Since all of the above can be documented the milk crumb industry will be in shambles, to the detriment of the farmer, the sugar refiners, and Commodity Credit Corporation, unless the Department of Agriculture acts immediately. Certainly Section 22 of the Agricultural Adjustment Act *or* Section *1116* of the Sugar Act gives them ample authority to do so.

EXHIBIT "B"

IMPACT OF MILK CRUMB ON DAIRY AND SUGAR INDUSTRIES

In recent months several sugar refiners and dairy representatives have become increasingly alarmed over the dramatic increase in milk crumb imports. The Department of Agriculture has allayed these fears by pointing to the United States Tariff Commission's report of June, 1967, which stated milk crumb was not likely to become an important factor in sugar imports. This conclusion could not have been further from the truth as in reality the potential market is 300,000,000 pounds dry sugar 60,000,000 pounds milk solids annually. The Tariff Commission estimated the annual United States production of milk chocolate to be 600,000,000 pounds. Of this at least 300,000,000 pounds is sugar and 60,000,000 pounds is whole milk solids. Since sugar and whole milk powder can be purchased cheaper in the form of foreign milk crumb than domestic purchases of milk and sugar we can expect a substantial movement to foreign crumb in the immediate future as evidence by the increase in crumb imports from 2,00,000 pounds in 1965 to 21,500,000 pounds in 1967.

In addition to stating that crumb imports are not significant the Department has maintained they can not place crumb under quota even if they wanted to do so. Below is a brief discussion of Section 1116 of the United States Code—Title 7 and why the Department indeed does have the authority to act on crumb imports.

AUTHORITY GRANTED BY THE SUGAR ACT

Section 1116 of the Sugar Act reads in part as follows:

"Sugar containing products shall not be subject to quota *unless* the Secretary determines that the actual or prospective importation will substantially interfere with the attainment of the objectives of this chapter. . . . In determining whether the actual or prospective importations will or will not substantially interfere with the objectives of the Act the Secretary shall take into consideration:

1. Total sugar content of product or mixture.
2. The cost of the mixture in relation to the cost of its ingredients for use in the United States.
3. The present or prospective volume of importations relative to past importations.
4. Other pertinent information."

REASONS MILK CRUMBS MUST BE PLACED UNDER QUOTA

In support of placing milk crumb under quota under the Sugar Act the following information is pertinent:

1. Milk crumb varies from 50 percent to 65 percent sugar and thus by volume sugar is the *major* ingredient in milk crumb.
2. The cost of a typical milk crumb mixture in relation to the cost of its ingredients for domestic producers is as follows:

37 percent milk solids (3×$4.17 per cwt.)	$12.54
56 percent sugar (56 percent×$10.00 per cwt.)	5.60
6 percent cocoa (6 percent×$25.00 per cwt.)	1.50
Average ingredient cost per cwt	19.64

Average price of milk crumb delivered to the United States in January through March Quarter—1968 as reported by the United States Tariff Commission:

	Per hundredweight
Netherlands	$16.10
Ireland	17.80
United Kingdom	16.80
Belgium	16.00
Average selling price per cwt	16.68