. More than half of the blue cheese is used to make salad dressing, part of which is prepared commercially. Only domestic blue cheese is used as an ingredient in prepared salad dressing and in other processed foods.

Gorgonzola, which has a sharper flavor and a stronger odor than the other blue cheeses, is declining in popularity; consumers in the United States generally prefer a milder cheese. Gorgonzola is difficult to market through conventional chainstore channels because it is

highly perishable. Stilton is a high-quality, specialty cheese that is imported principally for use during the holiday seasons. The high price at which Stilton retails in this country tends to limit its purchase mainly to connoisseurs of cheese. Both Gorgonzola and Stilton cheeses are marketed mainly through cheese variety stores, luxury restaurants, and hotels.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
	Blue-mold cheese:	
117.00	In original loaves	15% ad val.
117.05	Other	20% ad val.

These rates of duty, which are the same as the respective rates provided therefor under paragraph 710 of the former tariff schedules, reflect concessions granted by the United States in the General Agreement on Tariffs and Trade (GATT). The rate of duty for item 117.00 has been in effect since May 1950; that for item 117.05 since August 1951. The existing rates of duty are not ones on which the United States gave concessions in the sixth (Kennedy) round of trade negotiations under the GATT.

Since July 1, 1953, annual imports of "blue-mold (except Stilton) cheese and substitutes for cheese containing, or processed from, blue-mold cheese" have been subject to a quota under section 22 of the Agricultural Adjustment Act, as amended. On March 29, 1962, the annual quota was increased from 4,167,000 pounds to 5,016,999 pounds (see item 950.07 of the appendix to the TSUS). The allocation of the quota by the U.S. Department of Agriculture to the eligible countries, imports under the quota, and the proportion of the quota used are shown in table 1 for the years (ending June 30) 1963-67. 1/

U.S. consumption

The annual apparent consumption of blue cheese increased each year from 19 million pounds in 1962 to a record level of 25 million pounds in 1966 (table 2). This increase coincided with intense promotional efforts by the U.S. producers and the Danish Cheese Export

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

Board. The quantity of blue cheese consumed in manufactured salad dressings and in other processed foods has increased substantially in the United States during the past decade. Most of the blue cheese so used is domestic cheese; imported blue cheese, which is higher priced than the domestic product, is generally not used in manufactured products inasmuch as the cheese so used ordinarily loses its original identity.

U.S. producers and production

The number of U.S. firms producing blue cheese declined from 21 in 1962 to 14 in 1966. Firms in Wisconsin produced slightly more than 60 percent of the U.S. output in 1966; firms in Minnesota, Illinois, Indiana, Iowa, and Oregon accounted for the bulk of the remainder. U.S. firms do not have affiliates in other countries that produce blue cheese. Because of problems associated with bacteria control, firms that manufacture blue cheese generally do not produce other types of cheese. In 1966 about 0.2 percent of the milk produced in the United States was used in the production of blue cheese.

The annual domestic production of blue cheese has been increasing for many years largely because of the growing demand for such cheese and the restrictive effect of the section 22 quota on imports. Annual U.S. output increased from 14.5 million pounds in 1962, the year that the quota was enlarged, to 20.2 million pounds in 1966. The output in 1966 was larger than production in any other year, notwithstanding the fact that imports in 1966 were larger than they had been in any earlier year.

U.S. exports and imports

U.S. exports of blue cheese have been negligible or nil for many years.

Annual U.S. imports of blue cheese ranged from 3.9 million pounds to 4.7 million pounds in 1962-65; they supplied from 19 to 24 percent of annual consumption in that period. In 1966 the imports amounted to 5.2 million pounds--equivalent to about 20 percent of consumption.

About 90 percent of the blue cheese imported in recent years has consisted of such cheese in 5- to 6-pound original loaves. Some cheese not in original loaves has been imported regularly; it has consisted principally of 3-, 4-, or 8-ounce pieces wrapped in a transparent plastic film that adheres to the cheese. Blue cheese in small wrapped packages spoils more easily than that in original loaves. In recent years, however, the spoilage of blue cheese in small packages has been reduced by wrapping the cheese in a plastic film.

In the past few years more than 100 U.S. firms have imported blue cheese; 10 firms, however, have accounted for about 70 percent of the total imports. Most of these importers are long-established dealers in several kinds of domestic and imported cheese; some are large retailers. Generally, the importers of blue cheese do not produce that type of cheese.

Approximately 95 percent of the blue cheese imported into the United States has been Danish Blue; the great bulk of the import quota is allocated to Denmark (table 1). The Danish product has generally been superior to, and more uniform in quality than, the bulk of the domestic blue cheese.

The Danish Cheese Export Board controls both the quality and the price (c.i.f. U.S. port) of the blue cheese exported from Denmark. The following tabulation shows the average annual wholesale price ranges in New York City for imported and domestic blue cheese (other than Gorgonzola or Stilton) during 1962-66 (in cents per pound): 1/

Year	Imported	Domestic
1962-------	67-72	55-64
1963-------	65-71	56-64
1964-------	62-68	56-64
1965-------	62-67	58-66
1966-------	65-71	63-70

The average wholesale prices of the imported blue cheese have been above those of the domestic cheese, although the difference has narrowed in recent years.

Italy, the second leading source of U.S. imports, has supplied 2 to 3 percent of the U.S. imports of blue cheese in recent years. The blue cheese from Italy has consisted of Gorgonzola exclusively; all U.S. imports of Gorgonzola have come from Italy. The cheese has entered the United States in the form of 10- to 20-pound original loaves. Imports of Stilton cheese, which have come only from the United Kingdom, supplied about 1 percent of the imports of blue cheese in 1966.

The wholesale prices of the imported Gorgonzola have averaged 30 to 35 cents per pound more than Danish blue cheese in recent years. Stilton cheese is higher priced than either Danish blue or Gorgonzola cheeses.

1/ Compiled from Wednesday price quotations reported by the Dairy and Poultry Market News, U.S. Department of Agriculture.

Foreign production and trade

The annual output of blue cheese in Denmark has averaged some 23 million pounds in recent years, only slightly more than the output in the United States. About 40 Danish firms produce blue cheese. In 1966 about three-fifths of the blue cheese produced in Denmark was exported. About 35 percent of the exports went to the United Kingdom--Denmark's traditional large export market for blue cheese--and 25 percent went to the United States. West Germany was Denmark's third largest export market for blue cheese.

As mentioned earlier, all U.S. imports of Gorgonzola are from Italy and all imports of Stilton are from the United Kingdom. The production of Gorgonzola cheese in Italy declined from 46 million pounds in 1964 to 38 million pounds in 1966. The annual output of Stilton in the United Kingdom has averaged about 6 million pounds in recent years.

Table 1.--Blue-mold cheese, subject to import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
Denmark	4,673,341	4,531,161	4,595,293	4,703,214	4,708,509
Italy	279,790	340,450	259,745	187,561	224,310
Norway	47,400	97,000	112,052	106,520	65,000
France	2,550	2,500	11,330	10,170	8,595
Sweden	30,630	8,680	34,660	9,200	9,200
Argentina	-	1,220	1,220	-	-
Total	5,033,711	4,981,011	5,014,300	5,016,665	5,015,614
	Quantity imported (pounds)				
Denmark	4,497,661	3,579,907	4,022,335	4,522,613	4,581,199
Italy	132,460	115,938	109,825	114,314	116,059
Norway	41,379	76,679	90,245	90,838	58,238
France	-	867	1,609	4,328	4,928
Sweden	29,278	8,630	34,239	8,636	9,193
Argentina	-	-	-	-	-
Total	4,700,778	3,782,021	4,258,253	4,740,729	4,769,617
	Proportion of license used (percent)				
Denmark	96.2	79.0	87.5	96.2	97.3
Italy	47.3	34.1	42.3	60.9	51.7
Norway	87.3	79.1	80.5	85.3	89.6
France	-	34.7	14.2	42.6	57.3
Sweden	95.6	99.4	98.8	93.9	99.9
Argentina	-	-	-	-	-
Aver-age	93.4	75.9	84.9	94.5	95.1

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

Table 2.--Blue-mold cheese: U.S. production, imports for consumption, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity (1,000 pounds)			
1962	14,507	4,684	19,191	24
1963	15,416	3,916	19,332	20
1964	16,835	4,249	21,084	20
1965	19,000	4,400	23,400	19
1966	20,198	5,173	25,371	20
	Value (1,000 dollars)			
1962	8,294	1/ 2,306	3/	3/
1963	9,244	1/ 1,884	3/	3/
1964	10,082	2,136	3/	3/
1965	11,400	2,209	3/	3/
1966	13,330	2,620	3/	3/

1/ Values are based on average annual selling prices at New York City.

2/ Imports are subject to absolute quotas, established pursuant to sec. 22 of the Agricultural Adjustment Act, as amended.

3/ Not meaningful.

Source: Production and imports for 1962 and 1963 compiled from official statistics of the U.S. Department of Agriculture, except as noted; imports for 1964-66 compiled from official statistics of the U.S. Department of Commerce.

Note.--Exports have been nil.

Commodity	TSUS item
Bryndza cheese	117.10
Cheeses made from sheep's milk (except Roquefort) not elsewhere enumerated, and substitutes for cheese:	
In original loaves and suitable for grating	117.65
Pecorino, in original loaves, not suitable for grating	117.67
Other	117.70

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

The cheeses considered herein are not produced on a commercial scale in the United States. In recent years, U.S. imports have ranged from 16 million to 18 million pounds annually.

Description and uses

This summary discusses Bryndza and other cheeses made from sheep's milk, except Roquefort. Roquefort, which is separately provided for in the TSUS, is discussed in the summary on items 117.45-117.50.

Bryndza (item 117.10), a soft, white, moist, sharply flavored cheese is somewhat similar to Roquefort, except that it does not contain the blue veins of mold. In the United States Bryndza is generally consumed as a cheese spread on bread or crackers, although it is sometimes dried, grated, and mixed with other sheep's milk cheeses such as Pecorino Romano. Bryndza cheese spoils rapidly when removed from its original container. In the United States it is thought to be consumed principally by people of central European birth or extraction.

Items 117.65, 117.67, and 117.70 are subclassifications of other "Cheeses made from sheep's milk." The word "Pecorino," which is part of the tariff description in item 117.67, is not a type of sheep's milk cheese but is a term properly descriptive of any cheese made from sheep's milk. Thus, this term is redundant in item 117.67 and in practice does not have a limiting effect on the scope of the item.

Item 117.65 is limited to sheep's milk cheese in original loaves "suitable for grating." In customs practice, the term "suitable for grating" has been construed to apply to hard cheeses containing not more than 34 percent of moisture. The bulk of the imports in item 117.65 have been comprised of cheeses sometimes referred to as "Pecorino Romano" which are sharply flavored cheeses that are generally cured for two years or more. By virtue of their low moisture content, these cheeses do not spoil easily. Virtually all imports are grated after importation and are consumed principally in well-seasoned foods.

The sheep's milk cheeses in item 117.67, i.e., those in original loaves are not suitable for grating, are softer and milder in flavor than the cheeses suitable for grating. The bulk of the imports in item 117.67 consists of a variety of sheep's milk cheese known in the trade as "Feta." Feta is a soft, white cheese that contains more moisture and has a milder flavor than Bryndza. It is principally of Italian or Bulgarian origin.

Item 117.70 applies to "other" sheep's milk cheeses, whether or not suitable for grating, that are not in original loaves. The imports, which include some cheeses in grated form, are small.

In the United States, cheeses made from sheep's milk are usually considered to be specialty-type cheeses. They generally sell at prices twice as high as those for the nearest comparable domestic varieties made from cow's milk. In the United States, they are marketed chiefly in cheese variety stores.

U.S. tariff treatment

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan.1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
117.10	Bryndza cheese----------	17.5% ad val.	15.5% ad val.	8.5% ad val.
	Cheeses made from sheep's milk (except Roquefort) not elsewhere enumerated and substitutes for cheese:			
117.65	In original loaves and suitable for grating.	12% ad val.	11% ad val.	9% ad val.
117.67	Pecorino, in original loaves, not suitable for grating.	16% ad val.	15% ad val.	12% ad val.
117.70	Other----------	20% ad val.	19% ad val.	15% ad val.

The above tabulation shows the column 1 rates of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown(see the TSUSA-1968 for the intermediate staged rates).

The rates of duty which were in effect on the foregoing items prior to January 1, 1968, were derived from paragraph 710 of the former tariff schedules and reflect concessions granted by the United States in the GATT. The rate of duty for Bryndza cheese (item 117.10) had been in effect since April 1948, the rates for items 117.65 and 117.67 had been in effect since July 1963, and the rate for item 117.70 had been in effect since August 1951. In recent years the bulk of the imports of Bryndza cheese have come from Czechoslovakia and, consequently, have been dutiable as products of a Communist country at the statutory rate of 35 percent ad valorem. Most of the

imported sheep's milk cheese, other than Bryndza, has come from non-Communist countries and has, therefore, been dutiable at the reduced rates shown in the above tabulation.

Imports of sheep's milk cheeses are not subject to the quota restrictions imposed on certain dairy products under section 22 of the Agricultural Adjustment Act, as amended.

U.S. consumption and imports

Imports have supplied virtually all of the domestic consumption of the sheep's milk cheeses. U.S. annual imports of these cheeses generally increased for many years to a record level of 18.1 million pounds in 1962, and then declined (see table). They amounted to 15.8 million pounds in 1966. Sheep's milk cheeses suitable for grating accounted for most of the decrease in imports from 1962 to 1966. Indeed, imports of the soft cheeses (item 117.67) increased somewhat in that period.

Cheeses suitable for grating, principally Pecorino Romano, accounted for nearly 70 percent of the imports of sheep's milk cheese (except Roquefort) in 1966. These cheeses were imported in the form of loaves weighing from 15 to 30 pounds each. Virtually all of the imports came from Italy, although small amounts came from Australia, Bulgaria, Greece, Cyprus, and Yugoslavia.

In 1966 cheeses not suitable for grating, largely Feta, accounted for almost 30 percent of the imports of the cheeses discussed in this summary. Feta cheese is usually imported in the form of triangular wedges that have been packed in barrels of brine. In recent years Italy supplied about 45 percent of such cheeses, Bulgaria and Greece--20 percent each, and Yugoslavia and Rumania--8 percent each; the remainder came chiefly from Turkey, Cyprus, and Spain. Cheeses in other than the original loaves, mainly in small individually wrapped portions or grated cheese in 3-ounce jars, accounted for less than 1 percent of the imports of sheep's milk cheese in 1966. Such imports came mainly from Italy.

In 1966 Bryndza cheese, virtually all of which came from Czechoslovakia, accounted for about 0.5 percent of the imports of sheep's milk cheese (other than Roquefort). Although normally imported in a large mass in casks or barrels that contain several hundred pounds each, Bryndza has usually been marketed to the wholesale trade in the United States in plastic pails weighing about 5 pounds each. It is then sold at retail in plastic cups or glass jars that contain one-half pound to 1 pound of cheese each.

Foreign production and trade

Although numerous varieties of cheeses made from sheep's milk are produced in many countries throughout the world, such varieties of cheese are not commercially produced in the United States. These cheeses, which frequently take the name of the town or community in which they are made, are often produced on farms or in small establishments.

The commercial production of sheep's milk cheese is concentrated principally in the Mediterranean and Balkan countries. Italy, which produced about 95 million pounds of sheep's milk cheese in 1966, is by far the leading exporter of such cheese. In recent years about 20 percent of the quantity produced in Italy has been exported, chiefly to the United States. Other leading producers of cheeses made from sheep's milk include Greece (Feta), Bulgaria, Yugoslavia, Rumania, and Czechslovakia (Bryndza).

Sheep's milk cheese (except Roquefort): U.S. imports for consumption, 1962-66 1/

Year	Bryndza	Other sheep's milk cheese			Total
		In original loaves		Not in original loaves	
		Suitable for grating	Not suitable for grating		
	Quantity (1,000 pounds)				
1962	83	14,463	3,509	2/ 52	2/ 18,107
1963	68	13,237	4,270	2/ 50	2/ 17,625
1964	63	12,254	4,385	67	16,769
1965	89	10,998	4,862	51	15,990
1966	85	10,923	4,722	114	15,844
	Value (1,000 dollars)				
1962	17	7,971	1,267	2/ 23	2/ 9,278
1963	14	7,470	1,549	2/ 29	2/ 9,062
1964	13	8,654	1,766	44	10,477
1965	24	9,901	2,211	49	12,185
1966	19	9,260	2,211	85	11,575

1/ Imports supply virtually all of consumption since there is little or no domestic production; exports are believed to be nil.
2/ Partly estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Commodity	TSUS item
Cheddar cheese:	
Not processed otherwise than by division into pieces	117.15
Other	117.20

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Annual U.S. imports of Cheddar cheese, which are subject to an import quota, have been equivalent to less than 0.5 percent of domestic production in recent years; exports have not accounted for more than 2 percent of the domestic output. About 60 percent of the cheese produced in the United States has consisted of Cheddar.

Description and uses

Cheddar is a natural semisoft-to-hard cheese made from cow's milk. Both domestic and imported Cheddar cheeses are normally of a yellowish-orange color, but some are white. Cheddar is made and used so widely in the United States that it is often referred to in the trade as "American" cheese. The term "American-type" cheese is also used to identify Cheddar cheese and the other varieties of cheese competitive therewith in the major U.S. market for Cheddar (i.e., in the manufacture of pasteurized process American cheese). 1/ The other principal American-type cheese, Colby, is sometimes confused with Cheddar, but differs therefrom mainly in that in the production of Colby the curd is not "matted" and "milled" as is the curd of Cheddar, and the texture of Cheddar is generally more compact than that of Colby. Moreover, the Standards of Identity allow Colby to contain not more than 40 percent of moisture, which is 1-percentage point higher than the maximum for Cheddar cheese. 2/ There is often little difference, however, in the moisture content of the two cheeses. Colby cheese is the subject of a separate summary (items 117.75, -.80 (pt.)).

1/ Only Cheddar, Colby, washed curd, and granular cheeses are eligible to be used in making pasteurized process American cheese (21 CFR 19.750). In 1965 about 70 percent of the pasteurized process American cheese produced in the United States was made from Cheddar and 30 percent from the other aforementioned cheeses.

2/ The standards for Cheddar are specified in 21 CFR 19.500; those for Colby in 21 CFR 19.510.

The milk used to make natural Cheddar cheese is pasteurized, heat-treated, or raw, depending on whether the cheese is to be "aged" or made into "process" cheese. (Raw milk is not pasteurized.) Pasteurizing and heat-treating inhibit some of the flavor-developing enzymes in the raw milk. Hence, cheese made from heat-treated milk or raw milk develops a much "sharper" flavor than cheese made from pasteurized milk. Moreover, cheese made from raw milk tends to develop a sharper flavor than cheese made from heat-treated milk.

As indicated above, the flavor of natural Cheddar is enhanced, i.e., it becomes "sharper", as the cheese is "aged." The periods for which natural Cheddar is aged generally vary from 4 to 16 months (depending on the flavor desired) although the duration of aging may be for somewhat shorter or longer time periods. The duration of aging for virtually all of the Cheddar made from raw milk in the United States (less than 5 percent of the domestic Cheddar output), and some of that made from heat-treated milk, is toward the longer of the aforementioned time periods.

About half of the U.S. output of Cheddar is used to make pasteurized process American cheese. Inasmuch as most "process" Cheddar is generally not "sharp" in flavor it is made from natural "fresh" Cheddar, i.e., Cheddar that has been aged not more than 60 days. Natural Cheddar that is to be used for processing is rarely made from raw milk, but most often is made from pasteurized milk and sometimes is made from heat-treated milk.

Virtually all of the remaining half of the U.S. output of Cheddar is made from either heat-treated or raw milk. About 70 percent thereof is consumed as natural cheese for table use and the remaining 30 percent is used as an ingredient in foods such as soup and crackers. Virtually all of the cheese used for these purposes is aged for longer periods and is, therefore, sharper in flavor than fresh Cheddar.

A large part of the Cheddar produced in the United States is made in 500-pound plastic-lined, barrel-shaped, steel containers. Such cheese, commonly called barrel Cheddar, is especially adapted for processing, inasmuch as labor costs are lower and cheese wastes are smaller than when the smaller size cheeses are processed. The remainder of the output is generally made into loaves (blocks or wheels) that vary in weight from several pounds each (known by names such as longhorns, daisies, and twins) to about 60 pounds each. The bulk of this output of Cheddar cheese is made in the form of 40-pound blocks. Small quantities of Cheddar cheese are produced in 70- to 80-pound cylindrical-shaped wheels or loaves called "Cheddars."

Virtually all of the U.S. imports of Cheddar from New Zealand, the principal supplier, are fresh cheese made from pasteurized milk

and used for processing. They are generally in the form of 70- to 80-pound wheels. Imports from Canada, which account for the bulk of the remainder, are aged, sharp cheeses made from raw milk and consumed for table use. They are generally in the form of 3- to 5-pound circles, or 6- to 8-ounce plastic-wrapped bars, although small quantities are in 70- to 80-pound wheels.

In the United States the bulk of the Cheddar cheese (whether processed or natural) sold at the retail level is marketed by chainstores and grocery stores. In recent years the sales of prepackaged Cheddar cheese have been increasing as methods of packaging and distribution have improved. In earlier years, however, considerable quantities of cheese were purchased in bulk form by grocery stores and cut and wrapped in the store. There has also been a large increase in the sales of random-cut cheese (cuts of cheese that vary in weight, size, and shape). There is less waste when the loaf of cheese is cut in random sizes. Moreover, the housewife has a greater selection inasmuch as the various cuts are of different weights. Gourmet cheese shops, hotels, and restaurants tend to specialize in marketing Cheddar that has been well aged.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
	Cheddar cheese:	
117.15	Not processed otherwise than by division into pieces.	15% ad val.
117.20	Other----------	20% ad val.

These rates, which were derived from paragraph 710 of the former tariff schedules, reflect concessions granted by the United States in the General Agreement on Tariffs and Trade (GATT). The rates of duty for items 117.15 and 117.20 became effective in June and August 1951, respectively. The existing rates of duty are not ones on which the United States gave concessions in the sixth round of trade negotiations under the GATT.

During the quota years (ending June 30) extending from 1954 to 1965, annual imports of "Cheddar cheese, and cheese and substitutes for cheese containing or processed from Cheddar cheese" were subject to a quota of 2,780,100 pounds under section 22 of the Agricultural Adjustment Act, as amended. On March 31, 1966, however, the quota was increased to 3,706,800 pounds for the quota year ending June 30, 1966.

On July 1, 1966, the quota reverted to the original quantity (2,780,100 pounds) for the year ending June 30, 1967. The allocation of the quota by the U.S. Department of Agriculture to the eligible countries, imports under the quota, and the proportion of the quota used is shown in table 1 for the years (ending June 30) 1963-67. 1/

Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, a quota on imports of Cheddar cheese was established for the calendar year 1967, amounting to the quantity entered on or before June 30, 1967, plus 5,018,750 pounds of which not more than 4,406,250 pounds could be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months. For each subsequent calendar year the quota was to be 10,037,500 pounds (see item 950.08A of the appendix to the TSUS) of which not more than 8,812,500 pounds could be products other than the aforementioned natural Cheddar cheese. 2/ Of the annual 8,812,500 pound limit, an amount of 2,780,100 pounds, a quantity equal to the previous Cheddar quota, was allocated to the same countries in the same proportions as the previous Cheddar quota, i.e., 77 percent to New Zealand, 22 percent to Canada, and the remaining 1 percent to Australia, Sweden, Ireland, and Denmark combined. The quantity by which the previous Cheddar quota was increased (6,032,400 pounds) was allocated by the Department of Agriculture to the countries that supplied American-type cheese (principally Colby) during the 1961-65 period; thus, New Zealand received an allocation of 56 percent, Australia 28 percent, Ireland 9 percent, Sweden 2 percent, and all other countries less than 5 percent.

U.S. consumption

The annual U.S. consumption of Cheddar cheese increased from 980 million pounds in 1962 to 1,032 million pounds in 1964 and then declined to 993 million pounds in 1966 (table 2). The bulk of the increase in the consumption of Cheddar was in cheese used to make pasteurized process American cheese, the U.S. output of which has been increasing. (In recent years Colby cheese has been supplying a larger share of the natural cheese used to make process cheese; the imports of Colby--discussed in a separate summary--increased sharply in 1966 and 1967.) Process cheese has gained increased popularity for use as

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

2/ Unlike the other cheeses subject to section 22 quotas, no license is required from the Secretary of Agriculture to import up to 1,225,000 pounds per quota year (612,500 pounds during the period July 1-Dec. 31, 1967) of natural Cheddar cheese 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 a Government agency of the country where the cheese was produced.

cheeseburgers and a number of other foods. The amount of natural Cheddar consumed as an ingredient in foods such as crackers and soups, however, has also increased significantly in recent years.

Cheddar has supplied the great bulk of the U.S. consumption of cheese for many years. In 1966 the year in which the per capita U.S. consumption of all cheese reached a record level of 9.9 pounds, the consumption of American cheese (mostly Cheddar) amounted to 6.3 pounds.

U.S. producers

The number of U.S. plants producing Cheddar cheese has been declining for many years. Small plants are decreasing in number, but the number of large plants has been increasing. The number of plants producing Cheddar declined from about 900 in 1962 to 765 in 1966. In 1957 about 155 plants produced more than 1.5 million pounds of cheese each; in 1963 there were about 200 such plants. In recent years, plants of that size have accounted for the bulk of the domestic production. Although sales of Cheddar are generally the primary source of cash income for the producing plants, some that produce Cheddar probably produce Colby. Producers of Cheddar and Colby can readily utilize their supply of milk to make either variety of cheese.

The East north-central region of the United States has long been the major Cheddar cheese producing area. Wisconsin, the leading State, accounted for 48 percent of the domestic production in 1966; next in order of importance were Minnesota, Missouri, Iowa, Kentucky, New York, and Tennessee, which combined accounted for 32 percent.

During the past decade, U.S. producers have changed substantially the forms and styles of their output of Cheddar cheese. In the early 1950's, more than half of the output of Cheddar cheese consisted of cylindrical-shaped cheeses weighing 70 to 80 pounds. By 1966, however, such "Cheddar styles" accounted for only about 2 percent of the total. The decline in the marketings of "Cheddar styles" is attributable largely to the expanded use of the 40- and 60-pound rindless blocks of Cheddar cheese and the introduction of Cheddar cheese in barrels. As mentioned earlier, barrel Cheddar is especially adapted for processing. Because of their cutting and packaging advantages, the 40- and 60-pound rindless blocks are more suitable for conventional chainstore marketing than the "Cheddar styles." In 1966, 37 percent of the output of Cheddar cheese consisted of the aforementioned blocks; 48 percent was barrel Cheddar. The remainder consisted largely of small shapes of Cheddar known as longhorns, daisies, and twins.

The factories that make Cheddar and Colby Cheese in the United States typically are small plants that send their output to other concerns (assemblers) which age or process and market the product. Many

of the assemblers make process cheese; some produce and handle other dairy products and a variety of other foods. Over the years, the large assemblers have become a dominant force in the marketing of cheese in the United States. 1/ Approximately 25 of the assemblers handle about 70 percent of the Cheddar, and virtually all of the Colby cheese, produced in the United States. Although the assemblers do not generally own the plants that make the natural cheeses, they often supervise their operations and require that the cheese meets designated specifications. The aging of most Cheddar (about 35 percent of the U.S. output) is carried on under contracts, often negotiated about a year in advance by assemblers and chainstores. Cheddar deemed likely to develop imperfections while aging is processed rather than aged.

U.S. production and stocks

The annual U.S. production of Cheddar cheese has generally been increasing for many years. In 1966 the output reached a record level of 1,043 million pounds (valued at some $460 million). In 1967 output was somewhat larger than in 1966, amounting to some 1,060 million pounds. The increase in the output of Cheddar in recent years is attributable largely to the increased civilian demand for that cheese particularly for use in processing. Accordingly, a larger portion of the U.S. output of milk has been used to produce Cheddar. In 1966 about 9 percent of the output of milk was used to produce Cheddar cheese.

As indicated earlier, about half of the U.S. output of Cheddar cheese is made from pasteurized milk, aged about 60 days, and used for processing. The bulk of the remaining output of Cheddar is made from heat-treated milk. Less than 5 percent of the total is made from raw milk. In the United States virtually all Cheddar cheese made from raw milk, and part of that made from heat-treated milk, is aged 9 months or more. High quality milk (i.e., that produced under conditions that retards the growth of undesirable bacteria) is required to impart the desirable flavors to aged cheese. Trade sources estimate that the costs of aging Cheddar cheese range from 0.3 cent to 0.5 cent per pound per month. About 100 million pounds of Cheddar aged 9 months or more were sold in 1965. About 50 million pounds of that total were aged 12 months or more.

Yearend stocks of Cheddar cheese (commercial and Government-owned) in cold storage warehouses declined from 386 million pounds in

1/ The National Commission on Food Marketing recently reported that four large firms accounted for 44 percent of the value of U.S. shipments of natural cheese in 1963 as compared with 27 percent in 1947.

1962 to 271 million pounds in 1965; in 1966 they amounted to 332 million pounds. During 1962-66 yearend stocks were equivalent to from 40 percent (1962) to 27 percent (1965) of the U.S. output. The bulk of the commercial stocks consist of cheese being aged or held by assemblers in order to assure an adequate supply of cheese for processing. Government-owned stocks of Cheddar generally reflect surplus production. In the mid-1950's Government stocks of Cheddar were large; in recent years, however, they have been negligible. During 1953-57 the Government-owned stocks of Cheddar at yearend accounted for 45 to 69 percent of the total stocks. At the end of 1966 all of the stocks of Cheddar cheese were commercially owned. At the end of 1967 stocks of Cheddar cheese totaled about 360 million pounds, of which only a small part were Government-owned.

Price-support operations

The price of Cheddar cheese is directly supported by the U.S. Department of Agriculture under the price-support program for dairy products. The Commodity Credit Corporation (CCC) stands ready to purchase unlimited quantities of Cheddar cheese at preannounced support prices. Since November 1965, the Secretary of Agriculture has also been authorized to purchase Cheddar cheese (as well as butter and nonfat dry milk) at market prices above the support prices, if the quantities purchased at support prices are deemed insufficient to meet commitments under various Government programs (e.g., the school lunch program). 1/ The Cheddar cheese acquired by the Department of Agriculture in 1966 (about 11 million pounds) was purchased at market prices. The market prices of Cheddar were substantially above support prices during most of 1966; however, market prices were closer to support levels in December than in earlier months, and the Government discountinued purchases at market prices. Since then purchases by the Department have been made at support prices. The Department of Agriculture generally stands ready to resell dairy products to the domestic commercial users for unrestricted use at announced prices, which are always above the Government purchase prices. Although the quantities of Cheddar resold to the commercial market have been small, the resale prices ordinarily set a ceiling on the wholesale market prices for Cheddar inasmuch as market prices probably would exceed the CCC resale prices only when Government stocks are low.

The dairy price-support program has generally played a central role in determining market prices of Cheddar cheese in the United States for many years. Market prices have usually remained close to the Government purchase prices, and the Government frequently has purchased a substantial share of the domestic output of Cheddar. During

1/ Section 709 of Public Law 89-321.

1953-57 the U.S. Department of Agriculture purchased about 24 percent of the average annual U.S. output of Cheddar cheese. From 1958-65 the share of the annual U.S. output purchased by the Department, though varying widely from year to year, has generally been much less than in 1953-57; purchases by the Department were negligible in 1966. The share of U.S. production of Cheddar cheese purchased by the Government, the purchase prices, and the market prices are shown in the following tabulation for the years 1962-66: 1/

Period	U.S. production	CCC purchases		Market price (Wisconsin Assembly points)	CCC purchase price
		Total	Share of U.S. pro-		
	Million pounds	Million pounds	Percent	Cents per pound	Cents per pound
1962	955	214	22	36.0	34.6
1963	965	113	12	36.1	35.6
1964	1,009	129	13	36.8	35.6
1965	1,005	49	5	39.8	36.1
1966	1,043	11	1/	2/ 43.4 3/ 46.9	2/ 39.3 3/ 43.8

1/ Less than 0.5 percent.
2/ Apr. 1-June 29.
3/ June 30-Mar. 31 (1967).

Although the CCC purchase prices for Cheddar cheese were generally slightly higher than the market prices during the period 1953-57, producers of Cheddar cheese sold their aggregate output of cheese at prices averaging slightly less than the support price inasmuch as some of the Cheddar did not meet Government specifications. 2/ Annual market prices generally averaged slightly higher than CCC purchase prices during the period 1958-64; nevertheless, as noted above, the Government purchased substantial shares of the domestic output in most of those years.

1/ Prices are reported on a marketing-year basis (beginning Apr. 1).
2/ Moreover, trade sources reported that assemblers generally do not sell to the Government until market prices decline about 1 cent below the CCC prices.

During the last half of 1965 and all of 1966, the market prices of Cheddar were appreciably higher than the CCC purchase prices and, as indicated above, purchases of Cheddar cheese by the Government were negligible. In 1967, however, the market prices have averaged about 1 cent per pound above the support prices. Purchases of Cheddar cheese by the CCC totaled about 182 million pounds or some 17 percent of the U.S. output. In 1967 both the domestic output and stocks of Cheddar cheese were higher, and imports of Colby cheese (used principally for processing) were larger than in 1966. On July 1, however, imports of Colby were made subject to quota restrictions.

The Cheddar cheese obtained under the price-support program in 1962-66 was utilized quite promptly. About 80 percent of the cheese so acquired in that period was donated to domestic school lunch and welfare programs; the bulk of the remainder was donated abroad. In 1965 and 1966 donations of Cheddar cheese by the CCC were reduced greatly. Purchases of Cheddar in those years were substantially lower than in most earlier years.

Nearly all of the cheese purchased by the U.S. Department of Agriculture under the price-support program has consisted of fresh Cheddar. Natural Cheddar is eligible for purchase in the form of rindless blocks. Although the Department does not purchase barrel Cheddar, it buys process cheese made from barrel Cheddar. In the 1962-65 marketing years, process Cheddar cheese, mainly in the form of 5-pound loaves, accounted for 75 percent of such cheese purchased. The small quantities of cheese purchased in the 1966 year consisted exclusively of natural Cheddar.

U.S. exports

Although exports of Cheddar cheese have generally been larger than imports, they have been small compared with domestic production. Annual exports of Cheddar increased from 12 million pounds in 1962 to 30 million pounds in 1963. Thereafter, they declined; in 1966 exports of Cheddar amounted to about 3 million pounds. Before 1964 the bulk of the Cheddar exports consisted of cheese donated to the recipient countries under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.). Exports under Public Law 480 were curtailed in 1963 because domestic school lunch and welfare donations and both domestic and export sales had reduced CCC supplies substantially. In 1963 the bulk of the Public Law 480 exports of Cheddar cheese went to Brazil, Egypt, Portugal, Poland, Bolivia, the Dominican Republic, Greece, and El Salvador. Although the U.S. Department of Agriculture has established a Payment-in-Kind (PIK) export program for butter and nonfat dry milk, it has not established a PIK program for Cheddar cheese. U.S. commercial exports of Cheddar have been small

because U.S. prices have not generally been competitive in world markets with those for Cheddar from other countries.

U.S. imports

Although annual U.S. imports of Cheddar cheese have been small because they have been controlled by absolute quotas, they will undoubtedly be larger in the immediate years ahead because the annual quota was enlarged in mid-1967. 1/ Annual imports of Cheddar, which ranged from 1.9 million to 4.2 million pounds during 1962-66, were equivalent to less than 0.5 percent of production in each of those years. The quantity of Cheddar cheese that will be permitted entry under the new import quota--slightly more than 10 million pounds annually--is equivalent to about 1 percent of recent annual U.S. production of Cheddar. In recent years, about 80 percent of the U.S. imports of Cheddar have come from New Zealand, nearly 20 percent from Canada, and negligible quantities from Sweden and Ireland.

During the quota years 1963-67, U.S. importers of New Zealand cheese filled 91 percent or more of the annual quota for Cheddar cheese allotted to that country (table 1). Importers of Canadian Cheddar utilized 85 percent or more of their allotted share of the annual quota. This less-than-full utilization of the quotas probably is attributable to two factors: (a) it has not been economically feasible for some licensees to market Cheddar as actively as they had during the period on which the license allocations were based, and (b) the quotas were allocated on a July 1-June 30 year, rather than on a calendar-year basis, with the result that cheese allocated to be imported in the last third of the quota year (March-June) could not be entered before the yearend holiday seasons. The demand for cheese, particularly for gift packages, is the greatest prior to Christmas. The new quota imposed in mid-1967, however, will be applied on a calendar-year basis.

U.S. imports of Cheddar from New Zealand are channeled through two sales agents representing the New Zealand Dairy Production and Marketing Board, the sole exporter in that country. The Board supplies about 20 U.S. importers. Some of the importers are also large domestic producers and assemblers. New Zealand Cheddar is a natural cheese made from pasteurized milk and generally aged for less than 60 days. In the United States, the Cheddar from New Zealand is used almost exclusively in making process cheese.

In recent years, the Cheddar cheese from New Zealand has sold at lower prices than the domestic Cheddar. In early 1966, the imported Cheddar sold at about 7 cents per pound lower than the domestic

1/ See the earlier section on U.S. tariff treatment and other restrictions on imports.

cheese; in early 1967, about 3 cents per pound lower. Moreover, the butterfat content of New Zealand Cheddar, which is higher than that of domestic Cheddar by 2 to 5 percent, affords cheese processors additional costs savings. The additional butterfat in the imported Cheddar serves as an extender when the imported and domestic cheeses are mixed in making process cheese.

About 35 U.S. importers enter Cheddar cheese from Canada; some are large domestic producers and assemblers. In recent years two exporters have shipped the bulk of the Canadian Cheddar cheese exported to the United States. The Cheddar imported from Canada is a natural cheese made from unpasteurized (raw) milk, usually aged 9 months or more; it has a "sharp" flavor. U.S. imports of Canadian Cheddar are consumed almost exclusively as natural cheese for table use. The wholesale prices of Canadian Cheddar in the United States have generally been 8 to 10 cents per pound higher than those of the most directly competitive domestic cheese, New York State sharp cheese. The Canadian Cheddar is probably aged for longer periods than the domestic cheese.

Foreign production and trade

Virtually all the Cheddar cheese exported to the United States in recent years has come from New Zealand and Canada. The annual production of cheese in New Zealand has averaged some 200 million to 230 million pounds in recent years; about 90 percent of the output consists of Cheddar. New Zealand is the world's largest exporter of Cheddar. For many years the bulk of the New Zealand exports, which amount to about 90 percent of the domestic production, have gone to the United Kingdom. Exports of Cheddar cheese from New Zealand are controlled by the New Zealand Production and Marketing Board.

The annual production of Cheddar cheese in Canada increased from about 139 million pounds in 1963 to 167 million pounds in 1966. In recent years about 60 percent of the total was made from heat-treated milk; 35 percent was made from unpasteurized (raw) milk, and the remaining 5 percent from pasteurized milk. Cheddar made from unpasteurized milk is generally produced in areas of cool climate because bacteria do not multiply rapidly there. In 1965 and 1966 about one-fifth of Canada's output of Cheddar was exported. Virtually all such exports went to the United Kingdom, Canada's traditional export market for Cheddar cheese. The Canadian Government subsidizes and controls exports of Cheddar cheese to the United Kingdom. / A Canadian export subsidy of 4 cents (Canadian currency) per pound applies to cheese exported to all destinations other than the United States. Exports of Canadian Cheddar to the United States are by private companies.

Australia, the world's second largest exporter of Cheddar cheese, has only a small share of the U.S. import quota. The annual output of

cheese in Australia has averaged some 130 million to 150 million pounds in recent years; about 90 percent of the output has consisted of Cheddar. Like New Zealand and Canada, Australia sends the bulk of its exports of cheese to the United Kingdom.

Table 1.--Cheddar cheese, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
New Zealand--	2,225,950	2,139,770	2,139,490	2,852,490	2,142,474
Canada-------	514,720	614,120	611,140	816,850	612,329
Australia----	17,080	16,150	16,150	21,540	16,150
Sweden-------	6,160	5,850	5,850	7,800	5,850
Ireland------	2,390	2,250	2,250	3,000	2,250
Denmark------	1,000	1,000	1,000	350	1,000
Total----	2,767,300	2,779,140	2,775,880	3,702,030	2,780,053
	Quantity imported (pounds)				
New Zealand--	2,100,411	2,107,789	2,113,772	2,697,548	1,965,394
Canada-------	488,304	564,311	523,456	751,152	589,555
Australia----	16,631	-	-	15,751	16,127
Sweden-------	6,127	5,794	5,817	7,336	5,299
Ireland------	2,364	1,490	2,250	2,980	2,232
Denmark------	-	-	-	-	-
Total----	2,613,837	2,679,384	2,645,295	3,474,767	2,578,607
	Proportion of license used (percent)				
New Zealand--	94.4	98.5	98.8	94.6	91.7
Canada-------	94.9	91.9	85.7	92.0	96.3
Australia----	97.4	-	-	73.1	99.9
Sweden-------	99.5	99.0	99.4	94.1	90.6
Ireland------	98.9	66.2	100.0	99.3	99.2
Denmark------	-	-	-	-	-
Average--	94.5	96.4	95.3	93.9	92.8

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

Table 2.--Cheddar cheese: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Exports 3/	Total 4/ year end stocks	Apparent consumption
	Quantity (1,000 pounds)				
1962	955,949	2,471	12,325	386,000	980,095
1963	965,334	3,157	30,233	322,000	1,002,258
1964	1,009,118	2,479	5,560	296,000	1,032,037
1965	1,007,761	1,857	3,876	271,000	1,029,639
1966	1,043,124	4,181	3,323	322,000	992,982
	Value (1,000 dollars)				
1962	334,222	747	3,853	135,000	5/
1963	343,659	970	8,827	119,000	5/
1964	364,971	805	2,186	106,000	5/
1965	362,794	641	1,814	103,000	5/
1966	458,975	1,530	1,827	142,000	5/

1/ Values estimated by the U.S. Tariff Commission staff.
2/ Imports are subject to an absolute quota established pursuant to Sec. 22 of the Agricultural Adjustment Act, as amended; values for 1962-63 partly estimated by the U.S. Tariff Commission staff.
3/ Includes exports for relief or charity.
4/ Contains small amounts of cheese other than cheddar.
5/ Not meaningful.

Source: Production, imports for 1962 and 1963, and stocks compiled from official statistics of the U.S. Department of Agriculture (except as noted); imports for 1964-66 and exports compiled from official statistics of the U.S. Department of Commerce.

Commodity	TSUS item
Edam and Gouda cheeses	117.25

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

U.S. imports of Edam and Gouda cheeses, virtually all of which have been subject to section 22 quota restrictions, amounted to more than half of the U.S. consumption during 1962-66. U.S. exports have been negligible. Edam and Gouda cheeses have accounted for less than 1 percent of the total cheese produced in the United States in recent years.

Description and uses

Edam and Gouda are semisoft-to-hard cheeses made from cow's milk. The Standards of Identity established by the Food and Drug Administration require, among other things, that the solids of Edam cheese shall contain not less than 40 percent of milk fat and those of Gouda not less than 46 percent. Both imported and domestic cheeses must conform to these standards to be labeled and sold as Edam or Gouda in the United States.

Natural Edam cheese is usually made in a ball-shaped loaf of about 5 pounds; it is sometimes made in a rectangular loaf of about 2 pounds. Natural Gouda cheese is made in loaves of several sizes. The larger loaves are shaped like short cylinders, with rounded ends; they customarily weigh from 5 to 25 pounds each. The smallest loaves of Gouda cheeses, referred to as "Baby Goudas," are made in disc-like shapes and usually weigh less than a pound. Virtually all loaves of Edam and Gouda cheese are covered with an inedible protective coating of wax and are wrapped in a transparent film. The wax coatings on Edam and "Baby Gouda" cheeses are invariably red in color, whereas those on the larger Gouda cheeses are orange.

In the United States most Edam and Gouda is consumed as natural cheese; small amounts are processed. Process Edam and Gouda cheeses differ markedly from the natural cheeses from which they were made. The texture of the natural cheeses is changed substantially by processing; process Edam and Gouda is smoother and more homogeneous than the natural cheese. Many deem that the flavor of the process cheese is more bland than that of the natural cheese. Some process Edam

and Gouda is flavored with ingredients such as onions and spices, which are added during the processing; natural Edam and Gouda rarely contain added ingredients. Process Edam and Gouda cheeses are largely in the form of small foil-wrapped wedges or blocks that weigh no more than a few ounces each; small quantities are in the form of link shapes.

Natural Edam and Gouda cheeses are generally marketed in the United States in the form of the loaves in which they are produced. Although the bulk of the cheese is marketed through supermarkets and chainstores, such cheese is also sold in cheese variety shops, hotels, and restaurants. A large part of the Edam and Gouda is marketed under the brand name of the firm that produced the cheese. The "Baby Gouda," which accounts for the greater part of the U.S. sales, is conducive to conventional chainstore marketing, since it is a small cheese that requires no cutting or packaging by the retailer. The process Edam and Gouda cheeses (virtually all imported) are ready for immediate sale at the retail level. They are marketed in boxes, or in gift packages that frequently contain a variety of cheeses, meats, and other specialty foods.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rate of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
117.25	Edam and Gouda cheeses----------	15% ad val.

This rate of duty, which was derived from paragraph 710 of the former tariff schedules, has been in effect since January 1948 and reflects a concession granted by the United States in the General Agreement on Tariffs and Trade (GATT). The existing rate of duty is not one on which the United States granted a concession in the Sixth (Kennedy) Round of Trade Negotiations under the GATT.

Since July 1, 1953, annual imports of "Edam and Gouda cheeses" have been subject to an absolute quota under section 22 of the Agricultural Adjustment Act, as amended. Processed Edam and Gouda cheeses, however, have not been subject to the quota (CIE 1922/64). In 1960, the annual quota of 4,600,200 pounds was increased to 9,200,400 pounds (see item 950.09 of the appendix to the TSUS). The allocation of the quota by the U.S. Department of Agriculture to the eligible countries, imports under the quota, and the proportion of

the quota used are shown in table 1 for the years (ending June 30) 1963-67. 1/

U.S. consumption

The annual U.S. consumption of Edam and Gouda cheeses has been increasing for many years. Apparent consumption rose from about 12.2 million pounds in 1962 to 13.9 million pounds in 1965 (table 2); it amounted to 18.5 million pounds in 1966. During the period 1962-66, imports of Edam and Gouda cheeses supplied about a half to three-fifths of consumption. Although both annual domestic production and annual imports increased from 1965 to 1966, imports--mainly cheese in original loaves--supplied the bulk of the increase in consumption that occurred in the latter year. Imports of process Edam and Gouda, which supply virtually all of the domestic consumption of such cheese, have been increasing gradually in recent years.

U.S. producers and production

No more than 6 plants, all located in Wisconsin, produce Edam and Gouda cheeses in the United States. The bulk of the output is accounted for by 1 producer. Most of the domestic output in recent years has been of the "Baby Gouda." Little process Edam and Gouda cheeses are produced in the United States.

The domestic production of Edam and Gouda cheeses is estimated to have increased from 4.0 million pounds in 1958 to 4.6 million pounds in 1960, the year in which the import quota on Edam and Gouda was enlarged by 100 percent. Since then domestic production has continued to increase. During the period 1962-66, the estimated annual output increased from 5.6 million to 7.6 million pounds.

U.S. exports and imports

U.S. exports of Edam and Gouda cheeses have been negligible or nil. Prices of such cheeses in foreign markets generally have been lower than the domestic prices of the U.S. product.

Annual U.S. imports of natural and process Edam and Gouda cheeses increased irregularly from 6.7 million pounds in 1962 to

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

7.6 million pounds in 1965; in 1966 they amounted to 10.9 million pounds. The share of the total imports supplied by process Edam and Gouda increased from 16 percent in 1962 to 27 percent in 1966. Imports of process Edam and Gouda are not subject to quota restrictions.

In each of the years 1962-64, about half of the U.S. imports of natural Edam and Gouda entered Puerto Rico; in 1965 and 1966, however, about one-third of the imports entered Puerto Rico. The bulk of the remainder entered at New York in all of those years. Most of the imports into Puerto Rico were hard-cured (natural) Edam, specially packaged to retard spoilage when stored without refrigeration in areas with warm and humid climates. Inasmuch as refrigeration has become more widespread in Puerto Rico in recent years, consumers have been substituting other types of cheese (particularly Cheddar) for Edam and Gouda.

Over 90 percent of the natural Edam and Gouda cheeses imported into the United States in recent years has come from the Netherlands (table 1); the bulk of the remainder has come from Denmark, Sweden, and Argentina. Although U.S. imports of Edam and Gouda cheeses from the Netherlands have been increasing somewhat in recent years, the annual quota allocated to that country has not been filled since the quota was enlarged in 1960. The share of the Netherlands' annual allocation used by importers declined from 87 percent to 57 percent during the quota years 1960-65. In the 1966 quota year, however, 79 percent of the allocation was used. The decline in the quota utilization in the early 1960's resulted in part from the keener competition of domestic Edam and Gouda and Cheddar cheeses shipped to Puerto Rico from the U.S. mainland. Part of this decline may also be attributed to the failure of some importers to transfer their licenses to permit their shipments to enter the U.S. mainland rather than Puerto Rico. The Holland Cheese Exporters Association, which has been promoting the sale of Edam and Gouda cheeses in the United States, predicts that the Netherlands will fill its quota in the near future.

The average wholesale price ranges of the imported natural Edam cheeses have been substantially above those of the domestic cheese. The following tabulation shows the average annual wholesale price ranges at Chicago for imported and domestic Edam cheeses during

1963-66 (in cents per 2-pound loaf): 1/

Year	Domestic	Imported
1963----------	56-66	65-72
1964----------	54-66	70-76
1965----------	56-66	69-79
1966----------	64-75	69-84

Prices for comparable sizes of natural Gouda cheeses are not reported. The average annual wholesale price ranges at Chicago for the domestic "Baby Gouda" (in 8-ounce loaves) and the imported cheese (in 10-ounce loaves) are shown in the following tabulation (in dollars per dozen): 1/

Year	Domestic	Imported
1963----------	4.21-4.29	6.20-6.95
1964----------	4.06-4.38	6.68-7.45
1965----------	4.07-4.83	6.35-7.68
1966----------	4.28-5.47	6.37-8.05

On a product-weight basis, the imported "Baby Goudas" are only slightly higher in price than the domestic cheeses. This small differences in the prices of the domestic "Baby Gouda", as compared with the prices of the imported cheese, reflects both the high quality and the aggressive marketing of the U.S. product.

The Holland Cheese Exporters Association controls exports of Edam and Gouda cheeses from the Netherlands to the United States. It also collaborates with the Netherlands Government in controlling the export prices of Edam and Gouda cheeses. The prices of Edam and Gouda exported from the Netherlands to the United States are generally higher than the prices of such cheeses exported to other countries. The Association maintains, however, that the differences in prices are attributable to differences in quality, unit weights, packaging, and freight charges.

The bulk of the imports of process Edam and Gouda cheeses have come from Denmark, West Germany, Norway, Ireland, and the Netherlands. Only the Netherlands has been allocated a substantial share of the annual import quota for natural Edam and Gouda; Ireland and West Germany have no share. The following tabulation presents data on the amount of natural Edam and Gouda permitted entry under the

1/ Compiled from Wednesday price quotations reported in Dairy Market Statistics, U.S. Department of Agriculture.

quota, the actual U.S. imports of such cheese, the amount of the quotas unused, and imports of process Edam and Gouda cheeses, by the principal suppliers of the process cheese, in the year ending June 30, 1966 (in thousands of pounds):

Country	Natural Edam and Gouda			U.S. imports of process Edam and Gouda
	Aggregate imports permitted under the quota	Actual imports	Unused licenses	
Netherlands	8,412	6,642	1,770	117
Denmark	406	195	211	1,231
West Germany	-	-	-	446
Norway	11	10	1	242
Ireland	-	-	-	171
All other	371	226	145	72
Total	9,200	7,073	2,127	2,279

As shown above, the four largest foreign suppliers of process Edam and Gouda (which is free of quota)--Denmark, West Germany, Norway, and Ireland--were each allocated only a small share, or none, of the quota for natural Edam and Gouda cheeses. Imports of process Edam and Gouda from the Netherlands were small in volume compared with the quantity of natural Edam and Gouda that was licensed for entry from that country but not imported.

Foreign production and trade

The annual output of all cheese in the Netherlands averaged about 470 million pounds in 1964-66. The bulk of the total output is believed to have consisted of Edam and Gouda. During that period, the Netherlands exported annually about 150 million to 175 million pounds of Edam and Gouda cheeses. West Germany, the Netherlands' largest customer for Edam and Gouda cheeses, took 36 percent of that country's exports in 1966. The Belgium-Luxembourg Economic Union took 24 percent; France, 12 percent; the United Kingdom, 10 percent; and Japan, 4 percent. The United States, Holland's sixth largest customer, took 3 percent of that country's exports of Edam and Gouda in 1966.

The annual output of Edam and Gouda in Denmark has averaged about 40 million pounds in recent years. Data on the output of Edam and Gouda in Sweden and Argentina are not readily available. The annual output of all cheese in Sweden has averaged 130 million

pounds in recent years. The annual output of semihard cheese (which includes Edam and Gouda) in Argentina has averaged slightly over 100 million pounds in recent years.

Table 1.--Edam and Gouda cheeses, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used, by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
Netherlands	8,393,635	8,458,580	8,391,673	8,412,298	8,446,589
Denmark	405,240	313,533	401,740	406,099	319,797
Sweden	39,360	85,250	88,810	164,074	182,783
Argentina	285,170	254,140	274,590	136,036	206,581
Finland	-	-	7,990	54,270	-
Portugal	33,900	10,000	15,000	16,400	20,000
Norway	14,000	10,955	19,000	10,954	10,949
Total	9,171,305	9,132,458	9,198,803	9,200,131	9,186,699
	Quantity imported (pounds)				
Netherlands	5,525,938	4,880,370	4,913,187	6,640,054	7,465,752
Denmark	269,738	207,962	220,708	194,549	203,498
Sweden	38,513	74,434	70,412	131,398	144,128
Argentina	260,612	94,750	41,275	34,148	112,038
Finland	-	-	7,975	53,012	-
Portugal	1,501	7,430	9,915	7,525	9,533
Norway	8,797	7,647	13,098	10,319	10,186
Total	6,105,099	5,272,593	5,276,570	7,071,005	7,945,135
	Proportion of license used (percent)				
Netherlands	65.8	57.7	58.5	78.9	88.4
Denmark	66.6	66.3	54.9	47.9	63.6
Sweden	97.8	87.3	79.3	80.1	78.9
Argentina	91.4	37.3	15.0	25.1	54.2
Finland	-	-	99.8	97.7	-
Portugal	4.4	74.3	66.1	45.9	47.7
Norway	62.8	69.8	68.9	94.2	93.0
Average	66.6	57.7	57.4	76.9	86.5

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

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1:4

Table 2.--Edam and Gouda cheeses: U.S. production, imports for consumption, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity (1,000 pounds)			
1962	5,560	6,687	12,247	55
1963	5,600	7,469	13,089	57
1964	6,200	6,770	12,970	52
1965	6,300	7,566	13,866	55
1966	7,600	10,897	18,497	59
	Value (1,000 dollars)			
1962	3,114	2,921	3/	3/
1963	3,304	2,279	3/	3/
1964	3,720	3,117	3/	3/
1965	3,780	3,537	3/	3/
1966	5,092	4,990	3/	3/

1/ Partly estimated by the staff of the U.S. Tariff Commission.

2/ Imports of natural Edam and Gouda cheeses are subject to absolute quotas, established pursuant to sec. 22 of the Agricultural Adjustment Act, as amended; these statistics include imports of processed Edam and Gouda cheeses which are not subject to quotas (CIE 1922/64). Such imports increased from 16 percent to 27 percent of the total from 1962 to 1966.

3/ Not meaningful.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Note.--Exports were negligible.

Commodity	TSUS item
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	117.30
Other	117.35

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

All of the Gjetost cheeses consumed in the United States are imported.

Description and uses

Gjetost cheeses are made from whey (the liquid portion that remains after cheese is made from milk). Notwithstanding the fact that item 117.30 provides for Gjetost cheeses made in part of cow's milk whey, virtually all imports thereunder have consisted of so-called "Ekte Gjetost" or genuine goat cheeses made wholly from goat's milk whey. The cheeses imported under item 117.35 include so-called "Gudbrandsdalsgjetost" cheeses which are generally made from admixtures of about 75 percent cow's milk whey and 25 percent goat's milk whey. Gjetost cheeses in item 117.35 are sometimes made wholly from cow's milk whey.

The principal constituent of Gjetost cheeses is lactose (milk sugar). The cheeses are golden brown in color and have a gritty texture and a caramel flavor. They are usually sold in the form of half-pound bars that are wrapped in parchment paper. Neither Gjetost cheeses nor cheeses similar to them are produced on a commercial scale in the United States. Gjetost cheeses are consumed mainly as a dessert cheese or as a cheese spread. Such cheeses sell at substantial premiums over most other cheeses.

U.S. tariff treatment

The column 1 (or trade-agreeemnt) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
	Gjetost cheeses:			
117.30	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.	13.5% ad val.	12% ad val.	6.5% ad val.
117.35	Other	20% ad val.	18% ad val.	10% ad val.

The above tabulation shows the column 1 rates of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see the TSUSA-1968 for the intermediate staged rates). The rates of duty which were in effect on the foregoing items prior to January 1, 1968, were derived from paragraph 710 of the former tariff schedules and reflect concessions granted by the United States in the GATT. The rate for item 117.30 had been in effect since July 1963; that for item 117.35, since August 1951. U.S. imports of Gjetost cheeses, unlike the imports of a number of other cheeses, are not limited by quotas under section 22 of the Agricultural Adjustment Act, as amended.

Consumption and imports

The U.S. annual consumption of Gjetost cheeses, which is supplied entirely from imports, ranged from about 179,000 pounds to 257,000 pounds in the period 1962-66. The following tabulation shows U S. imports of Gjetost and "other" Gjetost cheeses in 1962-66, as reported by the U.S. Department of Commerce:

Year	Gjetost	Other Gjetost 1/	Total
	Quantity (pounds)		
1962	69,900	113,470	183,370
1963	88,725	136,032	224,757
1964	58,727	119,867	178,594
1965	45,964	206,942	252,906
1966	44,224	212,987	257,211
	Value (dollars)		
1962	38,933	43,412	82,345
1963	49,761	58,805	108,566
1964	37,388	56,762	94,150
1965	31,010	99,301	130,311
1966	30,824	105,265	136,089

1/ Data for 1962 and 1963 partly estimated by the staff of the U.S. Tariff Commission.

The share of the total imports of Gjetost cheeses supplied by "other" Gjetost increased from 62 percent in 1962 to 83 percent in 1966. Norway, which annually produces about 26 million pounds of the cheeses considered in this summary, has supplied virtually all of the U.S. imports for many years. In 1966, for example, about 97 percent of the U.S. imports came from Norway; West Germany and Denmark supplied the bulk of the remainder. In 1965, all the imports came from Norway. The Norwegian Dairies' Sales Association controls the quantity, quality, and price of the exports of Gjetost cheeses.

Commodity	TSUS item
Sbrinz cheese	117.40 (pt)
Romano made from cow's milk, Reggiano, Parmesano, Provoloni, and Provolette cheeses	117.55

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Annual U.S. imports of the Italian-type cheeses discussed in this summary, which are subject to section 22 quota restrictions, have been small for many years. In 1962-66 they supplied from 9 to 13 percent of the average annual consumption. U.S. exports have been nil. The cheeses considered herein have accounted for about 4 percent of the total U.S. production of cheese in recent years.

Description and uses

All of the cheeses considered in this summary are hard "Italian-type" cheeses made from cow's milk. They are known as Romano, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz. 1/

Romano is a sharply flavored, hard cheese which is compact and has no holes or air spaces. The original loaves, which usually weigh from 20 to 25 pounds, are cylindrical in shape and have a black paraffin coating. Some Romano, often called "Sardo", is made in a ball-shaped loaf that weighs about 5 pounds. The bulk of the Romano is cured for more than a year and used for grating, although some is cured for a shorter time and consumed as a table cheese.

Reggiano and Parmesano are sharply flavored cheeses which, because of their extremely hard granular texture, are used principally for grating; cheeses of this type are sometimes called "Grana". Both cheeses are made in cylindrical-shaped loaves, which usually weigh from 35 to 80 pounds. Loaves of Reggiano are usually smaller

1/ Although some types of cheeses that originate in Italy are frequently referred to as Italian-type, they are not discussed in this summary (see the summary on cheeses not elsewhere enumerated). Some of them are made from cow's milk, while others are made from the milk of sheep and goats. Such cheeses range from hard to soft in texture and vary widely in taste and use. Most of these cheeses are not imported into the United States in substantial quantities.

than loaves of Parmesano. Some Reggiano, often referred to as "Reggianito", is made in loaves that weigh about 15 pounds. When fully cured (about 14 months to 2 years) Reggiano and Parmesano keep almost indefinitely. They require neither special packaging for shipment nor extensive refrigeration. These cheeses are principally consumed in salads and soups and on pizzas, spaghetti, and macaroni.

Provoloni and Provolette are smoked, plastic-curd cheeses that can be cut without crumbling. They are made by working, stretching, and molding the curd while it is in a hot plastic condition. Provoloni and Provolette differ from each other principally in shape and size. Provoloni is molded into a pear-shaped loaf that weighs about 14 pounds. Provolette, on the other hand, is molded into a spherical loaf, that generally weight about 5 pounds. After molding, the loaves are smoked. Although these cheeses are mainly for table use, they are suitable for grating if adequately cured.

Sbrinz is a porous cheese that is used mainly for grating. It is usually cured for 3 years or longer. It is molded into cylindrical-shaped loaves that weigh about 12 pounds. Unlike the other hard Italian-type cheeses considered in this summary, Sbrinz is not produced in the United States; small quantities have been imported from Argentina.

Italian-type cheeses are produced and generally imported in the original loaves. Such cheeses are generally sold to the ultimate consumer, however, in slices, pieces, or in the grated form. The original loaves are, for the most part, too large for use by the housewife; furthermore, many consumers do not wish to grate these hard cheeses themselves.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
117.40 (pt.)	Sbrinz cheese	25% ad val.
117.55	Romano made from cow's milk, Reggiano, Parmesano, Provoloni, and Provolette cheeses	20% ad val.

The rates of duty for the foregoing products were derived from paragraph 710 of the former tariff schedules. The rate for item 117.40 (pt.), which reflects a concession granted by the United States in a bilateral agreement with Argentina, has been in effect since

November 1941; that for item 117.55, which reflects a concession granted by the United States in the General Agreement on Tariffs and Trade (GATT), has been in effect since August 1951. The existing rate of duty on Sbrinz cheese, in original loaves, was bound by the United States in the sixth (Kennedy) round of trade negotiations in the GATT. The binding became effective January 1, 1968. The other Italian-type cheeses were not affected by the sixth round of negotiations.

Since July 1, 1953, annual imports of "Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz)" have been subject to a quota under section 22 of the Agricultural Adjustment Act, as amended. Initially the quota amounted to 9,200,100 pounds; it was increased to 11,500,000 pounds in 1960 (see item 950.10 of the appendix to the TSUS). The allocation of the quota by the U.S. Department of Agriculture to the eligible countries, imports under the quota, and the proportion of the quota used are shown in table 1 for the years (ending June 30) 1963-67. 1/

U.S. consumption

The annual U.S. consumption of the Italian-type cheeses considered herein (whether or not in original loaves) is estimated to have increased from 74 million pounds in 1962 to 89 million pounds in 1966 (table 2). The consumption of certain soft so-called Italian-type cheeses (which are not included herein) increased considerably more during those years than did the consumption of the hard types, largely because of the increased use of the soft types in such foods as pizzas, lasagna, and cheese sandwiches. In 1964 (the latest year for which data are available) about 40 percent of the Italian-type cheese consumed in the United States was Provoloni, 40 percent was Parmesano, and most of the remainder was Romano.

U.S. producers and production

Some 25 U.S. producers make Romano, Reggiano, Parmesano, Provoloni, and Provolette cheeses; most of them are located in Wisconsin and nearby States. Plants manufacturing Italian-type cheeses rarely produce other types of cheese because of the problems associated with bacterial contamination. Many producers of Italian-type cheeses sell the cheese while unaged to concerns known as assemblers who age, grate, and package it for marketing under well-advertised brand names; some producers perform such operations themselves and market the cheese under their own brand names. Few, if any, U.S. producers have foreign affiliates producing Italian-type cheeses.

1/ Pursuant to Presidential Proclamation No. 3790 of June 30, 1967, the quota year (ending June 30) was changed to a calendar-year basis.

The domestic output of the hard Italian-type cheeses increased from about 64 million pounds in 1962 to 81 million pounds in 1966. In 1966 less than 1 percent of the milk produced in the United States was used in the production of these cheeses.

U.S. exports and imports

U.S. exports of Romano, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz, whether or not in original loaves, are believed to have been negligible in recent years.

Annual U.S. imports of Italian-type cheeses ranged from 8 million to 10 million pounds in 1962-66. The imports accounted for 9 to 13 percent of annual U.S. consumption of such cheeses during that period. Italian-type cheeses in original loaves, which are subject to section 22 quota restrictions, accounted for virtually all of the imports.

In most recent years about 60 percent of the imported Italian-type cheese in original loaves has come from Italy. Provoloni and Provolette have accounted for about three-fourths of the imports from Italy; Parmesano has accounted for the bulk of the remainder. During the period 1963-67, the amount of the annual Italian-type cheese quota used by Italy declined from 96 percent to 72 percent (table 1). In recent years, particularly in 1964 and 1965, the production of cheese in Italy has been somewhat lower than in earlier years because of drought conditions and the strong demand for meat animals; prices in the domestic (Italian) market have generally been more attractive than export prices.

The following tabulation shows the average annual wholesale price ranges at Chicago for imported (Italian) and domestic Parmesan and Provoloni cheeses during 1962-66 (in cents per pound): 1/

Year	Parmesan		Provoloni	
	Imported 1/	Domestic	Imported 1/	Domestic
1962	89-103	62-73	85-93	42-54
1963	92-105	62-76	88-93	44-54
1964	112-124	61-75	98-108	50-55
1965	139-151	65-76	112-125	46-57
1966	2/ 145-163	71-84	3/ 131	51-66

1/ Believed to be largely cheese imported from Italy.
2/ Wholesale price at New York.
3/ Only the average wholesale price was reported for most of 1966.

1/ Compiled from Wednesday price quotations reported in Daily Market Statistics, U.S. Department of Agriculture.

In recent years, the wholesale prices for Italian-type cheeses from Italy have been about twice as high as those for the comparable domestic varieties. Argentina has supplied about 40 percent of the U.S. imports of Italian-type cheese in original loaves in most recent years. Romano has accounted for nearly three-fourths of the imports from Argentina; the bulk of the remainder has been Reggiano. Imports of Sbrinz, all of which came from Argentina, have been small in recent years.

Imports from Argentina have generally been smaller than the volume authorized to be imported from that country under the section 22 quota (table 1). During the period 1963-67 Argentina used from 55 percent to 89 percent of its annual quota. Italian-type cheeses from Argentina are considered by the trade to be lower in quality than those produced in Italy. Argentina has no aging standards, and the Argentine producers often sell their cheese before it is adequately ripened. The cheeses from Argentine generally sell at wholesale for somewhat less than the comparable domestic varieties. Prices of Argentine cheese fluctuate substantially in contrast to the prices of the cheese from Italy or that produced in the United States, which frequently remain unchanged for long periods.

In recent years U.S. imports of the Italian-type cheeses not in original loaves have been small. They amounted to 322,000 pounds in 1964, 97,000 pounds in 1965, and 451,000 pounds in 1966. 1/ Such imports accounted for 5 percent or less of total imports of Italian-type cheeses and supplied less than 1 percent of U.S. consumption of such cheeses in each of those years.

In 1964-66, Argentina and Italy together accounted for virtually all U.S. imports of Italian-type cheeses not in original loaves. That imported from Italy has generally been in pieces or wedges and has been used as table cheese or for grating; it is generally higher in price than both Italian-type cheeses imported from other countries or those produced in the United States. That from Argentina has been imported chiefly in grated forms; it is lower in price than both cheeses from Italy or those produced in the United States.

According to the trade, Italian-type cheeses had generally been imported before the early 1960's in original loaves because the cheeses retained their flavor longer and were less subject to spoilage in that form than after they had been cut or grated. In recent

1/ Statistics on annual imports of these cheeses not in original loaves in years before 1964 are not available; it is unlikely, however, that the trade was appreciably larger in those years than in 1964-66.

years, however, improvements in packaging have permitted cut or grated Italian-type cheeses to be held for considerable periods of time without appreciable spoilage or loss of flavor.

More than 200 U.S. firms import Italian-type cheeses; only a few of them currently import such cheeses not in original loaves. Those firms that account for the great bulk of the imports do not produce such cheeses. Most of the importers are long-established dealers in several kinds of domestic and imported cheeses.

Virtually all of the imported Italian-type cheeses in original loaves from Argentina and a large part of such cheeses from Italy are grated either by the importer, wholesaler, or retailer; they are then packaged in retail-size containers. Some of the cheese from Italy is cut into small pieces and individually wrapped for grating by the consumer. Most of the imported Italian-type cheeses not in original loaves have consisted either of pieces wrapped in a transparent plastic film or grated cheese. Importers generally package the grated cheese in retail-size containers.

Foreign production

The annual output of cow's milk cheeses in Italy increased from about 665 million pounds in 1964 to 770 million pounds in 1966. The great bulk of the output is believed to have consisted of the Italian-type cheeses here under discussion. The output of all cheeses in Italy (including that made from sheep's and goat's milk) amounted to about 990 million pounds in 1966, The annual production of hard cheeses in Argentina has averaged slightly more than 100 million pounds in recent years. The bulk of the output is believed to have consisted of Italian-type cheeses. The output of all cheeses in Argentina amounted to 370 million pounds in 1966.

Table 1.--Italian-type cheeses, subject to U.S. import quotas: Quantities licensed, quantities imported, and proportion of license used by country of origin, 1963-67

Country	Year ending June 30--				
	1963	1964	1965	1966	1967
	Quantity licensed (pounds)				
Italy	6,152,504	5,571,110	5,912,286	5,770,783	5,094,946
Argentina	5,290,503	5,908,526	5,586,495	5,706,227	6,397,281
Total	11,443,007	11,479,636	11,498,781	11,477,010	11,492,227
	Quantity imported (pounds)				
Italy	5,933,732	4,999,271	5,060,780	4,189,573	3,673,034
Argentina	3,350,648	5,023,320	3,428,142	3,110,982	5,673,600
Total	9,284,380	10,022,591	8,488,922	7,300,555	9,346,634
	Proportion of license used (percent)				
Italy	96.4	89.7	85.6	72.6	72.1
Argentina	63.3	85.0	61.4	54.5	88.7
Average	81.1	87.3	73.8	63.6	81.3

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

Table 2.--Italian-type cheeses (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz): U.S. production, imports for consumption, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity (1,000 pounds)			
1962	3/ 64,200	9,374	73,574	13
1963	3/ 67,900	10,120	78,020	13
1964	71,456	8,896	80,352	11
1965	3/ 76,000	7,788	83,788	9
1966	3/ 81,000	8,228	89,228	9
	Value (1,000 dollars)			
1962	35,882	4,455	40,337	4/
1963	38,993	4,681	43,674	4/
1964	41,491	4,993	46,484	4/
1965	48,407	5,106	53,513	4/
1966	58,580	5,195	63,775	4/

1/ Value estimated by the U.S. Tariff Commission staff.
2/ Partly estimated for 1962 and 1963. Imports in original loaves are controlled by quotas established pursuant to sec. 22 of the Agricultural Adjustment Act, as amended.
3/ Estimated by the U.S. Tariff Commission staff.
4/ Not meaningful.

Source: Production compiled from official statistics of the U.S. Department of Agriculture except as noted; imports compiled from official statistics of the U.S. Department of Commerce except as noted; consumption comprises production plus imports, exports in 1962-66 having been negligible.

Commodity	TSUS item
Cheeses:	
Goya	117.40 (pt.)
Gammelost and Nokkelost	117.60 (pt.)
Not elsewhere enumerated, and substitutes for cheese	117.75 (pt.), 117.85 (pt.)

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Annual U.S. imports of the cheeses herein considered have been equivalent to less than 1 percent of production; presently there are no known articles of commerce classifiable as substitutes for cheese. Imports have been mainly specialty cheeses of the types not produced in this country. U.S. exports of such cheeses have been small.

Description and uses

The cheeses discussed in this summary are hereafter referred to as the "miscellaneous" cheeses. The cheeses enumerated in the TSUS and included in this summary are Goya, Gammelost, and Nokkelost (items 117.60 (pt.) and 117.60 (pt.)). The remaining cheeses are those which have not been treated elsewhere in the summaries (items 117.75 (pt.) and 117.85 (pt.)). Goya is a hard grating cheese usually made from whole or partly skimmed cow's milk; it is mainly of Argentine origin. U.S. imports of Goya have been nil in the past decade; there has been no U.S. production for many years.

Gammelost is made from sour skimmed cow's milk. It has a brownish rind, a brownish-yellow interior, and a sharp aromatic flavor; these characteristics result in part from the various species of mold used to ripen it. Nokkelost is usually made from partly skimmed cow's milk. It is spiced with cloves, cummin seed, and occasionally caraway seed. The U.S. imports of Gammelost and Nokkelost are mainly of Norwegian origin; the U.S. output of such cheeses has been negligible or nil for many years.

There are many other miscellaneous cheeses. Natural Gruyere and process Swiss cheese (classifiable in item 117.85 (pt.)), while not enumerated in the TSUS, are mentioned in the summaries for Gruyere-process and natural Swiss cheeses (item 117.60 pt.)). Natural Gruyere is a semihard, extremely sharp flavored cheese made from cow's milk and characterized by holes or eyes which are much smaller than

those in natural Swiss cheese. It is used in making Gruyere-process cheese. U.S. production and imports of natural Gruyere have been negligible. Process Swiss cheese is made from natural Swiss that develops imperfect eyes or holes while being produced. The U.S. output of process Swiss cheese has been substantial and U.S. imports have been small.

The bulk of the imports of the other miscellaneous cheeses consists predominantly of specialty-type cheeses of which there is little or nor domestic production. They are generally regarded as being only slightly competitive with domestically produced cheeses because they are usually priced substantially above the most similar domestic varieties. Such cheeses are consumed mainly as table cheeses by special groups of consumers and cheese connoisseurs and marketed through specialty cheese shops and gourmet stores.

The domestically produced cheeses discussed herein consist predominantly of varieties of cow's milk cheeses not imported in large quantities. Among them are cottage and cream cheeses (not suitable for long-distance shipment), brick, Munster, Neufchatel, and Limburger, and soft Italian-type cheeses such as Mozzarella and Ricotta made from cow's milk. Cottage cheese, which accounts for the great bulk of the U.S. production, is an unaged cheese made from skimmed cow's milk or reconstituted nonfat dry milk. Cottage cheese supplies protein at a lower cost than most other high-protein foods. It is used largely in salads in the United States. Cream cheeses are used in cheese dips and other foods in the United States. The soft Italian-type cheeses are used mainly in pizza and lasagna; most of the remaining miscellaneous cheeses are consumed as natural cheeses for table use. Although the domestic varieties of cheeses discussed in this summary are generally marketed in supermarkets and chain stores throughout the United States, they are sometimes marketed through specialty cheese shops and gourmet stores.

U.S. tariff treatment

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
	Cheeses:			
117.40(pt.)	Goya----------	25% ad val.	1/	1/
117.60(pt.)	Gammelost and Nokkelost.	16% ad val.	14% ad val.	8% ad val.
	Not elsewhere enumerated, and substitutes for for cheese:			
117.75(pt.)	Valued not over 25¢ per lb.	5¢ per lb.	1/	1/
117.85(pt.)	Valued over 25¢ per lb.	20% ad val.	18% ad val.	10% ad val.

1/ The rate of duty was not affected by the trade conference.

The above tabulation shows the column 1 rates in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown above (see the TSUSA-1968 for the intermediate staged rates).

The rates of duty on the foregoing products, which were in effect prior to January 1, 1968, were derived from paragraph 710 of the former tariff schedules. The rate of duty on item 117.40 (pt.), which reflects a concession granted by the United States in a bilateral a agreement with Argentina, has been in effect since November 1941. The rates of duty on items 117.60 (pt.), 117.75 (pt.), and 117.85 (pt.) reflect concessions granted by the United States in the GATT. The rate on item 117.60 (pt.) had been in effect since July 1963. The rate on item 117.75 (pt.) has been in effect since August 1951; that on item 117.85 (pt.) had also been in effect since that date. The average ad valorem equivalent of the specific rate of duty on the imports in item 117.75 (pt.) during 1966 was 24 percent. On imports from the supplying countries it ranged from 18 percent to 36 percent.

Imports of the cheeses discussed in this summary are not restricted by any quotas.

In addition to the duty, imports of filled cheese--cheese made with an admixture of butter, animal oils and fats, vegetable or other oils--classifiable under items 117.75 (pt.) and 117.85 (pt.) are subject to an internal revenue tax of 8 cents per pound under section 4831(b) of the Internal Revenue Code of 1954; the domestic filled cheese is subject to a tax of 1 cent per pound under section 4831(a). U.S. imports and production of such cheese have probably been nil for many years.

U.S. consumption

The apparent U.S. consumption of the cheeses herein considered increased from 1,128 million pounds in 1962 to 1,280 million pounds in 1966 (table 1). The increasing consumption of these cheeses has resulted primarily from increased demand for cottage cheese and soft Italian-type cheeses. The increased consumption reflects a variety of factors--rising consumer incomes, the popularity of pizza, improvements in the quality of products, promotional efforts of both domestic producers and importers, and increasing acceptance of many cheese varieties associated with increasing international travel by U.S. residents.

U.S. producers

The number of plants producing the types of cheeses under discussion decreased from about 1,600 in 1962 to 1,200 in 1966. Three-fourths of these plants in operation in 1966 produced cottage cheese. The plants that produce cottage cheese are located throughout the United States, particularly in heavily populated areas; those that produce the other cheeses herein considered are located mostly in the North Central States. Many plants that produce manufactured dairy products make cottage cheese in order to utilize nonfat dry milk and skimmed milk, which remains when whole milk is separated to obtain cream. Plants that produce the other types of cheese often specialize in the production of one or two varieties of cheese. Most of them send their output to concerns, known as assemblers, who market the cheese under their individual brand names.

U.S. production

U.S. production of the miscellaneous cheeses increased from 1,126 million pounds in 1962 to 1,264 million pounds in 1966. U.S. output is shown in the following tabulation (in thousands of pounds):

Year	Cottage cheese 1/	Soft Italian-type cheese	Cream cheese	Brick and Munster	Other types	Total
1962-----	812,237	107,802	116,607	46,728	42,472	1,125,846
1963-----	820,695	124,092	107,831	48,009	44,498	1,152,125
1964-----	861,869	149,092	114,127	52,396	45,332	1,222,786
1965-----	863,943	163,793	116,266	53,030	45,166	1,242,198
1966-----	856,743	186,883	111,194	57,721	51,061	1,263,602

1/ Includes creamed and partially creamed cottage cheese.

In recent years cottage cheese has accounted for nearly 70 percent of the output of the above-mentioned cheeses; soft Italian-type cheese accounted for more than half of the increase in the annual output that occurred between 1962 and 1966.

U.S. exports

Aggregate annual U.S. exports of the cheeses considered here declined from 5 million pounds in 1962 to 3 million pounds in 1966; they were equivalent to less than 1 percent of the annual production of such cheeses during that period. The bulk of the exports has consisted of process cheese. Canada, one of the principal markets for U.S. exports of these cheeses for many years, took about a third of the U.S. exports of such cheeses in 1966. Venezuela, the Philippine Republic, Panama, and the Bahamas were also major export markets in 1966.

U.S. imports

Aggregate annual U.S. imports of the cheeses discussed here increased from about 7 million pounds in 1962 to 10 million pounds in 1965. Imports were equivalent to less than 1 percent of the consumption of such cheeses in that period. In 1966 annual imports nearly doubled, amounting to 19 million pounds; they were equivalent to about 1.5 percent of consumption in that year. The imports consist in large part of varieties not produced in the United States, and they are usually considered to be specialty-type cheeses.

Total imports of Nokkelost cheese amounted to 137,000 pounds in 1964 and to 178,000 pounds in 1965. Virtually all the imports of Nokkelost cheese in those years came from Norway, the traditional U.S. supplier. In 1966, however, U.S. imports of Nokkelost cheese

increased to 1,099 million pounds; most of the increase was supplied by Switzerland. U.S. imports of Gammelost and Goya cheeses have been negligible or nil in recent years.

U.S. imports of the other cheeses considered here generally come from about 20 countries. Denmark has supplied about 40 percent of the total imports in recent years. In 1963, the latest year on which information is readily available, about three-fifths of the imports from Denmark consisted of Esrom, Harvarti, Camembert, Castello, and Tybo cheeses. France, the second largest supplier, furnished 12 percent of the total imports in 1966; the cheeses from France consisted primarily of Bombel, Port Salut, and Camembert. While annual U.S. imports of these miscellaneous cheeses from France increased by about one-third from 1965 to 1966, such imports from Denmark doubled. In the latter year U.S. imports of such cheeses from several countries which had previously not been large suppliers increased substantially (table 2).

Foreign production and trade

In recent years, Denmark, the principal foreign supplier to the United States of the cheeses considered herein--and a leading world supplier--has produced some 30 million pounds of such cheeses annually. West Germany, Denmark's largest market for cheese, has taken about 50 percent of the Danish cheese exports in recent years. The United Kingdom, Italy, Sweden, and the United States have generally been Denmark's next largest export markets for cheese. The United States has not been a large importer of these cheeses from Denmark primarily because many of them are high-priced, and the U.S. market for the specialty-type cheeses produced in other countries is small.

The output in France, the second largest foreign supplier to the United States of the varieties of cheeses considered here, is not reported separately. The production of all cheese in France, however, has been increasing substantially in recent years. In 1966 the French output of cheese (excluding Roquefort) amounted to 1.2 billion pounds.

Table 1.--Goya, Gammelost, and Nokkelost cheeses, cheeses not elsewhere enumerated, and substitutes for cheese: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1962-66

Year	Production 1/	Imports	Exports	Apparent consumption
	Quantity (1,000 pounds)			
1962	1,125,846	6,600	4,564	1,127,882
1963	1,152,125	7,100	3,359	1,155,866
1964	1,222,786	8,425	3,526	1,227,685
1965	1,242,198	9,383	2,955	1,248,626
1966	1,263,602	19,165	2,679	1,280,088
	Value (1,000 dollars)			
1962	336,000	2,900	2,429	2/
1963	403,000	3,300	1,799	2/
1964	432,000	3,980	1,857	2/
1965	475,000	4,432	1,685	2/
1966	478,000	7,294	1,821	2/

1/ Value estimated by the U.S. Tariff Commission staff based on the wholesale prices of similar cheeses in New York City.

2/ Not meaningful.

Source: Production compiled from official statistics of the U.S. Department of Agriculture; imports for 1962 and 1963 estimated from information available to the Tariff Commission; exports and imports for 1964-66 compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Goya, Gammelost, and Nokkelost cheeses, cheeses not elsewhere enumerated, and substitutes for cheese: U.S. imports for consumption, by principal sources, 1964-66

Country	1964	1965	1966
	Quantity (1,000 pounds)		
Denmark	3,730	3,698	7,358
France	1,292	1,820	2,246
Switzerland	442	609	1,525
Iceland	5	247	1,956
Italy	668	611	555
West Germany	394	432	816
Sweden	448	439	1,202
Poland	106	85	1,122
All other	1,340	1,442	1,574
Total	8,425	9,383	19,165
	Value (1,000 dollars)		
Denmark	1,670	1,639	2,503
France	794	1,078	1,494
Switzerland	278	368	676
Iceland	1	59	476
Italy	409	399	378
West Germany	201	218	350
Sweden	114	120	338
Poland	21	18	254
All other	492	533	551
Total	3,980	4,432	7,294

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

Commodity	TSUS item
Roquefort cheese:	
In original loaves	117.45
Other	117.50

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Roquefort cheese is made in Roquefort, France, exclusively. The United States imports slightly less than 10 percent of the output of the cheese.

Description and uses

Roquefort, a semisoft "blue" cheese made from sheep's milk, is characterized by a salty, piquant flavor and a somewhat white body mottled by bluish-green veins of mold. The cheese is produced and cured in natural limestone caves in the Community of Roquefort, France, where the product originated. Under a French law, adopted on July 26, 1925, the only cheese that may be sold in France as "Roquefort" is that made in, and certified by, the Community of Roquefort. On March 10, 1953, the Community registered the certification mark "Roquefort" with the U.S. Patent Office. On June 6, 1962, a Federal court reaffirmed the right of the Community of Roquefort to the exclusive use in this country of the "Roquefort" certification mark (198 F. Supp. 291; affirmed 303 F. 2d 494 /2nd Cir. 1962/). U.S. imports of blue cheeses made from sheep's milk in other areas in France or in other countries and all imports of blue cheeses made from cow's milk are classified as blue-mold cheese under items 117.00-.05; they are discussed in a separate summary. U.S. imports of blue cheeses made from sheep's milk other than Roquefort have been nil in recent years.

Roquefort cheese is imported and generally marketed at the wholesale level in the 5- to 6-pound loaves in which it is produced. About 45 percent of this cheese is then sold to chainstores, luxury restaurants, and hotels, in 3-ounce, 1-1/4-ounce, and 3/4-ounce portions (generally wedges) that have been custom wrapped in a foil bearing the "Roquefort" certification mark and the characteristic red sheep seal. About 25 percent is sold to manufacturers of prepared salad dressing. The remaining 30 percent is sold, in the original loaves, to luxury restaurants and hotels, or retailed as random sized cuts which are usually wrapped in a plastic film that adheres to the cheese. The random cuts, which are primarily for conventional chainstore marketing, and the bottled Roquefort salad dressing generally bear the characteristic Roquefort cheese markings.

U.S. tariff treatment

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate Prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conferences (Kennedy Round)	
			First Stage, effective Jan. 1, 1968	Final Stage, effective Jan. 1, 1972
117.45	Roquefort cheese:			
117.45	In original loaves	12% ad val.	10.5% ad val.	6% ad val.
117.50	Other	20% ad val.	18% ad val.	10% ad val.

The above tabulation shows the column 1 rates of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see the TSUSA-1968 for the intermediate staged rates). The rates of duty which were in effect on the foregoing items prior to January 1, 1968, were derived from paragraph 710 of the former tariff schedules and reflect concessions granted by the United States in the GATT. The rate of duty applicable to item 117.45 had been in effect since July 1963; that for item 117.50 since August 1951. Imports of Roquefort, unlike the imports of other blue cheeses, are not subject to a quota under section 22 of the Agricultural Adjustment Act, as amended.

U.S. consumption and imports

The annual U.S. consumption of Roquefort cheese is supplied entirely by imports from France; there is no domestic production.

The following tabulation shows annual U.S. imports of Roquefort cheese during the period 1962-66 as compiled from official statistics of the U.S. Department of Commerce:

Year	Quantity	Value	Unit value
	1,000 pounds	1,000 dollars	Cents per pound
1962	2,392	2,006	84
1963	2,040	1,716	84
1964	2,004	1,959	98
1965	2,191	2,398	109
1966	1,861	2,102	113

The tabulation shows that, in recent years, U.S. annual imports of Roquefort cheese have generally not changed significantly, but the unit values have increased. The annual imports of Roquefort cheese have been equivalent to about 15 percent of the U.S. production of blue cheese made from cow's milk, the domestic product to which Roquefort is most comparable. Roquefort is usually considered to be a specialty-type cheese only slightly competitive with domestic blue cheese. It sells at somewhat more than twice the price of domestic blue cheese.

The Roquefort Cheese Association controls the exports of Roquefort cheese with respect to quantity, quality and price. Some 30 U.S. firms import Roquefort cheese. Most of the importers are located in New York, Chicago, and Los Angeles, the cities in which the principal custom packagers of such cheese are located. The largest importers of Roquefort cheese are also large producers and distributors of various domestic cheeses.

Foreign production and trade

The supply of ewe's milk and the available cave space for curing cheese in the Roquefort area of France limit the annual production of Roquefort cheese to some 25-to-30 million pounds. There are 25 establishments that may legally call their cheeses Roquefort; none of these are a subsidiary of a U.S. firm. The establishments are operated by 20 local producers, one of whom accounts for about half of the annual production of Roquefort cheese.

In recent years about 12 percent of the annual production of Roquefort cheese has been exported. The United States is by far the leading market, taking 60 to 65 percent of the exports each year. Exports go to many other countries, none of which takes as much as 1 percent of the annual production.

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Commodity	TSUS item
Swiss or Emmenthaler cheese--------	117.60 (pt.)

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Imports of Swiss cheese have supplied from 8 to 10 percent of the U.S. annual consumption of such cheese in recent years. Exports have been small. Swiss cheese has accounted for about 7 percent of the total U.S. output of cheese in recent years.

Description and uses

This summary covers Swiss cheese with eye formation, which is a hard, natural cheese made from cow's milk; it is distinguished by the large holes, or eyes, which are developed by the action of certain bacteria. Swiss cheese was first made in the Emmanthal Valley of Switzerland, from which its original name, Emmenthaler, was derived. Swiss cheese without eye formation, i.e., process Swiss cheese is classifiable with "other" cheeses (items 117.75 (pt.) and 117.85 (pt.)) and is discussed in the summary on those items.

In recent years about 85 percent of the Swiss cheese imported from Switzerland, the principal supplier, has been in the form of the 180-200-pound "wheels" in which it was produced; 10 percent has been in the form of 8- to 10-pound blocks and 5 percent has been in the form of sandwich slices which are vacuum sealed in plastic packages. Of the imports from the other principal suppliers (Finland, Austria, and Denmark), about 30 percent have been in the form of original wheels, 60 percent in blocks, and the remaining 10 percent in sandwich slices. The quantities of Swiss cheese imported in forms other than in the original wheels have been increasing somewhat in recent years.

In recent years a large part of the domestic output of Swiss cheese has been made by a special patented process in the form of 80-100-pound rectangular blocks which are sealed in plastic and often called "rindless Swiss". The output of rindless Swiss in the United States has been increasing in recent years at the expense of Swiss wheels. Swiss cheese in the form of blocks is more conducive to conventional chainstore marketing than such cheese in the form of wheels. Rindless Swiss is not produced in countries other than the United States.

Practically all the Swiss cheese imported from Switzerland is natural cheese that is consumed in cheese sandwiches, hors d'oeuvres, or as dessert cheese, whereas a large part of the U.S. production of natural Swiss cheese and the imports thereof from countries other than Switzerland is made into process Swiss cheese.

U.S. tariff treatment

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
117.60 (pt.)	Swiss cheese--	16% ad val.	14% ad val.	8% ad val.

The above tabulation shows the column 1 rate of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see the TSUSA-1968 for the intermediate staged rates). The rate of duty on Swiss cheese, which was in effect prior to January 1, 1968, is the same as the respective rate provided therefor under paragraph 710 of the former tariff schedules and reflects a concession granted by the United States in the GATT. That rate of duty had been in effect since July 1963. There are no quantitative restrictions on U.S. imports of Swiss or Emmenthaler cheeses.

U.S. consumption

Apparent annual U.S. consumption of Swiss cheese increased from 122 million pounds in 1962 to 151 million pounds in 1966 (table 1). The increase in annual consumption is attributable largely to the continued popularity of cheese sandwiches and to the promotional efforts of domestic and foreign producers and importers of Swiss cheese.

A large share of both the domestic and imported Swiss cheese (except that from Switzerland) is used to manufacture process Swiss

cheese. The natural cheese used for processing is generally that which develops imperfect eyes or holes while being produced.

U.S. producers

A large part of the domestic Swiss cheese traditionally was produced in Wisconsin in the form of large 180-200-pound wheels, which are difficult to slice and market because of their heavy rind formations. In recent years, however, much of the domestic Swiss cheese has been produced by a special patented process in States other than Wisconsin. Such cheese has been in the form of blocks of rindless Swiss. These blocks are better adapted to chainstore marketing inasmuch as they can easily be cut into small portions (either by the individual store or by a custom packager), resealed in a plastic film, and marketed. Many plants which formerly produced Swiss wheels do not have the patent rights to produce rindless Swiss. Some of these plants have begun producing Cheddar cheese.

The number of U.S. plants that produce Swiss cheese declined from 147 in 1962 to 119 in 1966. In 1958 Illinois became the first State to produce more Swiss cheese than Wisconsin; from 1958 to 1966 Illinois was the leading producing State. In 1966 Illinois produced 38 percent of the domestic output, while Wisconsin produced 30 percent; Ohio, Pennsylvania, and Wyoming produced the bulk of the remainder.

U.S. firms do not have affiliates that produce Swiss cheese in other countries. Some of the leading U.S. producers of Swiss cheese, however, are also large importers of such cheese.

U.S. production

The annual U.S. production of Swiss cheese, which has been increasing gradually for several decades, rose from 109 million pounds in 1962 to 137 million pounds in 1966. In volume of output, Swiss cheese ranks fourth among all cheeses (excluding cottage cheese) produced in the United States. The domestic production of Swiss cheese is surpassed only by the output of Cheddar, Colby, and the soft Italian-type cheeses. In 1966 about 1 percent of the milk produced in the United States was used in the production of Swiss cheese.

U.S. exports and imports

Although U.S. exports of Swiss cheese are not separately reported, they are believed to be small.

Annual imports of Swiss cheese declined from 12.5 million pounds in 1962 to 10.4 million pounds in 1965; in 1966, they amounted to 14.8 million pounds. Imports supplied from 8 to 10 percent of annual consumption during the period 1962-66.

In recent years about half of the U.S. imports of Swiss cheese have come from Switzerland (table 2), although the share of the total imports supplied by that country has declined. The bulk of the remaining imports have come from Finland, Austria, and Denmark. Finland and Denmark supplied the bulk of the increase in imports that occurred from 1965 to 1966.

The wholesale prices of Swiss cheeses (domestic and imported) in the United States have been increasing in recent years. The following tabulation shows the range of wholesale prices in New York City for Swiss cheese produced in the United States, Switzerland, Finland, Austria, and Denmark in 1962-66 (in cents per pound): 1/

Year	United States	Switzerland	Finland	Austria	Denmark
1962	51-55	90-97	59-65	61-67	56-63
1963	52-56	89-96	59-65	61-70	58-64
1964	51-56	91-96	58-64	60-70	63-67
1965	54-58	95-98	59-65	64-73	65-69
1966	61-66	96-101	63-68	66-72	65-69

The cheese from Switzerland has been higher priced than that imported from other countries or that produced in the United States. Consumption of both domestic and imported Swiss cheeses in the United States has been increasing, however, notwithstanding higher prices.

Foreign production and trade

The Swiss Cheese Union, an organization of Swiss farmers, milk buyers, and cheese dealers, closely supervises the production and exportation of Swiss cheese in Switzerland. The annual output of Swiss cheese in Switzerland amounts to about 65 million pounds, of which about half is exported. The United States takes about one-fourth of the exports; a larger amount generally goes to Italy than to the United States.

1/ Compiled from the Wednesday price quotations reported by the Dairy and Poultry Market News, U.S. Department of Agriculture.

The annual output of Swiss cheese in Finland has amounted to about 40 million pounds in recent years; the output in Denmark has averaged some 160 million pounds. Data are not readily available on the output of Swiss cheese in Austria. The aggregate output of cheese in Austria, however, has averaged about 77 million pounds in recent years.

In recent years the United States has taken about 9 percent of the Swiss cheese exported by Finland, about 7 percent of that exported by Austria, and a smaller amount of that exported by Denmark. These countries have generally exported more Swiss cheese to other individual countries, particularly to Italy, than to the United States.

Table 1.--Swiss cheese with eye formation: U.S. production, imports for consumption, and apparent consumption, 1962-66

Year	Production 1/	Imports	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity (1,000 pounds)			
1962	109,412	12,518	121,930	10
1963	119,906	11,692	131,598	9
1964	121,884	11,506	133,390	9
1965	122,732	10,419	133,151	8
1966	136,664	14,751	151,415	10
	Value (1,000 dollars)			
1962	45,898	6,668	2/	2/
1963	52,483	6,063	2/	2/
1964	52,105	6,427	2/	2/
1965	55,880	6,001	2/	2/
1966	74,112	7,988	2/	2/

1/ Values are based on average annual prices paid f.o.b. Wisconsin assembly points for Grade A blocks.
2/ Not meaningful.

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

Note.--Exports, which are not separately reported, have been small.

Table 2.--Swiss cheese with eye formation: U.S. imports for consumption, by principal sources, 1962-66

Country	1962	1963	1964	1965	1966
	Quantity (1,000 pounds)				
Switzerland	7,172	6,221	6,833	6,227	7,011
Finland	1,665	1,863	1,982	1,803	3,475
Austria	682	792	1,516	1,345	1,745
Denmark	2,729	2,481	857	659	1,626
Norway	23	154	222	330	469
All other	247	181	96	55	425
Total	12,518	11,692	11,506	10,419	14,751
	Value (1,000 dollars)				
Switzerland	4,531	3,905	4,447	4,226	4,740
Finland	652	716	794	708	1,421
Austria	316	369	671	617	797
Denmark	1,065	965	381	286	647
Norway	8	56	86	136	198
All other	96	52	48	28	185
Total	6,668	6,063	6,427	6,001	7,988

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

Commodity	TSUS item
Gruyere-process cheese	117.60 (pt.)

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

In recent years imports of Gruyere-process cheese, which have supplied the bulk of the U.S. consumption, have been small.

Description and uses

Gruyere-process cheese is made from natural Gruyere or from a blend of natural Gruyere and natural Swiss cheeses. In the latter situation the Federal Standards of Identity require that the blend must contain not less than 25 percent by weight of natural Gruyere (21 CFR 19.750). Natural Gruyere cheese is discussed in the summary on items 117.75 (pt.) and 117.85 (pt.).

Gruyere-process cheese has a distinctive sharp flavor imparted by the natural Gruyere used in its production. In recent years the bulk of the Gruyere-process cheese marketed in the United States (mostly imported) has consisted of small (about 1 ounce) individual wedge-shaped pieces that are foil-wrapped and packed in circular boxes. Gruyere-process cheese in this form is intended for consumption as hors d'oeuvres or as a dessert cheese. In 1966 substantial quantities of such cheese in 5-pound loaves were imported. In this form the cheese is used principally by the institutional trade (restaurants, hotels, and hospitals) in cheese sandwiches; some of the loaves, particularly the small quantity imported from Switzerland, were marketed at the retail level for use in sandwiches.

U.S. tariff treatment

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
117.60 (pt.)	Gruyere-process cheese.	16% ad val.	14% ad val.	8% ad val.

The above tabulation shows the column 1 rate of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see TSUSA-1968 for the intermediate staged rates). The rate of duty on Gruyere-process cheese, which was in effect prior to January 1, 1968, is the same as the respective rate provided therefor under paragraph 710 of the former tariff schedules and reflects a concession granted by the United States in the GATT. That rate of duty had been in effect since July 1963. There are no quantitative restrictions on U.S. imports of Gruyere-process cheese.

U.S. consumption

The annual U.S. consumption of Gruyere-process cheese averaged about 5 million pounds during the period 1962-65. In 1966, however, consumption doubled, probably amounting to 10 million pounds in that year. Imports have generally supplied the bulk of the consumption of Gruyere-process cheese. U.S. production has been small for many years and exports have been nil. The sudden rise in consumption is attributable largely to the promotion of Gruyere-process cheese in loaf form by the importers and foreign exporters.

U.S. producers and production

Only one U.S. firm produces Gruyere-process cheese. That firm, which also imports such cheese, is a large producer, importer, and distributor of various other cheeses. Gruyere-process cheese accounts for only a small part of the firm's sales of cheese. U.S. firms do not have subsidiaries in foreign countries that produce Gruyere-process cheese. As mentioned earlier, the U.S. output of Gruyere-process cheese has been small for many years.

U.S. imports and world trade

Annual U.S. imports of Gruyere-process cheese increased gradually from 4.8 million pounds in 1962 to 5.3 million pounds in 1965; in 1966 they rose sharply to a record level of 9.1 million pounds (see table). A large part of the increase in annual imports of Gruyere-process cheese that occurred from 1965 to 1966 was accounted for by entries of such cheese in 5-pound loaves rather than in the traditional small wedge-shaped pieces. Nonetheless, the bulk of the imports of Gruyere-process cheese in 1966 consisted of the small wedges.

Switzerland has been the leading supplier of Gruyere-process cheese to the United States for many years, although the share of the total imports supplied by Switzerland declined from about 63 percent in 1965 to 44 percent in 1966. Nonetheless, the total imports from Switzerland, like those from all countries, have been increasing. Gruyere-process cheese produced in Switzerland is of higher quality and contains larger amounts of natural Gruyere than such cheese produced in other countries. The bulk of the Gruyere-process cheese in 5-pound loaves came from countries other than Switzerland. Imports of Gruyere-process cheese from Finland, the second largest U.S. supplier, increased from about 21 percent of the total imports in 1965 to 33 percent in 1966. Austria, Denmark, and West Germany have accounted for the bulk of the remaining imports.

Altogether 80 or 90 U.S. firms have imported Gruyere-process cheese in recent years. The bulk of the increase in imports that occurred in 1966 were made by firms which generally had not previously been large importers of Gruyere-process cheese.

The unit values of imported Gruyere-process cheese from all countries have declined somewhat in recent years (see table). Gruyere-process cheese from Switzerland sells at substantial premiums over that from other countries. In most recent years imports of Gruyere-process cheese from Finland have sold at prices which approximate those of such cheese produced in the United States; imports from the remaining countries, however, generally sell at prices somewhat higher than those of the U.S. product.

The annual production of Gruyere-process cheese in Switzerland has amounted to about 20 million pounds in recent years. The United States is Switzerland's largest export market for such cheese. Italy, Canada, and the United Kingdom are also important importers of Gruyere-process cheese from Switzerland. Although data are not readily available, it is believed that the output of Gruyere-process cheese in Switzerland is larger than that in other countries that export such cheese to the United States.

Gruyere-process cheese: U.S. imports for consumption, by principal sources, 1962-66

Country	1962	1963	1964	1965	1966
	Quantity (1,000 pounds)				
Switzerland	3,509	3,369	3,484	3,371	4,023
Finland	662	712	968	1,142	2,967
Austria	348	492	446	372	1,124
Denmark	197	114	119	151	338
West Germany	42	35	61	76	392
France	8	10	26	15	111
All other	39	98	69	186	168
Total	4,805	4,830	5,173	5,313	9,123
	Value (1,000 dollars)				
Switzerland	2,263	2,144	2,157	2,146	2,463
Finland	220	235	314	373	905
Austria	154	211	184	158	384
Denmark	74	50	54	69	124
West Germany	20	17	25	35	124
France	4	6	18	10	34
All other	18	48	27	95	74
Total	2,753	2,711	2,779	2,886	4,108
	Unit value (cents per pound)				
Switzerland	64.5	63.6	61.9	63.7	61.2
Finland	33.2	33.0	32.4	32.7	30.5
Austria	44.3	42.9	41.3	42.5	34.2
Denmark	37.6	44.9	45.4	45.7	36.7
West Germany	47.6	48.6	41.0	46.1	31.6
France	50.0	60.0	69.2	66.7	30.6
All other	46.2	49.0	39.1	51.1	44.0
Average	57.3	56.1	53.7	54.3	45.0

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

Commodity	TSUS item
Colby, washed curd, and granular cheeses:	
Valued not over 25¢ per pound	117.75 (pt.)
Valued over 25¢ per pound:	
Colby cheese	117.81
Washed curd and granular cheeses	117.85 (pt.)

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Colby accounts for virtually all of the imports and the great bulk of the domestic production of the cheeses considered in this summary. Although annual U.S. imports of Colby have increased significantly since 1958, they did not exceed 10 percent of consumption during the period 1958-65. In 1966, however, imports supplied about 21 percent of the domestic consumption. Since July 1, 1967 imports of Colby, washed curd and granular cheeses have been subject to quantitative limitations. U.S. exports of such cheeses have been negligible. Colby, washed curd, and granular cheeses have accounted for about 9 percent of the total cheese produced in the United States in recent years.

Description and uses

Colby, washed curd, and granular cheeses are all made from cow's milk. The milk used is either pasteurized or heat-treated inasmuch as the natural cheeses (particularly Colby) are generally processed rather than aged. Cheddar, Colby, washed curd and granular cheeses are often referred to as "American-type cheese". Cheddar is discussed in a separate summary (see items 117.15-.20).

Natural Colby is somewhat similar to fresh natural Cheddar in taste and use for processing. In making Colby, however, the curd is not subjected to "matting" and "milling" as is the curd of Cheddar. Hence, the texture of Colby is generally not as compact as that of Cheddar. The Federal standards of identity allow Colby to contain not more than 40 percent of moisture, which is 1-percentage point higher than for Cheddar. 1/ There is often little difference, however, in the moisture content of the two cheeses. Colby is generally of a yellowish color and made in the form of 40-60 pound rectangular blocks, whereas Cheddar is yellow or white and made in blocks, wheels, or barrels. The

1/ The standards for Colby are specified in 21 CFR 19.510; those for Cheddar in 21 CFR 19.500.

U.S. Bureau of Customs has ruled that Colby is not classifiable in the tariff provision for Cheddar, nor is Colby subject to the quantitative restrictions imposed on imports of Cheddar under section 22 of the Agricultural Adjustment Act, as amended (CIE 153/58).

Granular cheese is granular in texture and checkered in appearance. In making granular cheese, no water is added to the curd while it is being stirred and cooled; the small curd particles, therefore, do not bond well, thus giving the cheese its distinctive appearance. In making washed curd cheese, the curd is "matted" and "milled" (as in making Cheddar), but then the curd is washed with water before it is salted. Washing the curd increases the moisture content of the cheese, reduces the acidity and lactose (milk sugar) content, and results in an open texture.

Although Colby cheese has been produced in the United States for many years it first achieved prominence in the import trade of the United States in the late 1950's, when it began to be imported to be made into "pasteurized process American" cheese. The output of Colby cheese in most other countries of the world is believed to have been negligible before that time. Cheddar, Colby, washed curd, and granular cheeses are competitive with each other in the manufacture of pasteurized process American cheese. Under the Standards of Identity, these cheeses are all eligible to be used in the production of pasteurized process American cheese, and only they are eligible to be so used (21 CFR 19.750). In 1965 about 30 percent of the pasteurized process American cheese produced in the United States was made from Colby, washed curd, and granular cheeses; 70 percent was made from Cheddar.

Pasteurized process American cheese manufactured in the United States may consist in whole or in part of imported or domestic cheese. Most of the domestic and all of the imported Colby, and most of the domestic washed curd and granular cheeses are generally used to make pasteurized process American cheese.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
	Colby, washed curd, and granular cheeses:			
117.75(pt.)	Valued not over 25¢ per pound.	5¢ per lb.	1/	1/
	Valued over 25¢ per pound:			
117.81	Colby cheese-----	20% ad val.	1/	1/
117.85(pt.)	Washed curd and granular cheeses.	20% ad val.	18% ad val.	10% ad val.

1/ The rate of duty was not affected by the trade conference.

The above tabulation shows the column 1 rates of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see the TSUSA-1968 for the intermediate staged rates). The rates of duty, which were in effect on the foregoing items prior to January 1, 1968, were derived from paragraph 710 of the former tariff schedules. They reflect a concession granted by the United States in the GATT and have been in effect since August 1951. As a result of the recently conducted trade conference, items 117.81 and 117.85 superseded item 117.80 (other cheese valued over 25¢ per pound) of the TSUS that was in effect on December 31, 1967.

The ad valorem equivalent of the specific rate of duty in effect on Colby cheese (item 117.75 (pt.)) on December 31, 1967 (based on imports during 1966) was 21 percent. The ad valorem equivalent of the duty on imports from the supplying countries ranged from 20 percent to 22 percent.

Since July 1, 1967, imports of "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" have been subject to a quota under section 22 of the Agricultural Adjustment Act, as amended (see item 950.08B of the appendix to the TSUS). For the calendar year 1967, the quota established was the quantity entered on or before June 30, 1967, plus 3,048,300 pounds; for each subsequent calendar year, the quota was to be 6,096,600 pounds. The Department of Agriculture allocated the quota to the countries that supplied Colby cheese to the United States during 1961-65. Thus, 55 percent of the quota was allocated to New Zealand, 28 percent to Australia, 9 percent to Ireland, 2 percent to Sweden, and 6 percent to several other countries combined. During some recent years, New Zealand, Australia, and Ireland agreed to limit their exports of Colby cheese to the United States; these agreements are discussed in the section of this summary on U.S. imports.

U.S. consumption

The annual U.S. consumption of Colby cheese increased each year from 149 million to 223 million pounds during the period 1962-66 (table 1) 1/. Virtually all of the increase in the consumption of Colby was in cheese used to make pasteurized American cheese, the U.S. output of which has been increasing. In recent years Colby has been supplying a larger share of the natural cheese used to make process cheese, notwithstanding the increase in the amount of Cheddar so used. Process cheese has gained popularity for use in cheeseburgers and a number of other foods.

The annual U.S. consumption (and production) of granular and washed curd cheeses is small compared with Colby. The former two cheeses will not be discussed further in this summary.

1/ The above statistics also include small quantities of washed curd, granular, Monterey and Jack cheeses.

U.S. producers, production, and stocks

About 200 plants have reported the production of Colby cheese in recent years; some of them probably also produced Cheddar. Producers of Colby and Cheddar can readily utilize their supply of milk to make either variety of cheese. The plants that make Colby cheese in the United States generally send their output to concerns known as assemblers that make process cheese from both Colby and Cheddar cheeses. Wisconsin, the leading producing State for Colby cheese accounted for about 31 percent of the U.S. output of Colby in 1966; other important producing States were Michigan, Indiana, Idaho, Iowa, and Missouri, which combined accounted for 39 percent of the U.S. output.

The U.S. production of Colby increased from 139 million to 177 million pounds in 1962-66. The increase in the U.S. output of Colby is attributable largely to the increased demand for that cheese for use in processing. Accordingly, the U.S. output of milk used to produce Colby has increased. In 1966, about 2 percent of the output of milk was used to produce Colby cheese.

Stocks of Colby cheese have generally been negligible inasmuch as Colby ordinarily is not aged.

U.S. exports and imports

U.S. exports of Colby and related cheese have been negligible for a number of years largely because prices of such cheese in foreign markets generally have been lower than domestic prices.

U.S. imports of Colby cheese were negligible or nil until 1958. As mentioned earlier, the Bureau of Customs in that year ruled that Colby was not classifiable in the tariff provision for Cheddar, and was not subject to the quantitative restrictions imposed on Cheddar cheese under section 22 of the Agricultural Adjustment Act, as amended. Thereafter, imports increased sharply from 500,000 pounds in 1958 to 15 million pounds in 1961. After 1961 the principal supplying countries agreed to restrict their exports of Colby cheese to the United States as shown in the following tabulation (in millions of pounds):

Country	Year ending June 30-- 1962	1963	1964	1965
New Zealand	11.6	6.72	6.72	6.72
Australia	-	-	3.36	3.36
Ireland	-	-	1.12	1.12

Generally the export restrictions were closely observed by exporters in the foreign countries concerned during the periods they were in effect. Such restrictions expired on June 30, 1965. During the period 1962-65, annual imports ranged from 10 million pounds to 14 million pounds (table 1).

During 1965, imports of Colby cheese from countries other than those that had agreed to limit their exports to the United States increased substantially. In late 1965 and in 1966 U.S. prices of Cheddar cheese advanced rapidly. In those years the U.S. output of milk declined and domestic prices of milk and dairy products increased, causing the U.S. market to become more attractive to imported products such as Colby cheese. Moreover, the output of milk in foreign countries expanded in 1965; such expansion continued into 1967. As a result of these factors, U.S. imports of Colby cheese totaled nearly 46 million pounds in 1966. In January-June 1967 they amounted to nearly 46 million pounds. Effective July 1, 1967, imports of Colby, washed curd, and granular cheeses were made subject to section 22 import quotas. 1/ Because of the quota, imports of Colby were not to exceed 49 million pounds in 1967; 2/ thereafter, they are limited to no more than 6 million pounds annually.

Before 1962, virtually all U.S. imports of Colby cheese came from New Zealand. In that year, however, imports began to enter from other countries. In 1966, New Zealand, France, Denmark, and Australia were the principal suppliers of imports; small quantities of Colby were imported from a number of other countries (tables 2 and 3). Imports from France and Denmark had been negligible prior to 1966.

The marked increase in the importation of Colby cheese from France was attributable in part to payments made to cheese producers by the French Government, offered within the framework of the Common Agricultural Policy of the European Economic Community (EEC), for cheese that was exported. Such export inducements, which began about June 1966, were employed to complement the country's price-support program for dairy products. Government payments for the 9 million

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1/ See the earlier section on U.S. tariff treatment and other restrictions on imports.

2/ According to the official U.S. import statistics, U.S. imports of Colby cheese during 1967 amounted to about 55 million pounds; Colby cheese in transit to the United States or in bonded warehouse on June 30 apparently was permitted entry after that date without charge against the July-December quota.

pounds of Colby cheese exported from France to the United States in 1966 are estimated to have amounted to about $2 million or the equivalent of about 23 cents per pound. 1/ At this level, the payment on French Colby cheese probably was equivalent to 50 percent or more of the U.S. market price for Colby. The U.S. Treasury Department had considered applying countervailing duties to the imports of Colby cheese from France. As France was not a supplier of Colby cheese to the United States during 1961-65, the period on which the import quota established for Colby cheese was based, France has not been allocated any share of the quota. Thus, the issue of applying countervailing duties to imports of Colby from France has become moot.

There are no published prices for imported Colby cheese. The average unit values of imported Colby, calculated from data recorded in U.S. import statistics, have increased in recent years. Trade sources indicate that the price of the imported Colby, delivered in Wisconsin, has generally been at least 1 cent per pound, and sometimes as much as 4 cents per pound, below the price of domestic Cheddar cheese. Direct price comparisons are misleading, however, inasmuch as the imported Colby has a higher butterfat content than domestic Colby or Cheddar cheese (about 52 percent compared with 50 percent). The additional butterfat in the imported cheese serves as an extender when the imported and domestic cheeses are mixed in making process cheese, thus affording the cheese processors additional cost savings.

1/ Data on export payments are from a Foreign Agricultural Service report on French dairy products, dated March 20, 1967 (unclassified); data on the volume of trade are from the U.S. official import statistics.

Table 1 .--Colby cheese: U.S. production, imports for consumption, and apparent consumption, 1962-66

Year	Production 1/	Imports 2/	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity (1,000 pounds)			
1962	138,801	10,338	149,139	7
1963	143,017	10,446	153,463	7
1964	148,193	11,428	159,621	7
1965	150,524	14,149	164,673	9
1966	177,456	45,994	223,450	21
	Value (1,000 pounds)			
1962	48,580	2,423	3/	3/
1963	51,343	2,423	3/	3/
1964	53,247	2,725	3/	3/
1965	60,210	3,499	3/	3/
1966	78,081	12,570	3/	3/

1/ Includes small quantities of washed curd, granular, Monterey, and Jack cheeses; values are estimated by the U.S. Tariff Commission.
2/ Data for 1962 and 1963 estimated by the U.S. Tariff Commission.
3/ Not meaningful.

Source: Production compiled from official statistics of the U.S. Department of Agriculture, except as noted; imports compiled from official statistics of the U.S. Department of Commerce, except as noted; consumption comprises production plus imports, exports in 1962-66 having been negligible.

Table 2.--Colby cheese, valued not over 25 cents per pound: U.S. imports for consumption, by principal sources, 1964-66 and January-June 1967

Country	1964	1965	1966 1/	January-June 1967 1/
	Quantity (1,000 pounds)			
New Zealand	7,779	6,253	14,193	-
Australia	2,414	4,609	2,148	-
Austria	750	772	1,339	-
Belgium	-	134	528	234
Sweden	191	246	89	-
All other	-	439	50	1,329
Total	11,134	12,453	18,347	1,563
	Value (1,000 dollars)			
New Zealand	1,863	1,493	3,391	-
Australia	557	1,157	535	-
Austria	174	178	318	-
Belgium	-	30	122	58
Sweden	44	56	20	-
All other	-	93	13	321
Total	2,638	3,007	4,399	379

1/ Preliminary.

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

Table 3.--Colby cheese, valued over 25 cents per pound: U.S. imports for consumption, by principal sources, 1964-66 and January-June 1967

Country	1964	1965	1966 1/	January-June 1967 1/
	Quantity (1,000 pounds)			
France	-	-	8,980	2,566
Denmark	3	22	6,913	8,952
New Zealand	-	134	5,890	26,518
Belgium	-	-	1,880	1,681
Ireland	199	1,278	1,299	918
Austria	-	-	965	1,279
Australia	-	-	482	1,095
Bulgaria	-	-	441	-
Canada	54	-	223	-
All other	38	2/ 262	573	1,010
Total	294	1,696	27,646	44,019
	Value (1,000 dollars)			
France	-	-	2,397	695
Denmark	2	6	2,272	2,877
New Zealand	-	31	1,772	7,699
Belgium	-	-	515	430
Ireland	52	370	426	312
Austria	-	-	275	390
Australia	-	-	146	329
Bulgaria	-	-	115	-
Canada	21	-	85	-
All other	12	2/ 85	168	277
Total	87	492	8,171	13,009

1/ Preliminary.
2/ Includes 224 thousand pounds, valued at 60 thousand dollars, from the United Kingdom.

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

Commodity	TSUS item
Yoghurt and other fermented milk----	118.10
Chocolate milk drink----------	118.15
Ice cream----------	118.25

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Notable quantities of fermented milk, chocolate milk drink, and ice cream are produced in the United States; U.S. imports and exports have been negligible or nil.

Description and uses

Yoghurt and other fermented milk products have a smooth body and firm texture similar to custard. The principal characteristic of fermented milk products is the acidity produced by the bacteria used in their manufacture. Because they are usually made from partly skimmed milk rather than whole milk, they are ordinarily low in butterfat. Yoghurt and fermented milk products are generally marketed in 6- or 8-ounce cups and frequently have had added to them one of a variety of flavorings. In addition to being consumed as part of a meal, they are used by many persons either to aid in weight control or to soothe intestinal disturbances, or both.

The fermented milks, which are sometimes called cultured milks, are known by several names--e.g., yoghurt, koumiss, kefir, and kaeldermaelk. They differ from one another in taste and appearance. Yoghurt is the principal fermented milk consumed in the United States.

Chocolate milk drink, provided for in item 118.15, embraces generally two types of products--one which is made from skimmed milk with the addition of flavoring and other ingredients, and the other being whole milk to which chocolate flavoring, usually cocoa, has been added.

Ice cream, including so-called frozen custard, is a frozen food, containing cream or butterfat, flavoring, sweetening, and usually eggs. The standards of identity for these products are set forth in 21 CFR 20.1 and 20.2. The most important dairy products used in ice cream are fluid, dried, or condensed milk and cream, butter, and butter oil. The great bulk of the ice cream commercially produced in the United States in 1966 was marketed either at the wholesale or

retail level in various-sized containers. Small amounts of ice cream were sold to the consumer from direct-serve or shake machines (counter freezers) that draw the product directly into a cone or cup; in the trade such ice cream is referred to as a "soft-frozen" product.

U.S. tariff treatment and other restrictions on imports

The current column 1 rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate of duty
118.10	Yoghurt and other fermented milk-------	20% ad val.
118.15	Chocolate milk drink-------------------	20% ad val.
118.25	Ice cream------------------------------	20% ad val.

The United States has never granted a trade-agreement concession on the foregoing items. Prior to the effective date of the TSUS, these products were not separately classified for tariff or statistical purposes, but were provided for as edible preparations in paragraph 1558 of the Tariff Act of 1930. Imports of chocolate milk drink and fermented milk are subject to the provisions of the Federal Import Milk Act of 1927, as amended (21 U.S.C. 141 et seq.); that act is discussed in the summary on fluid milk and cream (items 115.00-115.25). The Food and Drug Administration has not issued any permits to import these products.

The quantitative restrictions imposed on dairy products under section 22 of the Agricultural Adjustment Act, as amended, do not apply to imports of fermented milk, chocolate milk drink, and ice cream.

U.S. consumption and trade

Since U.S. imports and exports of fermented milk, chocolate milk drink, and ice cream have been negligible or nil for many years, domestic production has supplied all of the consumption. 1/ The absence of competition from imports is attributable principally to the efficiency of domestic producers, to the duty and other restrictions, and to high transportation costs.

1/ Recently, a few shipments of ice cream in retail-size packages have been transported by air from the United States to Europe; such shipments have been largely promotional, however, but the trade does not expect large commercial sales to develop.

U.S. production of yoghurt and other fermented milk products probably amounted to some 30-35 million pounds in 1966. In recent years, consumption is believed to have been increasing at a rate of about 10 percent annually. Several hundred plants produce yoghurt in the United States. One firm is believed to account for over half of the U.S. output. For nearly all of the producing firms, yoghurt is but one of several dairy products produced.

Annual U.S. production of chocolate milk drink, which is believed to have been increasing, has probably amounted to some 2-3 billion pounds in recent years. There are probably several thousand plants producing chocolate milk drink in the United States. Most of them process that product in connection with their regular fluid milk operations.

In the period 1962-66 the annual U.S. production of ice cream increased from 704 million to 752 million gallons. Other frozen desserts, such as ice milk, "mellorine-type" desserts, and milk sherbet are competitive with ice cream and generally contain much less butterfat than ice cream; some are made exclusively with vegetable fat. The output of such frozen desserts during 1962-66 increased from 285 million to 346 million gallons. Imports of these products have been negligible or nil; with the exception of milk sherbet (discussed in the summary on item 182.95 (vol. 1:14)), the Bureau of Customs has not classified such products for tariff purposes.

In the decade 1957-66 annual per capita consumption of ice cream has remained nearly constant at 15.5 quarts. During that period the per capita consumption of ice milk (which accounts for the great bulk of the domestic consumption of frozen desserts other than ice cream) increased from 2.6 quarts to 4.9 quarts, while that of the other frozen desserts averaged about 1 quart. The increased consumption of ice milk resulted largely from increased consumer preference for products low in butterfat. The popularity of drive-in frozen dessert stands, which usually sell ice milk and sometimes other frozen desserts (including ice cream) has increased in recent years. Generally, such stands market frozen desserts in the "soft-frozen" form. In recent years about half of the U.S. output of ice milk has been so marketed. Frozen desserts other than ice cream are not discussed further in this volume of summaries.

In 1966 plants that produced more than 20,000 gallons each (about 1,500 in number--excluding counter freezers) accounted for about 95 percent of the total domestic output of ice cream. New York, Pennsylvania, California, Ohio, and Illinois combined accounted for 40 percent of the output.

YOGHURT AND OTHER FERMENTED MILK, CHOCOLATE MILK DRINK, AND ICE CREAM

Yoghurt and other fermented milks, chocolate milk drink, and ice cream seldom enter international trade in significant quantities. Such products are somewhat bulky and require refrigeration for shipment. Fermented milks are popular foods in many countries, particularly in the Mediterranean area. The United States is by far the world's largest producer of ice cream.

Commodity	TSUS item
Birds' eggs in the shell:	
Poultry (except chicken)-------	119.50
Chicken-----------------------	119.55
Other-------------------------	119.60

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

The international trade in eggs in the shell has been small for many years. The United States is by far the world's largest egg-producing country and U.S. imports and exports of eggs have each been equivalent to less than 1 percent of U.S. consumption.

Description and uses

Chicken eggs in the shell account for the great bulk of the U.S. consumption of eggs. The U.S. output of eggs other than chicken eggs consists principally of small quantities of turkey and duck eggs used for hatching. Preserved Chinese duck eggs, which are imported and used as food delicacies by persons of Chinese ancestry in the United States, are not domestically produced. The eggs of wild birds included in item 119.60, such as those of quail and certain waterfowl, are of limited commercial importance.

Chicken eggs are the material used to produce dried, frozen, or otherwise prepared or preserved egg products (items 119.65 and 119.70). They are rich in protein, vitamins, and minerals. In recent years about 86 percent of the domestic chicken eggs have entered the traditional culinary outlets in homes, restaurants, and hotels as fresh eggs in the shell; 8 percent have been broken commercially for use in bakery and confectionery products, mayonnaise, salad dressings, and ice cream; and about 6 percent have been used for hatching. Imported eggs (except Chinese duck eggs) are used mainly for hatching.

The U.S. Department of Agriculture conducts an egg-grading program to assure producers, dealers, and consumers of a uniform product. The four principal U.S. grades are AA, A, B, and C, each divided into the following four weight classes: Extra large, Large, Medium, and Small. The appropriate grade and weight designations are shown on the cartons of most eggs sold in retail stores.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
	Eggs in the shell:			
119.50	Poultry (except chicken).	5¢ per doz.	4¢ per doz.	1/ 3.5¢ per doz.
119.55	Chicken	3.5¢ per doz.	2/	2/
119.60	Other	Free	2/	2/

1/ The final rate for this item will become effective Jan. 1, 1971, at the fourth stage.

2/ The rate of duty was not affected by the trade conference.

The above tabulation shows the column 1 rates of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see the TSUSA-1968 for the intermediate staged rates).

The foregoing rates of duty, which were in effect prior to January 1, 1968, are the same as the respective rates provided therefor under paragraph 713 of the former tariff schedules (paragraph 1671 in the case of item 119.60). They reflect concessions granted by the United States in the GATT. The rate of duty for item 119.50 had been in effect since July 1955 and that for item 119.55 since January 1948; the duty-free status for item 119.60 was bound in June 1951.

Based on the value of imports in 1966, the ad valorem equivalent of the specific rate of duty in effect on December 31, 1967, for item 119.50 averaged 2.8 percent. Although the U.S. imports under item 119.50 came from three countries in 1966, Canada supplied nearly 53 percent and Taiwan supplied nearly 47 percent of the total. The ad valorem equivalent of the duty on the eggs from Canada averaged 1.8 percent; on eggs from Taiwan it averaged 7.6 percent. In 1966 the ad valorem equivalent of the specific rate of duty in effect on December 31, 1967, for item 119.55 averaged 8.8 percent; the bulk of the imports came from Mexico. The ad valorem equivalent of the duty

on the eggs from that country averaged 8.4 percent; on imports from the other supplying countries it ranged from 2.9 percent to 15.1 percent.

In addition to the duty, imports of whole poultry eggs in the shell, preserved, require licenses under the Foreign Assets Control Regulations of the U.S. Treasury Department (31 CFR 500.204). U.S. Department of Agriculture regulations require poultry eggs for hatching imported from all countries, except Canada, to be accompanied by a certificate issued by a Government official of the country of export showing that such eggs are free of evidence of any communicable disease (9 CFR 92.5(b)). The importation of eggs of wild birds (item 119.60) is prohibited, except eggs of game birds imported for propagating purposes under regulations prescribed by the Secretary of the Interior, and eggs imported for scientific collections; imports of such eggs have been nil in recent years.

U.S. consumption

The annual U.S. consumption of eggs in the shell increased from 5.4 billion to 5.5 billion dozens during 1962-66 (see table). The per capita consumption of eggs declined each year from 393 eggs in 1951 to 313 eggs in 1966; the retail prices of eggs generally declined during that period. The declining per capita consumption of eggs is attributable mainly to the substitution of other breakfast foods (largely cereals) for eggs, changes in consumers' diets, and the greater competition from other animal proteins, particularly broiler meat.

U.S. producers

About 1 million farms sell poultry eggs in the United States. In 1966 California was the leading egg-producing State, followed by Georgia, Iowa, Pennsylvania, Texas, and Arkansas. Although eggs are generally produced near the large population centers, production has been shifting from the East and West North Central and the North Atlantic States to the South Atlantic, South Central, and Western States during the past decade. The North Atlantic and the East North Central States are the only egg-deficit producing areas in the United States.

Large automated and mechanized commercial egg operations, some of which consist of 1 million to 2 million hens each, account for a large part of the U.S. output of eggs. In recent years many farmers with small- and medium-sized flocks have abolished their egg enterprises as profits have narrowed. Those remaining in business have taken advantage of improvements in production technology and marketing techniques in order to lower their costs. The number of eggs

produced per hen (layer) in the United States increased from 177 in 1951 to 218 in 1966. The bulk of the eggs marketed in the United States have been sold under contracts negotiated between the large producers and the supermarkets. Such contracts generally require an even supply of eggs of specified grades and qualities throughout the year. Producers have been eliminating seasonal fluctuations in the output of eggs by improvements in breeding, feeding, and management. Thus, the storage of eggs, mostly in the processed form, has been greatly reduced, particularly in the summer months when production has been normally high. In recent years the storage of eggs in the shell has been virtually eliminated.

U.S. production and stocks

The annual U.S. output of eggs increased from about 5.4 billion dozens in 1962 to 5.5 billion dozens in 1966 (see table). In 1967 output was about 6 percent larger than in 1966. In 1966 the output was valued at about $2.0 billion. The general decline in the prices of eggs has probably retarded somewhat the growth of the U.S. output. In 1966 about 472 million dozens of shell eggs were processed into liquid eggs (see the summary on birds' eggs not in the shell). The commercial production of other poultry eggs has been small and the commercial production of eggs of other birds (item 119.60) has been negligible or nil.

U.S. exports

Although the annual U.S. exports of eggs in the shell are larger than imports, they have been insignificant compared with domestic production. They ranged from 9 million to 19 million dozens during 1962-66 (see table). U.S. exports of eggs have been declining for many years due to both the increasing self-sufficiency of many importing countries and the lower prices of eggs in most other countries.

In recent years the bulk of the U.S. exports of eggs have consisted of chicken eggs for hatching. They have gone principally to Canada and Venezuela.

U.S. imports

Annual U.S. imports of eggs in the shell ranged from 0.6 million to 2.6 million dozens in 1962-66 (see table). During this period the bulk of the U.S. imports consisted of chicken eggs. In recent years practically all of the U.S. imports of chicken eggs have come from Canada and Mexico and have been used mainly for hatching. The U.S. imports of other poultry eggs consist of preserved Chinese duck

eggs from Taiwan and Hong Kong, turkey eggs from Canada, and duck eggs from the Netherlands.

World production and trade

The annual world production of eggs is estimated to have ranged between 15 billion and 17 billion dozens in 1958-62; in 1963 it amounted to some 16 billion dozens. In 1963 the United States accounted for about one-third of the total output, the Soviet Union one-sixth, and Japan and the United Kingdom for about one-twelfth each. For many years the international trade in eggs has been small compared with production; the major egg-producing countries have accounted for only a small part of the total. The Netherlands, the principal exporter of eggs, supplied more than 35 percent of the eggs entering into the international trade in 1963; Poland, Denmark, and Belgium were other important suppliers. In recent years West Germany and Italy have been the principal egg-importing countries. Prior to 1963 West Germany accounted for more than half of the imports of eggs entering international trade. In that year, however, West German imports of eggs declined somewhat. Since the late 1950's West Germany has become more self-sufficient in the production of eggs.

Birds' eggs in the shell: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1962-66

Year	Production 1/	Imports	Exports	Apparent consumption
	Quantity (1,000 dozens)			
1962	5,403,000	1,560	8,572	5,395,988
1963	5,345,000	1,335	17,591	5,328,744
1964	5,435,000	2,295	8,693	5,428,602
1965	5,474,000	634	13,829	5,460,805
1966	5,538,000	2,562	18,827	5,521,735
	Value (1,000 dollars)			
1962	1,770,000	778	7,970	2/
1963	1,811,000	954	11,925	2/
1964	1,811,000	1,208	8,706	2/
1965	1,844,000	682	9,664	2/
1966	2,164,000	1,704	13,190	2/

1/ Chicken eggs only, including those for hatching; although data are not available on production of eggs other than chicken eggs, such output is believed to be negligible. Reported value is gross farm income from sales of eggs plus estimated value of home consumption.

2/ Not meaningful.

Source: Production 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.

Commodity	TSUS item
Birds' eggs not in the shell, egg yolks, and egg albumen:	
Dried	119.65
Other	119.70

Note.--For the statutory description, see the Tariff Schedules of the United States Annotated (1968). Pertinent sections thereof are reproduced in appendix A to this volume.

U.S. trade position

Although the United States has generally been a net exporter of egg products in recent years, imports and exports have each been equivalent to less than 1 percent of domestic consumption, except in 1966 when imports were equivalent to about 2 percent of consumption.

Description and uses

The products included in this summary consist of fresh whole eggs not in the shell (liquid eggs) and certain products derived therefrom, viz, egg yolks, and egg albumen (egg whites). The production of these egg products, often called egg-breaking, furnishes an outlet for the surplus output of eggs in the shell (items 119.50, -.60). (About 8 percent of the U.S. annual output of eggs has been broken commercially in recent years). These egg products are more convenient to store and transport than eggs in the shell. Eggs not in the shell, egg yolks, and egg albumen are used in dried form (item 119.65) and in liquid, frozen, and sometimes other forms (item 119.70).

For many years bakeries have consumed the bulk of the U.S. output of the foregoing egg products. Nearly one-half of the total output has been used as plain or mixed whole eggs; about three-tenths of the output has been used as egg albumen principally in angel-food cake, puff pastries, and the centers of candy; about one-fifth has been used as egg yolk. In addition to being consumed by bakeries, egg yolk is used extensively by manufacturers of baby foods, mayonnaise, and salad dressings. Dried eggs are particularly adapted for producing prepackaged cake mixes; the use of such mixes has expanded rapidly since the mid-1950's.

Consumer-size packages of egg products are seldom marketed because eggs in the shell are readily available and more versatile for home use than egg products. Also, prepared foods, which often contain egg products, have been used extensively in the home in recent years.

U.S. tariff treatment and other restrictions on imports

The column 1 (or trade-agreement) rates of duty applicable to imports (see general headnote 3 in the TSUSA-1968) are as follows:

TSUS item	Commodity	Rate prior to Jan. 1, 1968	U.S. concessions granted in 1964-67 trade conference (Kennedy Round)	
			First stage, effective Jan. 1, 1968	Final stage, effective Jan. 1, 1972
	Birds' eggs not in the shell, egg yolks, and egg albumen:			
119.65	Dried	27¢ per lb.	1/	1/
119.70	Other	11¢ per lb.	9.5¢ per lb.	5.5¢ per lb.

1/ The rate of duty was not affected by the trade conference.

The above tabulation shows the column 1 rates of duty in effect prior to January 1, 1968, and modifications therein as a result of concessions granted by the United States in the sixth round of trade negotiations under the General Agreement on Tariffs and Trade (GATT). Only the first and final stages of the annual rate modifications are shown (see the TSUSA-1968 for the intermediate staged rates).

The foregoing rates of duty, which were in effect prior to January 1, 1968, are the same as those provided for under paragraph 713 of the former tariff schedules; they did not reflect trade agreement concessions. In 1931 the statutory rate of 18 cents per pound on dried whole eggs not in the shell, dried egg yolks, and dried egg albumen was increased to 27 cents per pound pursuant to the provisions of section 336 of the Tariff Act of 1930 to equalize differences in the cost of production between the domestic and foreign products. Other whole eggs not in the shell, egg yolks, and egg albumen (item 119.70) had been dutiable at the statutory rate of 11 cents per pound until the duty was reduced in the recently concluded sixth round of trade negotiations.

In addition to the duty, imports of dried poultry eggs (whole, albumen, or yolks) require licenses under the Foreign Assets Control Regulations of the U.S. Treasury Department (31 CFR 500.204).

The ad valorem equivalent of the specific rate of duty in effect on December 31, 1967 for imports of dried egg products (item 119.65)

in 1966 averaged 36.8 percent; the ad valorem equivalent for the imports from the supplying countries ranged from 34.4 percent to 46.1 percent, depending on the country of origin. The average ad valorem equivalent of the specific rate of duty in effect on December 31, 1967 for imports of other egg products (item 119.70) in 1966 averaged 81.8 percent; the ad valorem equivalent on imports from the supplying countries ranged from 10.2 percent to 98.9 percent.

U.S. consumption

The apparent U.S. consumption of egg products ranged from 590 million pounds to 657 million pounds annually during 1962-66 (see table). The annual per capita consumption (on a shell-egg equivalent basis) ranged from 27 to 30 eggs during that period. The consumption of egg products does not normally fluctuate widely from year to year because bakers are reluctant to change their formulas.

Although nearly 60 percent of the output of egg products was frozen in 1966, increased portions of the total have been used in the dried and liquid form in recent years. Large bakeries have found it more convenient and efficient to have liquid eggs delivered directly from egg-breaking plants in refrigerated tank trucks.

U.S. producers, production, Government purchases, and stocks

In 1966 there were about 87 egg-breaking plants operating under Federal inspection in the United States; there were probably 400 to 500 plants not under Federal inspection. Slightly more than half the plants were in the East and West North Central States. As mentioned earlier, about 8 percent of the U.S. annual output of shell eggs has been broken commercially (into liquid eggs) in recent years. The production of liquid eggs--the material used to make other egg products, including dried eggs--ranged from 587 million to 659 million pounds annually in 1962-65; it amounted to 621 million pounds, valued at some $170 million in 1966. In 1967 the output of liquid eggs averaged 5 to 10 percent above the level of 1966. The annual output of dried eggs ranged from 45 million to 52 million pounds during the period 1962-66.

The value of the output of egg products reached a record level of nearly $500 million in 1944. The military and the U.S. Department of Agriculture purchased substantial quantities of the output during World War II. By 1965 and 1966, however, the value of the U.S. output had declined to some $200 million annually; there were no purchases of such products by the U.S. Department of Agriculture in those years. In 1967, however, the U.S. Department of Agriculture purchased about 2.4 million pounds of dried eggs, valued at $3.2 million, for distribution in the School Lunch Program. The Department of Defense has

purchased small quantities of eggs in the shell, and sometimes egg products, for many years. In 1966 such purchases amounted to 102 million dozens of eggs (on a shell-egg equivalent basis)--the highest since 1953, but less than 2 percent of the domestic output of eggs.

During the period 1962-66 annual yearend stocks of egg products (mostly frozen eggs) ranged from 40 million to 77 million pounds, equivalent to from 6 to 12 percent of the annual production; these stocks were commercially-owned.

U.S. exports and imports

The U.S. exports and imports of egg products have been small compared with production. Annual U.S. exports declined from 6.4 million pounds in 1962 to 1.8 million pounds in 1966. Virtually all of the exports consisted of dried eggs (largely albumen). Such exports went principally to the Netherlands, the United Kingdom, Switzerland, Italy, and West Germany. U.S. exports of dried eggs have been decreasing in recent years, largely because of restrictions imposed on imports by the Common Market countries.

During the period 1962-65 annual U.S. imports of egg products increased from 4,000 to 96,000 pounds. In 1966 they amounted to 13 million pounds. The rise in imports in 1966 reflects an increase in domestic prices over those in the preceding year. The bulk of the imports in 1966 consisted of frozen eggs from the United Kingdom, which were used mostly by bakeries in the United States. In 1967 imports of egg products are expected to approximate the levels that existed during 1961-65 inasmuch as the prices of eggs in the United States have been lower in 1967 than in 1966.

International trade

The international trade in egg products has been small in recent years. World trade amounted to about 100 million pounds in 1963. Trade in egg products depends largely on the level of the egg output in the traditional importing countries--the United Kingdom, West Germany, and Italy. In recent years, the Netherlands has supplied about 25 percent of the world exports of egg products; mainland China, Poland, and Australia each supplied about 15 percent. The bulk of the trade in egg products has been as liquid or frozen eggs.

Birds' eggs not in the shell: U.S. production, imports for consumption, exports of domestic merchandise, yearend stocks, and apparent consumption, 1962-66

Year	Production 1/	Imports	Exports	Yearend stocks 1/	Apparent consumption
	Quantity (1,000 pounds)				
1962	634,765	4	6,388	76,700	621,581
1963	587,018	5	5,876	68,100	589,747
1964	658,961	12	3,712	68,800	654,561
1965	628,792	96	2,950	64,400	630,337
1966	621,392	12,850	1,828	39,700	657,114
	Value (1,000 dollars)				
1962	171,000	5	5,311	21,000	2/
1963	164,000	7	5,891	19,000	2/
1964	178,000	10	4,111	19,000	2/
1965	170,000	23	2,015	17,000	2/
1966	170,000	2,419	1,582	11,000	2/

1/ Value based on wholesale prices at New York City.
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.

A P P E N D I X E S

GENERAL HEADNOTES AND RULES OF INTERPRETATION

1. Tariff Treatment of Imported Articles. All articles imported into the customs territory of the United States from outside thereof are subject to duty or exempt therefrom as prescribed in general headnote 3.

2. Customs Territory of the United States. The term "customs territory of the United States", as used in the schedules, includes only the States, the District of Columbia, and Puerto Rico.

3. Rates of Duty. The rates of duty in the "Rates of Duty" columns numbered 1 and 2 of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) Products of Insular Possessions.

(i) Except as provided in headnote 6 of schedule 7, part 2, subpart E, [and] except as provided in headnote 4 of schedule 7, part 7, subpart A, articles imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules, except that all such articles the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product, or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 50 percent of their total value, coming to the customs territory of the United States directly from any such possession, and all articles previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund, or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.

(b) Products of Cuba. Products of Cuba imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty set forth in column numbered 1 of the schedules. Preferential rates of duty for such products apply only as shown in the said column 1. 1/

(c) Products of the Philippine Republic.

(i) Products of the Philippine Republic imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty which are set forth in column numbered 1 of the schedules or to fractional parts of the rates in the said column 1, as hereinafter prescribed in subdivisions (c)(ii) and (c)(iii) of this headnote.

(ii) Except as otherwise prescribed in the schedules, a Philippine article, as defined in subdivision (c)(iv) of this headnote, imported into the customs territory of the United States and entered on or before July 3, 1974, is subject to that rate which results from the application of the following percentages to the most favorable rate of duty (i.e., including a preferential rate prescribed for any product of Cuba) set forth in column numbered 1 of the schedules:

(A) 20 percent, during calendar years 1963 through 1964,

(B) 40 percent, during calendar years 1965 through 1967,

(C) 60 percent, during calendar years 1968 through 1970,

(D) 80 percent, during calendar years 1971 through 1973,

(E) 100 percent, during the period from January 1, 1974, through July 3, 1974.

(iii) Except as otherwise prescribed in the schedules, products of the Philippine Republic, other than Philippine articles, are subject to the rates of duty (except any preferential rates prescribed for products of Cuba) set forth in column numbered 1 of the schedules.

(iv) The term "Philippine article", as used in the schedules, means an article which is the product of the Philippines, but does not include any article produced with the use of materials imported into the Philippines which are products of any foreign country (except materials produced within the customs territory of the United States) if the aggregate value of such imported materials when landed at the Philippine port of entry, exclusive of any landing cost and Philippine duty, was more than 20 percent of the appraised customs value of the article imported into the customs territory of the United States.

(d) Products of Canada.

(i) Products of Canada imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty set forth in column numbered 1 of the schedules. The rates of duty for a Canadian article, as defined in subdivision (d)(ii) of this headnote, apply only as shown in the said column numbered 1.

(ii) The term "Canadian article", as used in the schedules, means an article which is the product of Canada, but does not include any article produced with the use of materials imported into Canada which are products of any foreign country (except materials produced within the customs territory of the United States), if the aggregate value of such imported materials when landed at the Canadian port of entry (that is, the actual purchase price, or if not purchased, the export value, of such materials, plus, if not included therein, the cost of transporting such materials to Canada but exclusive of any landing cost and Canadian duty) was --

(A) with regard to any motor vehicle or automobile truck tractor entered on or before December 31, 1967, more than 60 percent of the appraised value of the article imported into the customs territory of the United States; and

(B) with regard to any other article (including any motor vehicle or automobile truck tractor entered after December 31, 1967), more than 50 percent of the appraised value of the article imported into the customs territory of the United States.

1/ By virtue of section 401 of the Tariff Classification Act of 1962, the application to products of Cuba of either a preferential or other reduced rate of duty in column 1 is suspended. See general headnote 3(e), infra. The provisions for preferential Cuban rates continue to be reflected in the schedules because, under section 401, the rates therefor in column 1 still form the bases for determining the rates of duty applicable to certain products, including "Philippine articles".

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(e) Products of Communist Countries. Notwithstanding any of the foregoing provisions of this headnote, the rates of duty shown in column numbered 2 shall apply to products, whether imported directly or indirectly, of the following countries and areas pursuant to section 401 of the Tariff Classification Act of 1962, to section 231 or 257(e)(2) of the Trade Expansion Act of 1962, or to action taken by the President thereunder:

Albania
Bulgaria
China (any part of which may be under Communist domination or control)
Cuba 1/
Czechoslovakia
Estonia
Germany (the Soviet zone and the Soviet sector of Berlin)
Hungary
Indochina (any part of Cambodia, Laos, or Vietnam which may be under Communist domination or control)
Korea (any part of which may be under Communist domination or control)
Kurile Islands
Latvia
Lithuania
Outer Mongolia
Rumania
Southern Sakhalin
Tanna Tuva
Tibet
Union of Soviet Socialist Republics and the area in East Prussia under the provisional administration of the Union of Soviet Socialist Republics.

(f) Products of All Other Countries. Products of all countries not previously mentioned in this headnote imported into the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules.

(g) Effective Date; Exceptions - Staged Rates of Duty. Except as specified below or as may be specified elsewhere, pursuant to section 501(a) of the Tariff Classification Act of 1962 (P.L. 87-456, approved May 24, 1962), the rates of duty in columns numbered 1 and 2 become effective with respect to articles entered on or after the 10th day following the date of the President's proclamation provided for in section 102 of the said Act. If, in column numbered 1, any rate of duty or part thereof is set forth in parenthesis, the effective date shall be governed as follows:

(i) If the rate in column numbered 1 has only one part (i.e., 8¢ (10¢) per lb.), the parenthetical rate (viz., 10¢ per lb.) shall be effective as to articles entered before July 1, 1964, and the other rate (viz., 8¢ per lb.) shall be effective as to articles entered on or after July 1, 1964.

(ii) If the rate in column numbered 1 has two or more parts (i.e., 5¢ per lb. + 50% ad val.) and has a parenthetical rate for either or both parts, each part of the rate shall be governed as if it were a one-part rate. For example, if a rate is expressed as "4¢ (4.5¢) per lb. + 8% (9%) ad val.", the rate applicable to articles entered before July 1, 1964, would be "4.5¢ per lb. + 9% ad val."; the rate applicable to articles entered on or after July 1, 1964, would be "4¢ per lb. + 8% ad val.".

(iii) If the rate in column numbered 1 is marked with an asterisk (*), the foregoing provisions of (i) and (ii) shall apply except that "January 1, 1964" shall be substituted for "July 1, 1964", wherever this latter date appears.

1/ In Proclamation 3447, dated February 3, 1962, the President, acting under authority of section 620(a) of the Foreign Assistance Act of 1961 (75 Stat. 445), as amended, prohibited the importation into the United States of all goods of Cuban origin and all goods imported from or through Cuba, subject to such exceptions as the Secretary of the Treasury determines to be consistent with the effective operation of the embargo.

4. Modification or Amendment of Rates of Duty. Except as otherwise provided in the Appendix to the Tariff Schedules --

(a) a statutory rate of duty supersedes and terminates the existing rates of duty in both column numbered 1 and column numbered 2 unless otherwise specified in the amending statute;

(b) a rate of duty proclaimed pursuant to a concession granted in a trade agreement shall be reflected in column numbered 1 and, if higher than the then existing rate in column numbered 2, also in the latter column, and shall supersede but not terminate the then existing rate (or rates) in such column (or columns);

(c) a rate of duty proclaimed pursuant to section 336 of the Tariff Act of 1930 shall be reflected in both column numbered 1 and column numbered 2 and shall supersede but not terminate the then existing rates in such columns; and

(d) whenever a proclaimed rate is terminated or suspended, the rate shall revert, unless otherwise provided, to the next intervening proclaimed rate previously superseded but not terminated or, if none, to the statutory rate.

5. Intangibles. For the purposes of headnote 1 --

(a) corpses, together with their coffins and accompanying flowers,
(b) currency (metal or paper) in current circulation in any country and imported for monetary purposes,
(c) electricity,
(d) securities and similar evidences of value, and
(e) vessels which are not "yachts or pleasure boats" within the purview of subpart D, part 6, of schedule 6,

are not articles subject to the provisions of these schedules.

6. Containers or Holders for Imported Merchandise. For the purposes of the tariff schedules, containers or holders are subject to tariff treatment as follows:

(a) Imported Empty: Containers or holders if imported empty are subject to tariff treatment as imported articles and as such are subject to duty unless they are within the purview of a provision which specifically exempts them from duty.

(b) Not Imported Empty: Containers or holders if imported containing or holding articles are subject to tariff treatment as follows:

(i) The usual or ordinary types of shipping or transportation containers or holders, if not designed for, or capable of, reuse, and containers of usual types ordinarily sold at retail with their contents, are not subject to treatment as imported articles. Their cost, however, is, under section 402 or section 402a of the tariff act, a part of the value of their contents and if their contents are subject to an ad valorem rate of duty such containers or holders are, in effect, dutiable at the same rate as their contents, except that their cost is deductible from dutiable value upon submission of satisfactory proof that they are products of the United States which are being returned without having been advanced in value or improved in condition by any means while abroad.

(ii) The usual or ordinary types of shipping or transportation containers or holders, if designed for, or capable of, reuse, are subject to treatment as imported articles separate and distinct from their contents. Such holders or containers are not part of the dutiable value of their contents and are separately subject to duty upon each and every importation into the customs territory of the United States unless within the scope of a provision specifically exempting them from duty.

(iii) In the absence of context which requires otherwise, all other containers or holders are subject to the same treatment as specified in (ii) above for usual or ordinary types of shipping or transportation containers or holders designed for, or capable of, reuse.

7. Commingling of Articles. (a) Whenever articles subject to different rates of duty are so packed together or mingled that the quantity or value of each class of articles cannot be readily ascertained by customs officers (without physical segregation of the shipment or the contents of any entire package thereof), by one or more of the following means:

(i) sampling,

(ii) verification of packing lists or other documents filed at the time of entry, or

(iii) evidence showing performance of commercial settlement tests generally accepted in the trade and filed in such time and manner as may be prescribed by regulations of the Secretary of the Treasury,

the commingled articles shall be subject to the highest rate of duty applicable to any part thereof unless the consignee or his agent segregates the articles pursuant to subdivision (b) hereof.

(b) Every segregation of articles made pursuant to this headnote shall be accomplished by the consignee or his agent at the risk and expense of the consignee within 30 days (unless the Secretary authorizes in writing a longer time) after the date of personal delivery or mailing, by such employee as the Secretary of the Treasury shall designate, of written notice to the consignee that the articles are commingled and that the quantity or value of each class of articles cannot be readily ascertained by customs officers. Every such segregation shall be accomplished under customs supervision, and the compensation and expenses of the supervising customs officers shall be reimbursed to the Government by the consignee under such regulations as the Secretary of the Treasury may prescribe.

(c) The foregoing provisions of this headnote do not apply with respect to any part of a shipment if the consignee or his agent furnishes, in such time and manner as may be prescribed by regulations of the Secretary of the Treasury, satisfactory proof --

(i) that such part (A) is commercially negligible, (B) is not capable of segregation without excessive cost, and (C) will not be segregated prior to its use in a manufacturing process or otherwise, and

(ii) that the commingling was not intended to avoid the payment of lawful duties.

Any article with respect to which such proof is furnished shall be considered for all customs purposes as a part of the article, subject to the next lower rate of duty, with which it is commingled.

(d) The foregoing provisions of this headnote do not apply with respect to any shipment if the consignee or his agent shall furnish, in such time and manner as may be prescribed by regulations of the Secretary of the Treasury, satisfactory proof --

(i) that the value of the commingled articles is less than the aggregate value would be if the shipment were segregated;

(ii) that the shipment is not capable of segregation without excessive cost and will not be segregated prior to its use in a manufacturing process or otherwise; and

(iii) that the commingling was not intended to avoid the payment of lawful duties.

Any merchandise with respect to which such proof is furnished shall be considered for all customs purposes to be dutiable at the rate applicable to the material present in greater quantity than any other material.

(e) The provisions of this headnote shall apply only in cases where the schedules do not expressly provide a particular tariff treatment for commingled articles.

8. Abbreviations. In the schedules the following symbols and abbreviations are used with the meanings respectively indicated below:

$	-	dollars
¢	-	cents
%	-	percent
+	-	plus
ad val.	-	ad valorem
bu.	-	bushel
cu.	-	cubic
doz.	-	dozen
ft.	-	feet
gal.	-	gallon
in.	-	inches
lb.	-	pounds
oz.	-	ounces
sq.	-	square
wt.	-	weight
yd.	-	yard
pcs.	-	pieces
prs.	-	pairs
lin.	-	linear
I.R.C.	-	Internal Revenue Code

9. Definitions. For the purposes of the schedules, unless the context otherwise requires --

(a) the term "entered" means entered, or withdrawn from warehouse, for consumption in the customs territory of the United States;

(b) the term "entered for consumption" does not include withdrawals from warehouse for consumption;

(c) the term "withdrawn for consumption" means withdrawn from warehouse for consumption and does not include articles entered for consumption;

(d) the term "rate of duty" includes a free rate of duty; rates of duty proclaimed by the President shall be referred to as "proclaimed" rates of duty; rates of duty enacted by the Congress shall be referred to as "statutory" rates of duty; and the rates of duty in column numbered 2 at the time the schedules become effective shall be referred to as "original statutory" rates of duty;

(e) the term "ton" means 2,240 pounds, and the term "short ton" means 2,000 pounds;

(f) the terms "of", "wholly of", "almost wholly of", "in part of" and "containing", when used between the description of an article and a material (e.g., "furniture of wood", "woven fabrics, wholly of cotton", etc.), have the following meanings;

(i) "of" means that the article is wholly or in chief value of the named material;

(ii) "wholly of" means that the article is, except for negligible or insignificant quantities of some other material or materials, composed completely of the named material;

(iii) "almost wholly of" means that the essential character of the article is imparted by the named material, notwithstanding the fact that significant quantities of some other material or materials may be present; and

(iv) "in part of" or "containing" mean that the article contains a significant quantity of the named material.

With regard to the application of the quantitative concepts specified in subparagraphs (ii) and (iv) above, it is intended that the de minimis rule apply.

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10. General Interpretative Rules. For the purposes of these schedules --

(a) the general, schedule, part, and subpart headnotes, and the provisions describing the classes of imported articles and specifying the rates of duty or other import restrictions to be imposed thereon are subject to the rules of interpretation set forth herein and to such other rules of statutory interpretation, not inconsistent therewith, as have been or may be developed under administrative or judicial rulings;

(b) the titles of the various schedules, parts, and subparts and the footnotes therein are intended for convenience in reference only and have no legal or interpretative significance;

(c) an imported article which is described in two or more provisions of the schedules is classifiable in the provision which most specifically describes it; but, in applying this rule of interpretation, the following considerations shall govern:

(i) a superior heading cannot be enlarged by inferior headings indented under it but can be limited thereby;

(ii) comparisons are to be made only between provisions of coordinate or equal status, i.e., between the primary or main superior headings of the schedules or between coordinate inferior headings which are subordinate to the same superior heading;

(d) if two or more tariff descriptions are equally applicable to an article, such article shall be subject to duty under the description for which the original statutory rate is highest, and, should the highest original statutory rate be applicable to two or more of such descriptions, the article shall be subject to duty under that one of such descriptions which first appears in the schedules;

(e) in the absence of special language or context which otherwise requires --

(i) a tariff classification controlled by use (other than actual use) is to be determined in accordance with the use in the United States at, or immediately prior to, the date of importation, of articles of that class or kind to which the imported articles belong, and the controlling use is the chief use, i.e., the use which exceeds all other uses (if any) combined;

(ii) a tariff classification controlled by the actual use to which an imported article is put in the United States is satisfied only if such use is intended at the time of importation, the article is so used, and proof thereof is furnished within 3 years after the date the article is entered;

(f) an article is in chief value of a material if such material exceeds in value each other single component material of the article;

(g) a headnote provision which enumerates articles not included in a schedule, part, or subpart is not necessarily exhaustive, and the absence of a particular article from such headnote provision shall not be given weight in determining the relative specificity of competing provisions which describe such article;

(h) unless the context requires otherwise, a tariff description for an article covers such article, whether assembled or not assembled, and whether finished or not finished;

(ij) a provision for "parts" of an article covers a product solely or chiefly used as a part of such article, but does not prevail over a specific provision for such part.

11. Issuance of Rules and Regulations. The Secretary of the Treasury is hereby authorized to issue rules and regulations governing the admission of articles under the provisions of the schedules. The allowance of an importer's claim for classification, under any of the provisions of the schedules which provide for total or partial relief from duty or other import restrictions on the basis of facts which are not determinable from an examination of the article itself in its condition as imported, is dependent upon his complying with any rules or regulations which may be issued pursuant to this headnote.

12. The Secretary of the Treasury is authorized to prescribe methods of analyzing, testing, sampling, weighing, gauging, measuring, or other methods of ascertainment whenever he finds that such methods are necessary to determine the physical, chemical, or other properties or characteristics of articles for purposes of any law administered by the Customs Service.

General statistical headnotes:

1. Statistical Requirements for Imported Articles. Persons making customs entry or withdrawal of articles imported into the customs territory of the United States shall complete the entry or withdrawal forms, as provided herein and in regulations issued pursuant to law, to provide for statistical purposes information as follows:

(a) the number of the Customs district and of the port where the articles are being entered for consumption or warehouse, as shown in Statistical Annex A of these schedules;

(b) the name of the carrier or the means of transportation by which the articles were transported to the first port of unloading in the United States;

(c) the foreign port of lading;

(d) the United States port of unlading;

(e) the date of importation;

(f) the country of origin of the articles expressed in terms of the designation therefor in Statistical Annex B of these schedules;

(g) a description of the articles in sufficient detail to permit the classification thereof under the proper statistical reporting number in these schedules;

(h) the statistical reporting number under which the articles are classifiable;

(ij) gross weight in pounds for the articles covered by each reporting number when imported in vessels or aircraft;

(k) the net quantity in the units specified herein for the classification involved;

(l) the U.S. dollar value in accordance with the definition in Section 402 or 402a of the Tariff Act of 1930, as amended, for all merchandise including that free of duty or dutiable at specific rates; and

(m) such other information with respect to the imported articles as is provided for elsewhere in these schedules.

2. Statistical Annotations. (a) The statistical annotations to the Tariff Schedules of the United States consist of --

(i) the 2-digit statistical suffixes,
(ii) the indicated units of quantity,
(iii) the statistical headnotes and annexes, and
(iv) the italicized article descriptions.

(b) The legal text of the Tariff Schedules of the United States consists of the remaining text as more specifically identified in headnote 10(a) of the general headnotes and rules of interpretation.

(c) The statistical annotations are subordinate to the provisions of the legal text and cannot change their scope.

3. Statistical Reporting Number. (a) General Rule: Except as provided in paragraph (b) of this headnote, and in the absence of specific instructions to the contrary elsewhere, the statistical reporting number for an article consists of the 7-digit number formed by combining the 5-digit item number with the appropriate 2-digit statistical suffix. Thus, the statistical reporting number for live monkeys dutiable under item 100.95 is "100.9520".

(b) Wherever in the tariff schedules an article is classifiable under a provision which derives its rate of duty from a different provision, the statistical reporting number is, in the absence of specific instructions to the contrary elsewhere, the 7-digit number for the basic provision followed by the item number of the provision from which the rate is derived. Thus, the statistical reporting number of mixed apple and grape juices, not containing over 1.0 percent of ethyl alcohol by volume, is "165.6500-165.40".

4. Abbreviations. (a) The following symbols and abbreviations are used with the meanings respectively indicated below:

s. ton	-	short ton
C.	-	one hundred
Cwt.	-	100 lbs.
mg.	-	milligram
M.	-	1,000
bd. ft.	-	board feet
M. bd. ft.	-	1,000 board feet
mc.	-	millicurie
cord	-	128 cubic feet
square	-	amount to cover 100 square feet of surface
sup. ft.	-	superficial foot
oz.	-	ounces avoirdupois
fl. oz.	-	fluid ounce
oz. troy	-	troy ounce
pf. gal.	-	proof gallon

(b) An "X" appearing in the column for units of quantity means that no quantity (other than gross weight) is to be reported.

(c) Whenever two separate units of quantity are shown for the same article, the "v" following one of such units means that the value of the article is to be reported with that quantity.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1968)

HISTORICAL NOTES

Amendments and Modifications

PROVISIONS	
Gen Hdnte 3(a)(i)	Language "Except as provided in headnote 6 of schedule 7, part 2, subpart E," added; language "except that all articles" deleted and language "except that all such articles" inserted in lieu thereof. Pub. L. 89-805, Secs. 1(a), (c), Nov. 10, 1966, 80 Stat. 1521, 1522, effective date Jan. 1, 1967.
	Language "Except as provided in headnote 4 of schedule 7, part 7, subpart A," added. Pub. L. 89-806, Secs. 2(b), (c), Nov. 10, 1966, 80 Stat. 1523, effective date March 11, 1967.

PROVISIONS	
Gen Hdnte 3(d), (e), (f) and (g)	Headnotes 3(d), (e), and (f) redesignated as headnotes 3(e), (f), and (g), respectively, and new headnote 3(d) added. Pub. L. 89 283, Secs. 401(a), 403, Oct. 21, 1965, 79 Stat. 1021, 1022; entered into force Oct. 22, 1965, by Pres. Proc. 3682, Oct. 21, 1965, 3 CFR, 1965 Supp., p. 68.
Gen Hdnte 6(b)(i)	Language "and containers of usual types ordinarily sold at retail with their contents," added. Pub. L. 89-241, Secs. 2(a), 4, Oct. 7, 1965, 79 Stat. 933, 934, effective date Dec. 7, 1965.

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS

10

Part 1 - Live Animals

Part 2 - Meats
- A. Bird Meat
- B. Meats Other Than Bird Meat

Part 3 - Fish and Shellfish
- A. Fish, Fresh, Chilled, or Frozen
- B. Fish, Dried, Salted, Pickled, Smoked, or Kippered
- C. Fish in Airtight Containers
- D. Other Fish Products
- E. Shellfish

Part 4 - Dairy Products; Birds' Eggs
- **A. Milk and Cream**
- **B. Butter, Oleomargarine, and Butter Substitutes**
- **C. Cheeses**
- **D. Other Milk Products**
- **E. Poultry and Other Birds' Eggs**

Part 5 - Hides, Skins, and Leather; Furskins
- A. Hides, Skins, and Leather
- B. Furskins

Part 6 - Live Plants; Seeds
- A. Live Plants
- B. Seeds

Part 7 - Cereal Grains, Milled Grain Products, and Malts and Starches
- A. Grains
- B. Milled Grain Products
- C. Malts and Starches

Part 8 - Vegetables
- A. Vegetables, Fresh, Chilled, or Frozen
- B. Vegetables, Dried, Desiccated, or Dehydrated
- C. Vegetables, Packed in Salt, in Brine, Pickled, or Otherwise Prepared or Preserved
- D. Mushrooms and Truffles

Part 9 - Edible Nuts and Fruits
- A. Edible Nuts
- B. Edible Fruits
- C. Fruit Flours, Pearls, Pastes, Pulps, Jellies, Jams, Marmalades, and Butters
- D. Glacé Nuts, Fruits, and Other Vegetable Substances

Part 10 - Sugar, Cocoa, Confectionery
- A. Sugars, Sirups, and Molasses
- B. Cocoa
- C. Confectionery

Part 11 - Coffee, Tea, Maté, and Spices
- A. Coffee and Coffee Substitutes, Tea, Maté
- B. Spices and Spice Seeds

Part 12 - Beverages
- A. Fruit Juices
- B. Non-Alcoholic Beverages
- C. Fermented Alcoholic Beverages
- D. Spirits, Spirituous Beverages and Beverage Preparations

Part 13 - Tobacco and Tobacco Products

Part 14 - Animal and Vegetable Oils, Fats and Greases
- A. Oil-Bearing Vegetable Materials
- B. Vegetable Oils, Crude or Refined
- C. Animal Oils, Fats, and Greases, Crude or Refined
- D. Hardened Oils, Fats, and Greases; Mixtures

Part 15 - Other Animal and Vegetable Products
- A. Products of American Fisheries
- B. Edible Preparations
- C. Animal Feeds
- D. Feathers, Downs, Bristles, and Hair
- E. Shellac and Other Lacs; Natural Gums, Gum Resins, Resins, and Balsams; Turpentine and Rosin
- F. Miscellaneous Animal Products
- G. Miscellaneous Vegetable Products

Item	Stat. Suffix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
		PART 4. - DAIRY PRODUCTS; [1/] BIRDS' EGGS			
		Part 4 headnote:			
		1. The percentages of butterfat specified in this part shall be the percentages of butterfat by weight.			
		Subpart A. - Milk and Cream			
		Subpart A headnote:			
		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	Gal.	15¢ 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	00	Not sweetened	Lb.	1¢ per lb.	1.8¢ per lb.
115.35	00	Sweetened	Lb.	1.75¢ per lb.	2.75¢ per lb.
115.40	00	Other	Lb.	1.5¢ per lb.	2.53¢ per lb.
		Dried milk and cream:			
115.45	00	Buttermilk containing not over 6 percent of butterfat	Lb.	1.5¢ per lb.	3¢ per lb.
		Other:			
115.50	00	Containing not over 3 percent of butterfat	Lb.	1.5¢ per lb.	3¢ per lb.
115.55	00	Containing over 3 percent but not over 35 percent of butterfat	Lb.	3.1¢ per lb.	6.2¢ per lb.
115.60	00	Containing over 35 percent of butterfat	Lb.	6.2¢ per lb.	12.4¢ per lb.
		Subpart B. - Butter, Oleomargarine, and Butter Substitutes			
		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	Lb.	7¢ 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)	

(s) = Suspended. See general headnote 3(b).

1/ Imports of certain dairy products are subject to additional import restrictions. See Appendix to Tariff Schedules.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1968)

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

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
		Butter, and fresh or sour cream, etc. (con.):			
		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	Lb.	7¢ 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	Lb.	7¢ 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	00	Oleomargarine and butter substitutes	Lb.	7¢ per lb.	14¢ per lb.
		Subpart C. - Cheeses			
		Subpart C headnote:			
		1. No allowance in weight shall be made for inedible, not readily removable, protective coverings of cheese.			
		Blue-mold cheese:			
117.00	00	In original loaves	Lb.	15% ad val.	35% ad val.
117.05	00	Other	Lb.	20% ad val.	35% ad val.
117.10	00	Bryndza cheese	Lb.	15.5% ad val.	35% ad val.
		Cheddar cheese:			
117.15	00	Not processed otherwise than by division into pieces	Lb.	15% ad val.	35% ad val.
117.20	00	Other	Lb.	20% ad val.	35% ad val.
117.25	00	Edam and Gouda cheeses	Lb.	15% ad val.	35% ad val.
		Gjetost cheeses:			
117.30	00	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.	12% ad val.	35% ad val.
117.35	00	Other	Lb.	18% ad val.	35% ad val.
117.40		Goya and Sbrinz cheeses		25% ad val.	35% ad val.
	20	*Sbrinz in original loaves*	Lb.		
	40	*Other*	Lb.		
		Roquefort cheese:			
117.45	00	In original loaves	Lb.	10.5% ad val.	35% ad val.
117.50	00	Other	Lb.	18% ad val.	35% ad val.
117.55		Romano made from cow's milk, Reggiano, Parmesano, Provoloni, and Provolette cheeses		20% ad val.	35% ad val.
		In original loaves:			
	20	*Romano made from cow's milk*	Lb.		
	40	*Parmesano and Reggiano*	Lb.		
	60	*Provoloni and Provolette*	Lb.		
	80	*Other*	Lb.		
117.60		Swiss or Emmenthaler cheese with eye formation, Gruyere-process cheese, Gammelost, and Nokkelost		14% ad val.	35% ad val.
	20	*Swiss or Emmenthaler with eye formation*	Lb.		
	40	*Gruyere-process*	Lb.		
	60	*Gammelost and Nokkelost*	Lb.		

(s) = Suspended. See general headnote 3(b).

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
		Other cheeses, and substitutes for cheese:			
		Cheeses made from sheep's milk:			
117.65	00	In original loaves and suitable for grating	Lb.	11% ad val.	35% ad val.
117.67	00	Pecorino, in original loaves, not suitable for grating	Lb.	15% ad val.	35% ad val.
117.70	00	Other	Lb.	19% ad val.	35% ad val.
		Other:			
117.75		Valued not over 25 cents per pound		5¢ per lb.	8.75¢ per lb.
	20	*Colby*	*Lb.*		
	40	*Other*	*Lb.*		
		Valued over 25 cents per pound:			
117.81	00	Colby	Lb.	20% ad val.	35% ad val.
117.85	00	Other	Lb.	18% ad val.	35% ad val.
		Subpart D. - Other Milk Products			
		Whey:			
118.00	00	Fluid	Gal.	1.5¢ per gal.	2.05¢ per gal.
118.05	00	Dried	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	Gal.	20% ad val.	20% ad val.
118.30	00	Malted milk; and articles not specially provided for, of milk or cream	Lb.	17.5% ad val.	35% ad val.
		Subpart E. - Poultry and Other Birds' Eggs			
		Subpart E headnote:			
		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:			
119.50	00	Poultry (except chicken)	Doz.	4¢ per doz.	10¢ per doz.
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.	9.5¢ per lb.	11¢ per lb.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1968)

STAGED RATES AND HISTORICAL NOTES

Notes p. 1
Schedule 1,
Part 4

Staged Rates

Modifications of column 1 rates of duty by Pres. Proc. 3822 (Kennedy Round), Dec. 16, 1967, 32 F.R. 19002:

TSUS item	Prior rate	Rate of duty, effective with respect to articles entered on and after January 1 --				
		1968	1969	1970	1971	1972
117.10	17.5% ad val.	15.5% ad val.	14% ad val.	12% ad val.	10% ad val.	8.5% ad val.
117.30	13.5% ad val.	12% ad val.	10.5% ad val.	9% ad val.	8% ad val.	6.5% ad val.
117.35	20% ad val.	18% ad val.	16% ad val.	14% ad val.	12% ad val.	10% ad val.
117.45	12% ad val.	10.5% ad val.	9.5% ad val.	8% ad val.	7% ad val.	6% ad val.
117.50	20% ad val.	18% ad val.	16% ad val.	14% ad val.	12% ad val.	10% ad val.
117.60	16% ad val.	14% ad val.	12.5% ad val.	11% ad val.	9.5% ad val.	8% ad val.
117.65	12% ad val.	11% ad val.	10.5% ad val.	10% ad val.	9.5% ad val.	9% ad val.
117.67	16% ad val.	15% ad val.	14% ad val.	13.5% ad val.	12.5% ad val.	12% ad val.
117.70	20% ad val.	19% ad val.	18% ad val.	17% ad val.	16% ad val.	15% ad val.
117.85	20% ad val.	18% ad val.	16% ad val.	14% ad val.	12% ad val.	10% ad val.
119.50	5¢ per doz.	4¢ per doz.	4¢ per doz.	4¢ per doz.	3.5¢ per doz.	3.5¢ per doz.
119.70	11¢ per lb.	9.5¢ per lb.	8.5¢ per lb.	7.5¢ per lb.	6.5¢ per lb.	5.5¢ per lb.

Other Amendments and Modifications

PROVISION	
117.80--Item 117.80 (column 1 rate--20% ad val.; column 2 rate--35% ad val.) deleted and items 117.81 and 117.85 and heading immediately preceding item 117.81 added in lieu thereof. Pres. Proc. 3822 (Kennedy Round), Dec. 16, 1967, 32 F.R. 19002, effective date Jan. 1, 1968.	
117.81	
117.85	

Statistical Notes

PROVISION	Effective date
117.80--See Other Amendments and Modifications	
20--Disc. (transferred to 117.8100)	*Jan. 1, 1968*
40--Disc. (transferred to 117.8500)	*do*
117.81--See Other Amendments and Modifications	
00--Estab. (transferred from 117.8020)	*Jan. 1, 1968*
117.85--See Other Amendments and Modifications	
00--Estab. (transferred from 117.8040)	*Jan. 1, 1968*
118.05--See Other Amendments and Modifications (item 950.01)	

Appendix Headnotes:

1. The provisions of this Appendix relate to legislation and to executive and administrative actions pursuant to duly constituted authority, under which --

(a) one or more of the provisions in schedules 1 through 8 are temporarily amended or modified, or

(b) additional duties or other import restrictions are imposed by, or pursuant to, collateral legislation.

2. Unless the context requires otherwise, the general headnotes and rules of interpretation and the respective schedule, part, and subpart headnotes in schedules 1 through 8 apply to the provisions of this Appendix.

Appendix statistical headnotes:

1. For statistical reporting of merchandise provided for herein --

(a) unless more specific instructions appear in the parts or subparts of this appendix, report the 5-digit item number (or 7-digit number, if any) found in the appendix in addition to the 7-digit number appearing in schedules 1-7 which would be applicable but for the provisions of this appendix; and

(b) the quantities reported should be in the units provided in schedules 1-7.

2. For those items herein for which no rate of duty appears (i.e., those items for which an absolute quota is prescribed), report the 5-digit item number herein followed by the appropriate 7-digit reporting number from schedules 1-7. The quantities reported should be in the units provided in schedules 1-7.

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APPENDIX TO THE TARIFF SCHEDULES 9 - 3 --

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
		PART 3. - ADDITIONAL IMPORT RESTRICTIONS PROCLAIMED PURSUANT TO SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED		
		Part 3 headnotes:		
		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.		
		2. Exclusions.--The import restrictions provided for in this part do not apply with respect to --		
		(a) articles imported by or for the account of any agency of the United States;		
		(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 $10 in any shipment, if imported as samples for taking orders, for the personal use of the importer, or for research;		
		(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;		
		(d) certified or registered seed wheat for use for seeding and crop-improvement purposes, in bags tagged and sealed by an officially recognized seed-certifying agency of the country of production, if -- (i) the individual shipment amounts to 100 bushels (of 60 pounds each for wheat) or less, or (ii) the individual shipment amounts to more than 100 bushels and the 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;		

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1968)

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
		(e) wheat flour, the product of Israel, which is certified to the Secretary of Agriculture by an authorized representative of the government of Israel or its designee as having been thoroughly safeguarded for ritual purposes under rabbinical supervision and which is imported into the United States for use solely for religious and ritual purposes in the making of matzos for Passover, if the written approval of the Secretary of Agriculture is presented at the time of entry, or withdrawal from warehouse, for consumption; and (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.		
		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 whom 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 1,225,000 pounds per quota year of natural Cheddar cheese 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 a government agency of the country where the cheese was produced, of which amount not more than 612,500 pounds may be entered during the period July 1, 1967, through December 31, 1967, or during the first six months of a quota year. Such licenses shall be issued under regulations of the Secretary of Agriculture which he determines will, to the fullest extent practicable, result in (1) the equitable distribution of the respective quotas for such articles among importers or users and (2) the allocation of shares of the respective quotas for such articles among supplying countries, based upon the proportion supplied by such countries during previous representative periods, taking due account of any special factors which may have affected or may be affecting the trade in the articles concerned. No licenses shall be issued which will permit entry during the first six months of a quota year of more than one-half of the quantities specified for any of the cheeses or substitutes for cheese (items 950.07 through .10) in the column entitled "Quota Quantity." (ii) not more than 4,406,250 pounds of the quota quantity specified for articles under item 950.08A for the period July 1, 1967, through December 31, 1967, and not more than 8,812,500 pounds of the annual quota quantity specified in such item for each subsequent 12-month period shall be products other than natural Cheddar cheese made from unpasteurized milk and aged not less than 9 months.		

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1968)

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
		(b) Cotton Waste. For the purposes of item 959.05, 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 (B) 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.		
		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:		
950.00	1/	Milk and cream, fluid or frozen, fresh or sour, containing over 5.5 percent but not over 45 percent by weight of butterfat:		
		For the 12-month period ending December 31, 1967:		
		New Zealand	1/	The quantity entered on or before June 30, 1967, plus 750,000 gallons
		Other	1/	None
		For each subsequent year:		
		New Zealand	1/	1,500,000 gallons
		Other	1/	None
		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 pounds
950.02	1/	Described in item 115.50	1/	1,807,000 pounds
950.03	1/	Described in item 115.55	1/	7,000 pounds
950.04	1/	Described in item 115.60	1/	500 pounds
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 pounds
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 provided for elsewhere in these schedules	1/	1,200,000 pounds
		Cheeses and substitutes for cheese provided for in part 4C, schedule 1:		
950.07	1/	Blue-mold (except Stilton) and cheese and substitutes for cheese containing, or processed from, blue-mold cheese	1/	5,016,999 pounds
950.08A	1/	Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese:		
		For the 12-month period ending December 31, 1967	1/	The quantity entered on or before June 30, 1967, plus 5,018,750 pounds (See headnote 3(a)(ii) of this part)
		For each subsequent 12-month period	1/	10,037,500 pounds (See headnote 3(a)(ii) of this part)
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:		
		For the 12-month period ending December 31, 1967	1/	The quantity entered on or before June 30, 1967, plus 3,048,300 pounds
		For each subsequent 12-month period	1/	6,096,600 pounds
950.09	1/	Edam and Gouda cheeses	1/	9,200,400 pounds
950.10	1/	Italian-type cheeses, made from cows' milk, in original loaves (Romano made from cows' milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz)	1/	11,500,100 pounds
950.11	1/	Malted milk, and articles of milk or cream, provided for in item 118.30, part 4D, schedule 1	1/	6,000 pounds

1/ See Appendix statistical headnote 2.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1968)

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
		Whenever, in any 12-month period, etc. (con.):		
		Articles containing over 5.5 percent by weight of butterfat, the butterfat content of which is commercially extractable, or which are capable of being used for any edible purpose (except articles provided for in subparts A, B, C or item 118.30, of part 4, schedule 1, and except articles imported packaged for distribution to the retail trade and ready for use by the purchaser at retail for an edible purpose or in the preparation of an edible article):		
950.12	1/	Over 45 percent by weight of butterfat.....	1/	None
950.13	1/	Over 5.5 percent but not over 45 percent by weight of butterfat and classifiable for tariff purposes under item 182.92:		
		For the 12-month period ending December 31, 1967:		
		Australia.....	1/	The quantity entered on or before June 30, 1967, plus 1,120,000 pounds
		Belgium and Denmark (aggregate).....	1/	The quantity entered on or before June 30, 1967, plus 170,000 pounds
		Other.....	1/	None
		For each subsequent 12-month period:		
		Australia.....	1/	7,240,000 pounds
		Belgium and Denmark (aggregate).....	1/	340,000 pounds
		Other.....	1/	None

TARIFF SCHEDULES OF THE UNITED STATES TARIFF COMMISSION (1968)

HISTORICAL NOTES

Notes p. 1
Appendix,
Part 3

Amendments and Modifications

PROVISION	
Part 3--Language "or for the personal use of the importer" deleted and language "for the personal use of the importer, or for research" inserted in lieu thereof. Pub. L. 89-241, Secs. 2(a), 88, Oct. 7, 1965, 79 Stat. 933, 950, effective date Dec. 7, 1965.	
Part 3--Language "articles not exceeding 100 pounds in aggregate weight in any shipment, if entered for exhibition, display, or sampling at a Trade Fair, or for research, and if" deleted and language "articles entered for exhibition, display, or sampling at a Trade Fair or for research, but only if" inserted in lieu thereof. Pub. L. 89-241, Secs. 2(a), 88, Oct. 7, 1965, 79 Stat. 933, 950, effective date Dec. 7, 1965.	hdnte 2(c)
Part 3--Language "seed rye or" preceding "seed wheat" and language "of 56 pounds each for rye and" preceding "of 60 pounds each for wheat" deleted. Pres. Proc. 3597, July 7, 1964, 3 CFR, 1964 Supp., P. 51, effective date July 7, 1964.	hdnte 2(d)
Part 3--Headnote 3(a) modified. Pres. Proc. 3562, Nov. 26, 1963, 3 CFR, 1959-1963 Comp., P. 315, effective date Nov. 26, 1963.	hdnte 3(a)
Headnote 3(a) modified. Pres. Proc. 3790, June 30, 1967, 32 F.R. 9803, effective date June 30, 1967.	
950.00--Heading immediately preceding item 950.00 modified.	
Pres. Proc. 3790, June 30, 1967, 32 F.R. 9803, effective date June 30, 1967.	950.01 950.02 950.03 950.04 950.05 950.06 950.07 950.08A 950.08B 950.09 950.10 950.11 950.12 950.13

PROVISION	
950.00--Item 950.00 added. Pres. Proc. 3790, June 30, 1967, 32 F.R. 9803, effective date June 30, 1967.	
950.01--Heading immediately preceding item 950.01 modified by adding reference to dried whey, and article description for item 950.01 modified by adding reference to item 118.05. Pres. Proc. 3597, July 7, 1964, 3 CFR, 1964 Supp., P. 51, effective date July 7, 1964.	950.01 950.02 950.03 950.04
950.06--Article description for item 950.06 modified by adding reference to butter oil. Pres. Proc. 3558, Oct. 5, 1963, 3 CFR, 1959-1963 Comp., P. 310, effective date Oct. 5, 1963.	
950.07--Quota quantity increased from 4,167,000 pounds to 5,016,999 pounds. Pres. Proc. 3562, Nov. 26, 1963, 3 CFR, 1959-1963 Comp., P. 315, effective date Nov. 26, 1963.	
950.08--Quota quantity provisionally increased from 2,780,100 pounds to 3,706,800 pounds for the quota year ending June 30, 1966. Pres. Proc. 3709, March 31, 1966, 3 CFR, 1966 Comp., P. 32, effective date March 31, 1966.	
950.08--Item 950.08 deleted and item 950.08A added in lieu thereof. Pres. Proc. 3790, June 30, 1967, 32 F.R. 9803, effective date June 30, 1967.	950.08A
950.088--Item 950.088 added. Pres. Proc. 3790, June 30, 1967, 32 F.R. 9803, effective date June 30, 1967.	
950.12--Item 950.12 deleted and new items 950.12 and 950.13 and heading immediately preceding item 950.12 added in lieu thereof. Pres. Proc. 3790, June 30, 1967, 32 F.R. 9803, effective date June 30, 1967.	950.13
Article description for item 950.13 modified by deleting "182.91" and inserting "182.92" in lieu thereof. Pres. Proc. 3822 (Kennedy Round), Dec. 16, 1967, 32 F.R. 19002, effective date Jan. 1, 1968.	

Value of U.S. imports for consumption, by TSUS items included in the individual summaries of this volume, total and from the 3 principal suppliers, 1966

(In thousands of dollars. The dollar value of imports shown is defined generally as the market value in the foreign country and therefore excludes U.S. import duties, freight, and transportation insurance)

TSUS item	All countries		First supplier		Second supplier		Third supplier	
	Amount in 1966	Percent change from 1965	Country	Value	Country	Value	Country	Value
Fluid milk and cream (p. 5)								
115.00	-	-	-	-	-	-	-	-
115.05	-	-	-	-	-	-	-	-
115.10	-	-	-	-	-	-	-	-
115.15	-	-	-	-	-	-	-	-
115.20	3,195	28.5	N. Zealand	3,194	Denmark	2	-	-
115.25	-	-	-	-	-	-	-	-
118.00	-	-	-	-	-	-	-	-
Condensed or evaporated milk and cream (p. 19)								
115.30	66	1/	Netherlands	65	Canada	2	Denmark	-
115.35	363	73.7	Netherlands	137	Canada	120	Denmark	87
115.40	41	-60.1	W. Germany	24	Denmark	9	Netherlands	8
Dried milk and cream (except nonfat dry milk) (p. 25)								
115.45	57	1/	Canada	45	N. Zealand	11	-	-
115.55	2	2/	N. Zealand	2	-	-	-	-
115.60	-	-100.0	-	-	-	-	-	-
118.05	-	-	-	-	-	-	-	-
118.30	3/	-74.3	India	3/	-	-	-	-
Nonfat dry milk (p. 35)								
115.50	370	113.1	Australia	273	Canada	92	N. Zealand	5
Butter and cream containing over 45 percent of butterfat (p. 45)								
116.00	168	70.4	N. Zealand	104	Denmark	51	Netherlands	8
116.05	-	-100.0	-	-	-	-	-	-
116.06	-	-	-	-	-	-	-	-
116.10	101	-10.9	N. Zealand	46	Denmark	37	Netherlands	18
116.15	-	-	-	-	-	-	-	-
116.16	-	-	-	-	-	-	-	-
116.20	96	-43.3	N. Zealand	65	Denmark	18	Netherlands	5
116.25	-	-100.0	-	-	-	-	-	-
116.26	-		-	-	-	-	-	-
Oleomargarine and butter substitutes (p. 55)								
116.30	3	2/	Netherlands	3	-	-	-	-
Blue-mold cheese (p. 63)								
117.00	2,316	15.7	Denmark	2,159	Italy	56	Norway	39
117.05	304	47.1	Denmark	275	Italy	22	U. Kingdom	7

See footnotes at end of table.

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Value of U.S. imports for consumption, by TSUS items included in the individual summaries of this volume, total and from the 3 principal suppliers, 1966--Continued

(In thousands of dollars. The dollar value of imports shown is defined generally as the market value in the foreign country and therefore excludes U.S. import duties, freight, and transportation insurance)

TSUS item	All countries		First supplier		Second supplier		Third supplier	
	Amount in 1966	Percent change from 1965	Country	Value	Country	Value	Country	Value
Sheep's milk cheeses (except Roquefort) (p. 71)								
117.10	19	-19.3	Czecho.	19	-	-	-	-
117.65	9,260	-6.5	Italy	9,040	Rumania	168	Cyprus	21
117.67	2,211	4/	Italy	1,001	Greece	410	Yugoslavia	309
117.70	85	75.0	Italy	63	Denmark	15	Portugal	4
Cheddar cheese (p. 77)								
117.15	1,516	138.0	N. Zealand	1,012	Canada	492	W. Germany	6
117.20	15	1/	Australia	7	W. Germany	3	Denmark	2
Edam and Gouda cheeses (p. 91)								
117.25	4,990	41.1	Netherlands	3,552	Denmark	806	W. Germany	220
Gjetost cheeses (p. 99)								
117.30	31	-.6	Norway	30	Denmark	3/	-	-
117.35	105	6.0	Norway	101	W. Germany	2	Denmark	1
Italian-type cheeses (p. 103)								
117.40 (pt.)	-	-	-	-	-	-	-	-
117.55	5,195	1.7	Italy	3,449	Argentina	1,731	Australia	8
Goya, Gammelost, Nokkelost cheeses, cheeses not elsewhere enumerated, and substitutes for cheese (p. 111)								
117.40 (pt.)	-	-	-	-	-	-	-	-
117.60 (pt.)	349	1/	Switzerland	244	Norway	53	Denmark	52
117.75 (pt.)	1,375	1/	Denmark	571	Iceland	377	Ireland	70
117.85(pt)5/	5,570	36.6	Denmark	1,881	France	1,493	Switzerland	431
Roquefort cheese (p. 119)								
117.45	2,085	-12.9	France	2,082	Italy	3	-	-
117.50	17	1/	Brazil	14	France	3	-	-
Swiss or Emmenthaler cheese (p. 123)								
117.60 (pt.)	7,988	33.1	Switzerland	4,740	Finland	1,421	Austria	797
Gruyere-process cheese (p. 131)								
117.60 (pt.)	4,108	42.4	Switzerland	2,475	Finland	905	Austria	384
Colby, washed curd, and Granular cheeses (p. 135)								
117.75 (pt.)	4,399	46.3	N. Zealand	3,391	Australia	535	Austria	318
117.81 5/	8,171	1/	France	2,397	Denmark	2,272	N. Zealand	1,772
117.85(pt)5/	-	-	-	-	-	-	-	-
Yoghurt and other fermented milk, chocolate milk drink, and ice cream (p. 145)								
118.10	-	-	-	-	-	-	-	-
118.15	-	-	-	-	-	-	-	-
118.25	-	-	-	-	-	-	-	-

See footnotes at end of table.

Value of U.S. imports for consumption, by TSUS items included in the individual summaries of this volume, total and from the 3 principal suppliers, 1966 -- Continued

(In thousands of dollars. The dollar value of imports shown is defined generally as the market value in the foreign country and therefore excludes U.S. import duties, freight, and transportation insurance)

TSUS item	All countries		First supplier		Second supplier		Third supplier	
	Amount in 1966	Percent change from 1965	Country	Value	Country	Value	Country	Value
Birds' eggs in the shell (p. 149)								
119.50	879	68.9	Canada	725	Taiwan	152	Japan	2
119.55	825	1/	Mexico	477	Canada	260	Netherlands	45
119.60	-	-	-	-	-	-	-	-
Birds' eggs not in the shell, egg yolks, and egg albumen (p. 155)								
119.65	846	1/	Denmark	605	W. Germany	70	Argentina	65
119.70	1,573	1/	U. Kingdom	1,164	Poland	305	Denmark	86

1/ More than 200 percent.
2/ No imports reported for 1965.
3/ Less than $500.
4/ Less than 0.05 percent.
5/ Derived from item 117.80 (which was in effect during the period Aug. 31, 1963-Dec. 31, 1967).

OTHER AVAILABLE VOLUMES OF THE SUMMARIES SERIES

1	6	Cereal Grains, Malts, Starches, and Animal Feeds
1	11	Tobacco and Tobacco Products
2	1	Wood and Related Products I
4	3	Inorganic Chemicals II
4	12	Fatty Substances, Waxes, and Miscellaneous Chemical Products
5	2	Gems, Gemstones, Industrial Diamonds, Clays, Fluorspar, Talc, and Miscellaneous Nonmetallic Minerals and Products Thereof
6	4	Iron and Steel
7	4	Arms and Ammunition; Fishing Tackle; Wheel Goods; Sporting Goods; Toys and Games