The original documents are located in Box C5, folder "Presidential Handwriting, 10/23/1974" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

October 23, 1974

MEMORANDUM FOR: MR. L. WILLIAM SEIDMAN

FROM: TERRY O'DONNELL

SUBJECT: Jim Hastings Phone Call re Dairy Prices

Bill Timmons asked me to sit in when the President talked to Jim Hastings and take notes on the phone call. The call was made at 11:30 a.m., Wednesday, October 23, and concluded at 11:50 a.m. The President first talked to Congressman Hastings, then to Jerry Milliman, and perhaps to one or two more dairymen and then concluded with Jim Hastings.

The President did more listening than talking, but a summary of his remarks follows:

- I am cognizant of and concerned about the cost-price squeeze regarding dairy products.

- I have had several meetings recently regarding this problem, including a meeting with the members of the House Dairy Subcommittee, and with a dairy farmer in Oklahoma.

- We are trying to help the situation through the Department of Agriculture, and an exhaustive study.

- The Commodity Credit Corporation has responded and has been helpful.

- We are flexible and we want to cooperate.

- Through our efforts, the EEC has taken favorable action regarding cheese subsidies.

- Regarding imports, no action will be taken to change the present system of dairy quotas in the near future. No action is contemplated, however, should such action as that taken last year be recommended to me, I guarantee the dairy farmers a day in court in the Oval Office.

- It appears to me the 70% parity is "inequitable" under today's environment.

- A study was shown me in Oklahoma that a dairy farmer with an 80-cow herd after all his expenses was earning only 35 cents per hour which is away below the minimum wage.

CC: Mr. Timmons
Mr Norm Ross

THE PRESIDENT HAS SEEN....

Call Made
11:30 AM
Oct. 23, 1974

THE WHITE HOUSE

WASHINGTON

October 23, 1974

PRESIDENTIAL TELEPHONE CALL

From: William E. Timmons WET.

TO: Rep. James Hastings (R-NY) and
Mr. Gerald Milliman

NOTE: Hastings will place the call to the President at 11:30 a.m., Wednesday, October 23.

PURPOSE: To discuss the cost-price squeeze facing dairy farmers and discourage the slaughter of cows.

BACKGROUND:

1. The President agreed to accept this call as a personal favor to Jim Hastings. Mr. Milliman will be on an extension so that all may talk.

2. Mr. Milliman heads up an ad hoc group of New York dairy farmers. This group plans to slaughter some cows on November 31st but Hastings believes an expression of Presidential concern will stop the cattle destruction.

TALKING POINTS:

1. Listen to Hastings and Milliman explain the dairymen's problems.

2. Sympathize with farmers over the economic cost-price squeeze.

3. Say the issue is under intensive study by the government and the pros and cons of various alternatives are being outlined.

NOTE: Norm Ross of the Domestic Council has prepared the attached paper on the dairy problem.

October 21, 1974

PRESIDENT'S MEETING WITH CONGRESSMAN HASTINGS

Background

America's dairymen find themselves in a tremendous cost-price squeeze.

- Milk production for the calendar year is projected to be 1-1/2 percent below 1973's 115.6 billion pounds.
- The number of milk cows on farms has declined from 11,259,000 in January to 11,139,000 in July. There were 11,599,000 milk cows on farms in January 1973, 2.9 percent more than in January 1974.
- The Minnesota-Wisconsin price for manufacturing milk rose through late 1973 and early 1974 to a high of $8.15 cwt. in March and then dropped $1.86 to $6.29 cwt. in July. The current M-W price is $6.69 cwt. compared to $6.91 cwt. in September 1973.
- The current milk-feed ratio, the pounds of feed a pound of milk will buy, is 1.2. A ratio of 1.7 has been historically necessary to maintain milk production.
- Reflecting consumer resistance to high retail milk prices, consumption of fluid milk was down 5 percent for the first half of this year compared to a year ago. Fluid milk sales are currently 1.1 percent below 1973 levels. Declines in fluid milk sales released more milk for use in processed dairy products. Stocks of dairy products have increased, prices dropped, and the USDA made substantial purchases under the price support program.
- A late, wet spring, dry summer and early frost have reduced expected grain yields and have caused a bullish market for feed grains and soybeans. This creates problems for the entire livestock industry, including dairymen, until the next harvest season. Since feeds represent 45 to 50 percent of the cost of producing milk, the unfavorable milk-feed ratio of 1.2 will cause hardships for milk producers. Milk prices are currently 70 percent of parity.

Recent developments and actions taken by this Administration should provide improvement in the outlook for dairy farmers who are faced with a severe cost-price squeeze at this time.

- October 8 the Department of Agriculture convened a national hearing to review minimum levels of Class I prices to be paid dairy farmers under all 61 Federal milk marketing orders. This hearing provided an opportunity for all interested persons to present their views on milk prices. Evidence presented at the hearing will be carefully considered to determine whether a "floor price" of up to $7.50 per hundredweight should be placed under the basic formula used for computing Class I prices through March 1975. A decision will be issued as soon as possible after the hearing is completed.
- The CCC during this marketing year has purchased 31 million pounds of butter, 39 million pounds of cheese, and 169 million pounds of nonfat dry milk, or slightly more than one billion pounds of whole milk equivalent. Butter and cheese purchases have ceased while nonfat dry milk purchases continue.
- To alleviate a temporary surplus of barrel cheese, the CCC for the first time has purchased 35 million pounds of processed cheese since June.
- Through negotiations, the EEC has suspended its export subsidies on cheese shipped to the United States to prevent the likely imposition of countervailing duties.

One of the major concerns of dairy farmers has been the rapid escalation of feed costs over the past several months. The recent effort by President Ford to secure the cancellation of export sales contracts for $500 million worth of corn and wheat to the Soviet Union indicates our determination to hold future price increases to a minimum. Further cooperation between Government and grain exporting companies is expected to benefit all Americans at this time of greatly reduced crop production caused by adverse weather.

We expect significant improvement in milk prices in the months immediately ahead as the seasonal decline in production continues. Indicative of this is the August to September increase in the Minnesota-Wisconsin manufacturing milk price from $6.39 to $6.69 per hundredweight. The M-W price is used in all Federal orders as a basis for fixing the minimum prices that processors must pay dairy farmers for their milk.

Talking Points

- I am aware of the cost-price squeeze in which America's dairymen find themselves. I recently met with a representative group of dairy farmers on the one hand and a group of Congressmen and Senators on the other. They outlined to me the practical problems that the dairy producers in their respective States are faced with.

- I understand the concern of the dairy producers that the United States dairy price system should not be allowed to be undermined by efforts of foreign dairy producers.

- I recently announced that no action will be taken to change the present system of dairy import quotas without a thorough review of market conditions and full opportunity for our dairy producers to be consulted at that time.

- I am disturbed by the disparity between the reduced earnings of the dairymen and the higher prices charged to consumers. I have asked the new Council on Price and Wage Stability to examine the reasons behind this gap which is paid to the farmer and what must be paid on the other end of the line by the individual consumer.

Stop Imports.
no subsidies.
Inspection of import.
Costs.

Farmers – Jerry Milliman.
Dealers – Butchers.
News media –