The original documents are located in Box C32, folder "Presidential Handwriting 12/18/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

December 18, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN

FROM: JAMES E. CONNOR JEC

SUBJECT: Meat Import Policy for 1976

Confirming phone call to your office yesterday, the President reviewed your memorandum of December 12, 1975 and approved the following option:

> "Option 3 -- Maintain the present policy by negotiating voluntary restraints below the trigger level of 1233 million pounds."

Please follow-up with appropriate action.

cc: Dick Cheney

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

December 12, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Meat Import Policy for 1976

The Meat Import Act of 1964 requires the President to restrict imports if the Secretary of Agriculture estimates that imports will equal or exceed a trigger level (110 percent of an "adjusted base quota"). The "adjusted base quota" would keep imports at the same percentage of domestic production that existed during the 1959-63 base period.

For 1976, the USDA estimates that meat imports in the absence of restraints would total 1540 million pounds, 307 million pounds above the 1976 trigger level of 1233 million pounds.

Meat Import Policy in Recent Years

In every year since 1968 estimated imports of meat subject to quotas have exceeded the trigger level. However, quotas have never been imposed. Three policy alternatives have been used:

- In 1969, the first half of 1970, and in 1975, voluntary agreements were reached with foreign governments to restrain imports below the trigger level, so that it was not necessary to impose quotas.

- In the second half of 1970, all of 1971, and the first half of 1972, the President suspended quotas, under powers granted him in the Meat Import Act, with voluntary restraints above the trigger level.

- In the second half of 1972 and all of 1973 and 1974, the President suspended quotas with no voluntary restraints.

At the end of 1974, two principal factors prompted adoption of a restraint program after two and a half years of suspended quotas. First, higher feed prices resulting in significant cow herd liquidation focused attention on the need to maintain a sufficient base for increasing beef supplies when demand conditions warranted. Secondly, at the same time, almost total prohibition of imports into the EC and Japan left the U.S. market particularly vulnerable to a surge in imports from meat exporting countries. This concern was heightened by record cattle inventories in the major supplying countries including Australia and New Zealand.

The 1976 Outlook

In contrast to the situation a year ago, higher slaughter prices and lower prices for cattle going into the feed lots have made feed lot operations profitable. For the year as a whole, prices for high-quality meats are expected to reach near-record levels. However, prices for low-quality meats have remained low placing some operators in a difficult financial position.

After several years of expansion, the U.S. cattle herd has not grown during 1975. However, U.S. commercial beef production in 1976 still could be up 3-1/2 percent from 1975 if operators add to the weight of animals by feeding for an extended period before slaughtering.

Given the most likely world supply and demand conditions, in the absence of restraints the United States is estimated to receive 1540 million pounds of beef and veal (product weight) that would be subject to the Meat Import Law in 1976. Nearly 60 percent of this quantity would be supplied by Australia. A detailed country breakdown is attached at Tab A.

Price Effects of Unrestricted Meat Imports

The trigger level for 1976 will be 1233 million pounds, 307 million pounds less than estimated imports in the absence of restraints. The additional 307 million pounds would increase the quantity of beef for U.S. consumption by about 1-3/4 percent. The best available evidence indicates that the corresponding decrease in the retail price of all beef would be 1-1/2 to 3 percent, or 2 to 4-1/2 cents per pound below the expected 1976 average retail price of around $1.53 per pound.

The effect on prices for low quality beef would be more substantial since imported beef is a close substitute for domestic cow beef that goes primarily into hamburger, sausage, and processed meat products. The additional 307 million pounds of imports would increase the supply of these grades of beef by about 5-1/2 percent. The result at the retail level would be reduced hamburger and manufactured beef product prices relative to the price of steak.

Uncertainty in the U.S. and foreign livestock and meat markets makes these forecasts highly speculative. Poor U.S. pasture and feed grain conditions in mid-1976 would lead to lower livestock and meat prices in the short term as cattle are liquidated but would generate higher prices in the long run. The lower cow prices in the second half of 1976 would tend to discourage meat imports. On the other hand, good U.S. pasture and feed grain conditions in mid-1976 would lead to fewer marketings of cows. If coupled with poor range conditions elsewhere, the higher U.S. prices would tend to attract imports at levels exceeding the 1540 million pound estimate.

The uncertainty of the estimates are so large that 100 to 200 million pound errors in the USDA forecast could occur in either direction. There is some risk for domestic meat producers of imports higher than the forecast 1540 million pounds if quotas are suspended.

Options

Option 1: Suspend meat import quotas and do not seek voluntary restraints on imports.

Pros:

- Provides the most imported beef, the lowest consumer prices and the highest meat consumption.
- Avoids economic distortions caused by restrictions on international trade.
- Avoids problems of negotiating and monitoring country-by-country agreements.

Cons:

- Could be construed as counter to the intent of the Meat Import Act designed to protect the livestock industry.
- Provides lowest producer returns.

Option 2: Negotiate voluntary restraints above the trigger level in the range of 1234 to 1300 million pounds.

Pros:

- Voluntary restraints in a range above the trigger level would be easier to negotiate than voluntary restraints below the trigger level.
- Would likely provide slightly cheaper beef for consumers than would restraints below the trigger level.

Cons:

- Requires Presidential suspension of the quotas.
- Moving to imports above the trigger level from the present policy of voluntary restraints below the trigger level, could generate pressure from livestock producers for a reversal of the policy, while achieving only modest gains in price reductions.
- Could be construed as counter to the intent of the Meat Import Act.

Option 3: Maintain the present policy by negotiating voluntary restraints below the trigger level of 1233 million pounds.

Pros:

- Provides a degree of protection to the livestock industry consistent with the Meat Import Law and generates higher producer returns than the other options.
- Does not require Presidential suspension of quotas.

Cons:

- Increases the cost of meat to consumers compared to the other options.
- Negotiating restraints below the trigger level will be more difficult, although the Department of State indicates this is a manageable task.

<u>Decision</u>

Option 1 __________ Suspend meat import quotas and do not seek voluntary restraints on imports.

Supported by: Hartmann

Option 2 __________ Negotiate voluntary restraints above the trigger level in the range of 1234 to 1300 million pounds.

Supported by: State, Treasury, NSC, CIEP
Marsh

Option 3 GRF Maintain the present policy by negotiating voluntary restraints below the trigger level of 1233 million pounds.

Supported by: OMB, CEA, Commerce, USDA,
Labor, Domestic Council,
Buchen

State, Treasury, NSC, and CIEP have each indicated that while their first preference is Option 2 they "could live with" Option 3.

Tab A

Table 1

Imports of Meat Subject to P.L. 88-482
(million pounds, product weight)

	1974 (unrestrained imports)	1975 (original voluntary restraints)	1975 (estimated imports) 1/	1976 (estimated imports in absence of restraints)
Australia	513.0	615.1	638.5	895 3/
New Zealand	259.8	252.8	262.4	300
Mexico	40.4	58.4	33.4	65
Canada	36.5	17.0 2/	17.0	64
Ireland	44.0	38.2	28.2	5
United Kingdom	1.9	1.0 2/	1.0	1
Carribean area	183.5	197.5	199.5	210
Total	1,079.1	1,180.0	1,180.0	1,540

1/ Incorporates 35 million pound shortfall reallocated to Australia, New Zealand, and Costa Rica.

2/ Estimated.

3/ Includes 45 million pound carryover of meat held in bond for 1976 entry.