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THE PRESIDENT HAS SEEN. *dy*

THE WHITE HOUSE

WASHINGTON

October 30, 1974

MEETING WITH SECRETARY BUTZ

Wednesday, October 30, 1974

1:45 p. m. (15 minutes)

The Oval Office

From: Kenneth R. Cole, Jr.

I. PURPOSE

To discuss Secretary Butz's views on the announcement which he recommends you make following your meeting today on the livestock situation.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: Secretary Butz will probably make a recommendation that you institute formal countervailing duty action now. Dairy producers have for some time been unhappy with Administration policy, particularly in regard to domestic milk-price supports and dairy imports. On the trade side, their unhappiness began with the periodic emergency actions taken in 1973 and 1974 to increase dairy imports for anti-inflationary reasons as recommended by the Cost of Living Council. This unhappiness surfaced in two areas: Senate deliberations on the Trade Reform Act; and, separately, the Federal Courts, where dairy producers pressed a 1968 complaint against the Treasury Department to force countervailing against subsidized dairy imports from the European Community, as required under law. Rather than face a political showdown with the U. S. , the European Community warned that a trade war could be in the offing but agreed to a temporary suspension of dairy export subsidies to the U. S. This temporarily removed the pressure for a court action against Treasury.

Administration officials have negotiated a delicately balanced settlement of dairy countervailing duties and Section 22 quotas in the context of the Trade Bill, worked out with representatives of the major farm and dairy organizations and the Senate Finance Committee. (Section 22 contains the import quota provisions of the Agricultural Adjustment Act of 1933.)

Secretary Kissinger; Secretary Simon, Roy Ash, Bill Eberle and Ken Cole recommend that we proceed on our present course; no formal action on countervailing duties at this time.

Secretary Butz will probably recommend initiating a plan to buy up to \$100 million worth of beef and pork for the school lunch program. On March 26, 1974 the Department of Agriculture purchased \$45 million worth of beef and on June 18, 1974 initiated a plan to purchase \$100 million worth of beef and pork during the summer to provide lunches for 25 million school children. Although the Administration made the point that the purchases were made while farm livestock prices were low and that we would be buying the meat anyway, there was considerable consumer objection to the Government purchases.

Secretary Butz will also recommend that you announce program changes in the eligibility criteria of the emergency livestock guaranteed loan program. The program guarantees loans made by banks or other legally organized lenders to ranchers and farmers in the livestock business to permit them to maintain their operation. Under the revised criteria more farmers will be able to get assistance.

- B. Participants: Secretary Butz, Bill Eberle, Ken Cole.
 C. Press Plan: Photo opportunity.

III. TALKING POINTS

1. I understand that you have some recommended courses of action which will help in the livestock situation.
2. Would any of the actions you are recommending help prevent future dislocations in the market that would adversely affect consumer prices?

*March - 45
June - 100*



DEPARTMENT OF AGRICULTURE

OFFICE OF ASSISTANT SECRETARY

WASHINGTON, D.C. 20250

October 29, 1974

TO: Secretary Butz

SUBJECT: Beef Import Quota

Our current estimate (the fourth and final one) of 1974 meat imports subject to the Meat Import Law is 1,115 million pounds or 18 percent below last year's imports. This is below the trigger level for imposition of quotas, but above the quota level. The quota level is 1,028 million pounds. The trigger level is 1,130 million pounds.

Domestic beef production in 1974 is expected to be 22,866 million pounds, up 3 percent from last year. Beef imports subject to the Beef Import Law in 1974, therefore, will account for only about 6.8 percent of total beef consumption compared with 9 percent in 1973.

Beef imports subject to the Meat Import Law totaled 808 million pounds in the first 9 months of 1974, down 16 percent from imports during the same period last year.

Looking into 1975, we expect the 1975 quota level to be about the same as the present import estimate for 1974 -- or about 1.1 billion pounds. The trigger level will be 10 percent above this -- or about 1.2 billion pounds. At present, we expect our first estimate of 1975 imports to be 1.5 billion pounds or more -- or well above both the quota level and the trigger level. We must make this first estimate before December 31.

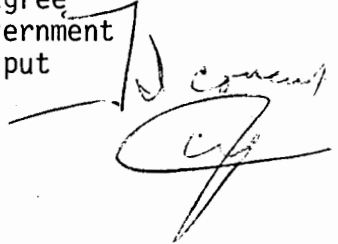
The major factors affecting the level of the 1975 estimate will be (1) projected price levels here in the United States, (2) the outlook for pasture conditions in Australia and New Zealand, and (3) the availability of alternative import markets. Pasture conditions continue favorable in Australia but could begin to deteriorate anytime after January. Prospects for re-opening the markets in Europe and Japan anytime soon are not particularly bright, especially in Europe.

Chances for negotiating formal voluntary export agreements with foreign suppliers also are not entirely promising. If pastures deteriorate in Australia after January, the Australians will come under heavy pressure to increase exports. You will recall that when Walter Ives was here last week, he was talking in terms of Australia needing to export 900 million pounds of beef to the United States in 1975. This would be more than 50 percent higher than 1974 exports.

The aim of any voluntary restraint program undoubtedly would be to limit U.S. imports to somewhere between the quota level and the trigger level. Australia's share under such a restraint program would probably be no more than 575 million to 625 million pounds. It is doubtful whether any Australian Government could ever agree to such a severe limitation. Politically, the Australian Government might prefer for the U.S. to impose quotas rather than to be put into the position of having negotiated a "bad deal" with the United States.



RICHARD E. BELL
Deputy Assistant Secretary



D. E. Bell

Dairy Import Quotas

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 heard at that time.

Countervailing Duties

This Administration is not going to permit foreign dairy producers to compete against American dairymen in the U.S. market with subsidized products. If the Europeans reinstitute their export subsidies on dairy products directed at this market, we will impose countervailing duties on these products.

Meat Import Law

The Administration intends to carry out the intent of the Meat Import Law. If imports of meat subject to the Meat Import Law begin to pick up during the next several weeks and the Agriculture Department's estimate of 1975 imports exceeds the trigger level under the Meat Import Law, we will either impose quotas or negotiate voluntary export restraint agreements with foreign suppliers.

SUGGESTED STATEMENT FROM PRESIDENT FORD
RELATIVE TO POSSIBLE ADDITIONAL BEEF PURCHASES

I am asking Secretary Butz to determine if it is feasible for the USDA to purchase additional quantities of ground beef for use in the National School Lunch Program. Such quantities would be in addition to the approximate 125 million pounds of beef products scheduled for purchase in the 1974-75 school year. Additional purchases would provide increased quantities of a highly nutritious and popular food item to the schools for use in the feeding programs.