V. Economic impact of dairy imports

It is clear that loophole and non-loophole imports of Italian-type cheese generally have increased tremendously in the last year. There is also no question that these imports have materially interfered with the dairy price support programs of the Department of Agriculture and have hurt the domestic cheese industry.

As previously indicated, there has been a tremendous increase in imports of non-quota Italian-type cheese from 95,000 pounds in 1965 to 1,494,000 pounds in 1967. Mozzarella cheese imports have risen rapidly also.

In 1960, the Tariff Commission recommended a two-million pound increase in the Italian-type cheese quota based on the view that increased imports would stimulate consumer interest in dairy products, that there would be little impact on U.S.D.A. price support programs, and that Italian-type cheeses are at most only indirectly competitive with domestically produced Italian-type cheeses and do not replace them. At that time, imported brands generally sold at a premium over domestic brands. This is no longer true. Greatly increased *non*-quota imports from Argentina and Italy of grated Italian-type cheese have hit the U.S. market at prices as much as 20 cents below U.S. prices in the past year and the availability of this cheese is rapidly increasing.

Domestic cheese producers are caught in an economic vise. They cannot compete with this foreign cheese because they must pay at least the price support figure (currently $4.28 per hundredweight) for manufacturing milk. The comparable figure that an Argentine or Italian cheesemaker pays for milk is vastly lower. Further the low foreign labor costs involved in grating the cheese (to avoid the quota) adds to the price differential between the foreign and American cheese. An added aggravation is the apparent payment of subsidies to foreign cheesemakers by their governments. However, it is difficult to gather sufficient proof of foreign subsidies to convince the Department of the Treasury to apply a countervailing duty under the U.S. tariff law.

The result is unfortunate: the U.S. dairy price support program is tending to price certain U.S. cheese out of the market. The domestic Italian-type cheesemaker must either meet the lower prices set in the marketplace by the imported cheese or often go out of business. In the last year, two substantial manufacturers of Italian-type cheese have gone out of business.

Severe injury to domestic industry is attributable to the low price quotations made by importers for imported Italian-type cheese. This is true because a single weekly quotation for a carload of cheese on the Green Bay Cheese Exchange will set the price in the marketplace on this variety of cheese for one week. Thus, the tonnage of the actual imported cheese sold may be small, but the economic impact on the domestic cheesemaker is very great since he must meet the lowest price set in the marketplace.

It must be remembered that every pound of foreign imported cheese displaces a pound of domestically produced cheese. A pound of cheese is a pound of cheese, regardless of its technical label. For every pound of cheese that is imported, there is one less pound of cheese produced by the domestic cheesemaker and an equivalent reduction in his purchase of milk from the domestic dairy farmer.

If our industry is forced out of business by low-priced imports, hundreds of persons will be deprived of their livelihoods. The effect of the loss of these rural jobs, where nonfarm employment opportunities are limited, has a much greater impact than would a comparable loss of jobs in a metropolitan area. Foreign cheese imports should not be allowed to cause this level of economic injury to domestic cheesemakers and dairy farmers.

A further problem relates to the rigid standards imposed on the manufacture of cheese in the U.S. which do not exist in Argentina and other countries. American cheesemakers are closely supervised by the Food and Drug Administration and by local and state agencies which set high standards of sanitation, labeling and manufacture. While we take pride in these standards, the effect, once again, is to increase the competitive disadvantage of domestic producers with respect to their foreign counterparts. For example, there are no comparable sanitation, labeling, etc., standards in foreign countries. Foreign cheese imports are only inspected on a random basis at ports of entry into the United States.

In his agriculture message delivered to the Congress on February 27, 1968, the President emphasized the need to reduce rural underemployment and unemployment by locating new plants and industries in rural areas.

Makers of Italian-type cheese are located in rural areas and provide hundreds of jobs to the rural citizens. It must be remembered that in many rural areas of cheese making, the cheese factory is the only employer.