The basic objectives of these programs which the Congress has provided for dairy farmers are: (1) parity price in the market place when supplies are not excessive; (2) a support floor which prevents prices from dropping too low; (3) the domestic production of adequate supplies of milk.

IMPORT CONTROLS—SECTION 22

When the price support programs were enacted, Congress recognized that import controls would be required to prevent imports from unduly burdening and disrupting these programs. These controls were provided in Section 22 of the Agricultural Adjustment Act (7 U.S.C. Sec. 624), and have been maintained by Congress for more than 30 years.

As recently as 1962, Congress reaffirmed its position in respect to Sec. 22 by writing into the Trade Expansion Act of 1962:

"Nothing contained in this Act shall be construed to affect in any way the provisions of Sec. 22 of the Agricultural Adjustment Act, or to apply to any import restrictions heretofore or hereafter imposed under such section." (Sec. 257(h).)

Section 22 provides that foreign trade programs and policies are not to undermine the programs which Congerss has set up for American agriculture. The current wording of subsection (f) of Section 22, adopted in 1951, states in unequivocal terms that:

"No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

Since Section 22 is in existence, and has been used since 1953 to place quota controls on the importation of some dairy products, it is of some importance at this point that we describe to you some of the shortcomings of Sec. 22. These shortcomings comprise our reasons for requesting the Congress to pass new and more comprehensive legislation that is not subject to the whimsical, dilatory tactics in the application of Section 22 that have marred the administration of the law so frequently in the past.

Major shortcomings of Sec. 22 as it has been administered are:

(1) It is permissive—not in any way mandatory—either on the Secretary of Agriculture or President.

(2) In addition to the official dilly dallying, the administrative procedure is slow and cumbersome.

(3) Evasion and subterfuge in respect to quota avoidance is rampant.

(4) So-called "new products" are given an opportunity to build up an import history before quotas are placed on them.

(5) Importers, in addition to developing so-called "new products" tailored to evade quotas, shift from importing products with quotas to products on which there is no quota as, for example, Swiss cheese and cheeses defined as "other" in the import statistics.

Perhaps the most important criticism or shortcoming of Sec. 22 is the history of evasion and subterfuge of import quotas established thereunder.

EVASION AND SUBTERFUGE—SECTION 22 QUOTAS

The history of Section 22 has been marred by flagrant evasion of import quotas. As would be expected with high profits at stake, foreign nations and American importers have not hesitated to exploit every possible loophole in the orders prescribing the quotas. Unfortunately, they have been very successful in their efforts.

Although Section 22 was enacted in 1935, during and immediately following the war imports were controlled under Section 104 of the Defense Production Act. It was not until 1953 that import quotas were established on certain products under Section 22.

At that time, a quota for butter was established at 707,000 pounds annually. The Department of Agriculture recommended, in 1953, that the import quota for butter also be applied to butteroil and to cream containing 45 percent or more butterfat. The report of the Tariff Commission to the President did not include this recommendation and thus left open a hole in the dike through which the first important evasion of the quota system was destined to take place a few years later.

Enterprising importers and foreign nations were not long in discovering and taking advantage of the opportunity extended to them through the failure to include butteroil in the quota in 1953.