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THE PRESIDENT HAS SEEN. *af.*

THE WHITE HOUSE
WASHINGTON

August 28, 1974

*Thanks,
R.A.G.*

MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH
SUBJECT: The 1975 Foreign Food Aid Program

The 1975 Budget included about \$750 million in outlays for food aid loans and grants under Public Law 480. In terms of commodity quantities, the program originally planned was about half of the traditional 1968-72 quantities, which reflected agricultural surpluses in those years. Planned 1975 volume was, however, slightly higher than last year, when the tight agricultural supply situation forced sharp P.L. 480 cutbacks.

This year intense and conflicting pressures suggest that the FY 1975 P.L. 480 program may have to be revised, and your decision among options in mid-September will be required. This memorandum briefly summarizes those pressures, and the time table for decisions.

Changing Pressures

Three major recent developments will impose contrasting and intense pressures on the 1975 P.L. 480 program:

- ° The drought and higher prices. As a result of the U.S. drought and higher prices, the same quantity of commodities planned in the budget for shipment under P.L. 480 would now cost \$1.2 billion, \$450 million over budget.
- ° Fiscal restraint. Not only must we reduce commodity quantities one-third to stay within the budget but even further reductions would be necessary to reduce dollar outlays below the \$750 million budgeted.



- Increased world-wide requirements. Conversely, developments abroad suggest that the P.L. 480 program should be increased. Foreign policy considerations have resulted in grain shipment commitments to Egypt which were not budgeted, and increased P.L. 480 requirements in other areas. Further, starvation in the Sahel and Bangladesh and distress in other areas has led to a World Food Conference this fall, in which the United States must participate responsibly. Thus a major program increase has been advocated by the State Department and AID.

Timetable for Decisions

A program decision will be required in September. The need to meet ongoing humanitarian and security assistance commitments has already led to limited approval of first quarter shipments. Further, in September a U.S. position on food aid will be required for the final preparatory meeting of the November UN World Conference, the September 29 World Bank/IMF annual meeting, and the U.N. General Assembly.

Because crop and price information which is considerably more reliable than current estimates will be available on September 11, in mid-September I will summarize for your decision options regarding P.L. 480 program levels. The diplomatic calendar outlined in the preceding paragraph suggests that a relatively immediate decision will be required at that time. Although the alternative options cannot be specified with precision now, they will range from a program at or below the current budget dollar ceiling, to a program which fully meets the foreign policy requirements perceived by the State Department.

(Scowcroft, Cole and Timmons concur in the content of this memorandum.)

