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Date: December 18, 1974

Time:

FOR ACTION: Roy Ash
 Phil Buchen
 Max Friedersdorf
 Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 20, 1974 Time: 3:00 p. m.

SUBJECT:

Cole memo (no date) re: Mushroom
 Processors' Request for SBA Disaster Loans

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

*Approved
 P.W.B.*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
 Staff Secretary

Mushrooms

(Mr B has
package)

On mushroom

fly —

see if we
have the
backups —

Ruth will
xerox it —

if not.



Senate
2/19⁺
to Phil B -
Robert
Vander Laan

mushrooms? - Rusty Palmer

Phil

Bill



THE SENATE
LANSING, MICHIGAN

THIRTY-FIRST DISTRICT
ROBERT VANDER LAAN
4744 CUMWOOD, S. E.
GRAND RAPIDS, MICHIGAN 49523

MAJORITY LEADER
COMMITTEES:
LET. CLATIF. COUNCIL,
VICE CHAIRMAN
COMM. ON COMMITTEES, CHAIRMAN
SENATE BUSINESS

Phil
Feb 19 1975
Bob

February 19, 1975

Mr. Philip Buchen
White House
Washington, D. C.

Dear Phil:

I am enclosing some material which clearly outlines the problems facing the mushroom growers in Michigan and an explanation of why the proposed solutions to the problem will not resolve the issue.

I am convinced, after reviewing the material and discussing it with an attorney for the mushroom industry, that the problem is either misunderstood by those who have been attempting to help or that there is a lack of interest and desire to solve what is a most serious problem for this industry.

I would appreciate it if the material could again be reviewed and a more realistic solution offered. I will be available to supply any additional information which might be necessary and am sure Mr. Rini would be pleased to meet with you or your staff and furnish any information which is needed.

Sincerely yours,

Bob

Robert VanderLaan
Senator-31st, District

CC: Senator Robert Griffin
Mr. Wm. Seidman

Dear Bill: anything you can do to help with this will be appreciated. Thanks

Bob



Mushrooms

THE WHITE HOUSE
WASHINGTON

March 5, 1975

Dear Bob:

After receiving your letter of February 19, I reviewed the materials you transmitted which had been prepared by an attorney for the mushroom industry.

My previous acquaintance with this problem involved only the question of whether Small Business Administration disaster loans were properly available to the mushroom processors as a result of the effect on their business of the botulism bacteria. I now see that the problem also arises from the effect on the domestic business of mushrooms imported from Korea.

I have discussed this matter with Bill Seidman and at his suggestion I am sending the material from attorney Rini to Mr. Ken Gunther at the Office of the Special Trade Representative.

Best personal regards.

Sincerely yours,



Philip W. Buchen
Counsel to the President

Honorable Robert VanderLaan
4745 Curwood, S. E.
Grand Rapids, Michigan 49508

cc: Mr. Ken Gunther
Office of the Special Trade Representative



THE WHITE HOUSE
WASHINGTON

March 5, 1975

MEMORANDUM FOR: KEN GUNTHER

FROM: PHIL BUCHEN *P.W.B.*

For your appropriate handling.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 18, 1974

Time:

FOR ACTION: Roy Ash
Phil Buchen
Max Friedersdorf
Bill Seidman

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FROM THE STAFF SECRETARY

DUE: Date: Friday, December 20, 1974 Time: 3:00 p.m.

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For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

*Approved
PW-13*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM:

KEN COLE

SUBJECT:

Mushroom Processors' Request for SBA Disaster Loans

Background

In 1973, botulism was discovered in several cans of American produced mushrooms. The subsequent recall of the product and the resultant consumer reluctance to buy caused a severe business decline for the mushroom processing industry, which is primarily located in Michigan, Pennsylvania, Ohio and New York. The Food and Drug Administration does not establish specific standards for the processing of low acid foods like mushrooms but does require that processors use procedures which safely prevent botulism. The mushroom processors for the most part were following generally accepted industry procedures when the botulism occurred, but the procedures had become inadequate due to changes in the handling of the product.

The processors, faced with debts to banks and to the farmers that supply them, have requested assistance in the form of direct Small Business Disaster Loans. The terms of these loans at the time of the disaster included a one percent interest rate with a \$5,000 forgiveness feature, which would be applicable to the mushroom processors. The disaster loans have no ceiling while other SBA lending programs, including Direct and Guaranteed Loans, available to the mushroom industry at higher interest rates, are limited to \$350,000. The availability of these other loans is limited by the lack of private capital for Guaranteed Loans and budget limitations on Direct Loans, which SBA claims are allocated elsewhere. The processors claim that these other loan programs are too limited to supply the capital they need.

The law requires that loans may only be granted where "natural" or "undetermined" causes led to the disaster. The FDA inspection of the mushroom processors whose cans were discovered to contain botulism revealed that the problem was due to deficiencies in the processing. About half the firms were operating with deficiencies in equipment or operating procedures which according to FDA "would not be tolerated by knowledgeable and conscientious cannery management".



The SBA ultimately decided to grant the disaster loans but needed the endorsement of the Federal Disaster Assistance Administration (FDAA) located in HUD, As a matter of course, FDAA forwarded the matter to the Domestic Council. Because of the potentially precedential nature of this and its political and budgetary implications it was also referred to OMB and to the Office of the Legal Counsel (OLC) in the Justice Department. The industry demand has been estimated at \$20-30 million loans, if all of the approximately 50 processors apply.

There are two options in this case:

- (1) To grant the disaster loans
- (2) Deny them and let the processors apply for other SBA loans.

If this latter course is followed, additional direct loan authority could be sought from the Congress to increase the availability of this type of funding or additional funding could be obtained by the sale of SBA assets contained in the SBA loan portfolio.

Factors Favoring Granting Disaster Loans to Processors

- SBA maintains that it has the legal authority to grant the loans and OLC concurs. OLC claims that the factors inherent in the botulism found in smoked fish from the Great Lakes in 1963, which led to the statute providing for Small Business Disaster Loans, are similar to those found in the case of mushrooms. The OLC opinion points out that the botulism bacterium is a natural occurrence in some foods including fish and mushrooms but to become toxic in foods it must have a growth environment provided by improper or negligent processing. The OLC claims that the natural occurrence of botulism qualifies this case for the disaster loans and argues that evidence of negligence does not render a claimant ineligible.
- Congressmen and Governors from Michigan, Ohio, Pennsylvania and New York (including Senators Scott, Hart, Javits, and Schweiker; Congressmen Vander Jagt and Huber; Governor Milliken) have kept a steady pressure for a decision on behalf of the mushroom processors.
- According to the processors' impact statement and other outside sources the canned mushroom industry is in danger of collapsing, affecting both processors and farmers. The six processors



which have applied for disaster loans to date claim that the regular SBA loans, with a maximum of \$350,000, would be inadequate to meet their needs. They are requesting an average of \$750,000 each.

- The processors have pointed out that in 1974, after the botulism scare, the World Bank underwritten by U.S. funds, granted \$7 million in loans to the Korean mushroom industry to improve their processing techniques to meet FDA requirements, helping them compete in U.S. markets.
- The processors claim the loans would enable a formerly viable, small industry return to full production.

SBA is in favor of granting the loans because they would enable a small industry to survive, and would demonstrate the Administration's concern for small business in a time of economic dislocation.

Against

- The FDA report on the matter appears to indicate that the botulism was primarily due to management deficiencies rather than "natural" or "undetermined" causes. The firms involved had changed operating conditions without altering processing standards to assure adequate safety. Also, several firms were operating with deficient equipment including broken thermometers and inaccurate timing devices. Providing loans in this case, therefore, may set a precedent for assisting firms which suffer losses due to management deficiencies rather than from factors beyond their control. This would be the first instance where the loss is due to human failure to produce a safe product.
- If this precedent is established, firms previously "injured" by FDA recalls of unsafe products may now request this assistance. In fiscal year 1974, FDA instituted 170 recalls of contaminated food products and 1273 recalls of other products. Since there is no time limit on when firms affected by disasters are no longer eligible for loans, positive action on the mushroom industry's request could result in a flood of requests from industries previously affected by FDA recalls, like cyclamates.



- The potential cost of this precedent could be high. The mushroom case, with a cost of \$20-30 million, is an example of the cost of one FDA recall. It is estimated that in 1972, the FDA ruling on cyclamates resulted in industry losses of \$250-\$500 million. Just in the food processing industry alone there are about 26,000 small businesses which would be eligible for SBA disaster assistance. These firms have annual sales of about \$29 billion.

- If the disaster loans were provided in this case, they would have an interest rate of only 1%, and \$5,000 of each loan would not have to be repaid. There is no evidence that the processors need such favorable loan terms or the \$5,000 grant, in order to survive and remain competitive.

- At a time of severe budget stringency, actions which could increase the Federal deficit should be avoided.

The Office of Management and Budget recommends against allowing these loans because of the possible precedent for assisting firms with product losses due to management deficiencies, and the potentially high cost of such a precedent. If it is determined that special actions should be taken to assist this industry, OMB recommends that it take the form of conventional SBA loans at 6 ½% with a limitation of \$350,000 per loan.

RECOMMENDATIONS

Ash, Buchen, Seidman, Cole

That the SBA Disaster Loans be denied to the mushroom processors. All agree that SBA should be directed to expedite handling of 7(a) loan applications from the mushroom operators. Buchen and Seidman feel that the \$350,000 from these loans to those who qualify would be sufficient to keep many of the processors financially afloat.

Friedersdorf

Does not recommend either option but advises that this is an acute political problem because of the interest of Senator Hugh Scott and that whatever assistance deemed feasible should be afforded the processors.



Thomas Kleppe
SBA Administrator

That the disaster loans be granted because the funds are immediately available and many of the processors need larger sums than the \$350,000 available to them from the 7(a) loans to stay in business. If the decision is made to deny the disaster loans, Kleppe promises SBA will do everything to expedite 7(a) loan applications from the processors.

DECISION

_____ Grant the mushroom processors Disaster Loans.

_____ Deny them and direct SBA to expedite 7(a) loan applications from the processors.



THE SENATE
LANSING, MICHIGAN

THIRTY-FIRST DISTRICT
ROBERT VANDER LAAN
4745 CURWOOD, S. E.
GRAND RAPIDS, MICHIGAN 49508

MAJORITY LEADER
COMMITTEES:
LEGISLATIVE COUNCIL,
VICE CHAIRMAN
COMM. ON COMMITTEES, CHAIRMAN
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Sincerely yours,

Bob

Robert VanderLaan
Senator-31st, District

CC: Senator Robert Griffin
Mr. Wm. Seidman ←

Dear Bill: anything you can do to help with this will be appreciated. Thanks

Bob



Telephones:
Mt. Clemens
(313) 468-1408
Lansing
(517) 482-2536 & 482-1491

NICHOLAS J. RINI

Attorney at Law

Clinton River Center ♦ 25550 North River Road ♦ Mount Clemens, Michigan 48043

February 18, 1975

Honorable Robert VanderLaan
State Senator
State Capitol
Lansing, Michigan

Dear Bob:

On behalf of the Mushroom industry I want to thank you for all you have done to carry our message to the White House. In spite of all our efforts through you, the Michigan Congressional Delegation and the State's Washington Office, I don't believe we have been able to get our message across to the White House.

With your help we would like to try once more. If you will transmit the attached report with a copy of this letter to Mr. William Seidman, maybe we can succeed in apprising the White House of our problem, the lack of any workable solution to date and the feeling of the industry.

I don't know whether transmitting to the White House the feeling of the Coop members as I have tried to express it for them in the attached memorandum is good politics or not, but certainly the White House or its Executive Staff ought to know or be concerned how the voters and taxpayers feel about their Government and their Government's concern for their well being.

Sincerely,



Nicholas J. Rini
Attorney-at-Law

NJR:d1r
Enclosure



THE MUSHROOM INDUSTRY NEEDS HELP -- NOW

The growers, owners and employees who comprise the mushroom industry realize that they do not have the political clout of the automotive giants. Nevertheless they feel they are a part of this great country and by their hard work and long hours have contributed their share to the economy of the United States and have paid their share of taxes.

The Michigan mushroom industry, and their employees, through no fault of their own have suffered irreparable damage during the past two years due to the unrestricted flood of imported mushrooms being dumped in this country and the Botulism scare created by the unwarranted and uncalled for publicity given to it by the Federal Food and Drug Administration. And I might add, much of the bad product and Botulism was attributable to the imports. And if the Report of the World Bank on the unsanitary conditions in Korea are true as reported, more rough times are ahead for the industry. These two factors had the effect of a vice--the flood of imports created an oversupply and the Federal Food and Drug Administration scare dampened the demand. The result was a substantial price decline at a time of soaring costs.

The effect on the industry has been disastrous. Great Lakes Mushroom Coop of Warren, Michigan, one of the largest industrial processors in the country suffered a cash flow loss of over \$2 million since March of 1973 when the first publicity on Botulism hit the press. The member farms suffered comparable losses.

The industry nationally appealed for Product Disaster Assistance. Both the Small Business Administration and the Federal Disaster Assistance Administration determined that a disaster existed. The White House ruled otherwise and recommended an alternate program which they believed would save the industry. Unfortunately, the White House program does not work.



The program approved by the White House is of little or no benefit to most of the industry and to Great Lakes Mushroom Coop in particular. A Michigan Congressman best described it when he stated "the best that can be said for this decision is that it is better than nothing".

The two conditions in the program that make it impractical are: (1) the limit on the loan to a maximum of \$350,000 and (2) that mushroom growers who in the most recent fiscal year had a sales volume exceeding \$250,000 are ineligible.

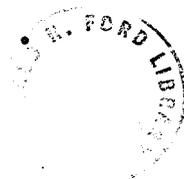
Great Lakes Mushroom Coop consists of the processing plant in Warren, Michigan, and its member farms located in Utica, Rochester, Troy, Imlay City and Dryden, Michigan. Today there are basically nine farm members in the Coop (list attached). Even though our Coop consists of nine separate farms - under the Small Business Administration rules approved by the White House our Coop consists of only five farms. Since identical owners own the farms designated A and another group of identical owners own the farms designated B, these two groups of farms under SBA rules are only one farm and, therefore, do not qualify under the White House program because of the sales volume limitation of \$250,000. This leaves only one farm qualifying, designated C, but this farm would not qualify since it is a family operated farm that was able to weather the two bad years and, therefore, still qualifies for a bank loan if it needs it.

In our group, only the processing plant qualifies for the \$350,000 loan. But this amount is far from sufficient. As of the end of January, our processing plant is faced with \$1,200,000 of current debts. We owe the National Bank of Detroit \$290,000. This loan is in default. We owe our suppliers \$350,000 and our member growers, \$560,000 severely handicapping their operation and thereby increasing cost of operation.

If this note sounds bitter, it's because our members are bitter. All of our members began their operation from the ground up. All of them at one time or another performed every chore including mixing of the compost. What hurts most is seeing their 25 to 30 years of hard work go down the drain while this country actually fosters and aids their competition in Korea.

Last year the Korean industry asked for and received a \$22 million loan from the World Bank. A good portion of this is U.S. taxpayers' money. With this low interest loan, cheap labor rates and unsanitary conditions which would not be tolerated in this country, the Korean industry will continue to put the American mushroom industry out of business. Labor rates need no explanation. As to the unsanitary conditions, I refer you to the attached excerpt from Report Number 358AKO entitled Korea: Appraisal of Integrated Agricultural Products, Processing Project dated April 25, 1974, Document of the International Bank for Reconstruction and Development, International Development Association, wherein reference is made to the unsanitary conditions that are being aided and abetted with American money and which jeopardize the health of the American people.

Another major gripe of the mushroom industry with the Administration and particularly the State Department is their attitude on quota restrictions. As we understand it, it is the State Department's contention that it should be done voluntarily. This has not happened during the past four years and will not. Taiwan plans to increase exports to the United States in 1974-75 from 29 million pounds to 35.5 million pounds. Although Korea's plans are not yet available, the Korea News Review dated May 4, 1974 (copy enclosed) states in part "in particular, the export of canned mushrooms to the United States



have grown remarkably at the recent time. In 1970, the United States purchased from Korea only \$266,000 worth of canned mushrooms. However, the next year the amount increased by more than ten times to \$3,030,000 expending to 60.8% of the total mushroom export.

"It is anticipated that exports to the United States will keep increasing due to the fact that the supply of mushrooms in the country is still far behind demand." It is important to note that with the common market curbing mushroom imports this year, the United States will become a more fertile dumping ground for the unhealthy, unsanitary product produced in Korea referred to in the World Bank Report. How long can the American mushroom industry expect to survive against this unfair competition?

It is difficult to explain to our members why the Korean industry is able to get the equivalent of a long-term, low interest loan to compete against them while they cannot get a sufficient loan to survive to preserve the jobs of their employees and to continue to pay taxes to the local, State and Federal Government. It is difficult for the members to understand why the State Department continues to play the fiddle while their years of hard work goes slowly down the drain.

Our members prefer to believe that the White House does not realize or understand how serious their problem is and I would like an opportunity to try again and convey their message both on the need on some form of equitable loan and the improvisation of a quota on foreign imports. They believe the Michigan Congressional Delegation on both sides of the aisle understand the problem but the White House and the State Department do not understand the problem.

In all fairness they recognize that the SBA program approved by the White House may help some small industry in Pennsylvania. But they also know that it did not help and will not help the industry in Michigan.



The mushroom industry cannot compete against Korea's cheap labor, low interest World Bank loans and lack of quality and sanitary controls required of the industry in this country. To survive and compete, the mushroom industry must have access to emergency loans and relief on imports.

The enclosed memorandum from Lew B. Martin, Counsel, Mushroom Processors Association, gives a brief history of the four year struggle on the question of imports.



FACT SHEET

MUSHROOM INDUSTRY LOANS

We have been authorized to accept loan applications from those mushroom businesses that have been economically injured because of the recent mushroom scare.

These loans will be limited to a maximum of \$350,000., with interest rate of 6 3/4%, for a maturity of up to ten (10) years.

Mushroom growers to be eligible to apply for SBA loans must first have been declined in writing for financial assistance by the United States Department of Agriculture, through the Farmers Home Administration or a Production Credit Association.

Mushroom growers are eligible as to size if the most recent fiscal year sales volume did not exceed \$250,000. Copy of federal income tax returns will be required with the application.

Mushroom canners are a commercial activity and are eligible as to size if the number of employees are less than 250.

Mushroom wholesalers and mushroom retailers are eligible if the annual volumes do not exceed \$5,000,000. or \$1,000,000. respectively.

For those businesses which are both growers and canners (Processors), we suggest you contact our office for an eligibility determination.

If you have any questions regarding the enclosed booklet or the above, please feel free to contact ~~our office at 215-597-3241.~~

your local SBA Office.

Enclosure - OPI - 18

January 14, 1975



This replies to your letter of January 13, 1975, on the above subject.

We have discussed the matter of the appropriate size standard for a mushroom producer who also processes the product with Mr. William Pellington, Director, Size Standards Division. His opinion, in which we concur, is that the correct interpretation of Part 121 is that in the case of a diversified operation, the primary industry determination is based on the annual receipts. That is to say, if the receipts from the sale of unprocessed mushrooms is the higher, then the primary industry is agricultural and the \$250,000 standard would apply. On the other hand, if the receipts from the sale of processed mushrooms is higher, then you would use the size standard for manufacturing.

We hope this will enable you to be of assistance to these diversified firms.

Edwin T. Holloway

Einar Johnson
Acting Associate Administrator
for Finance and Investment

Mfet - 250 employees



GROWER'S MUSHROOMS DELIVERED TO CANNERY
FISCAL YEAR - SEPT 1, 1973 THRU AUG 31, 1974

	<u>SHARE OF STOCK</u>	<u>POUNDS</u>	<u>DOLLAR VALUE</u>
A Dryden Farms 5125 Sutton Road Dryden, Michigan 48428	523	3,269,205	\$1,097,004.21
A Marzetti Brothers, Inc. 46161 Ryan Road Utica, Michigan 48087	72	193,305	73,167.76
A M.G.M. 2425 W. Utica Road Utica, Michigan 48087	145	582,654	210,089.67
B Lapeer Mushroom Farm 2676 S. Summers Road Imlay City, Michigan 48444	449	3,105,381	987,939.57
B Robert Benaglio 1225 E. Hamlin Road Rochester, Michigan 48063	54	448,229	154,623.18
B Utica Farms 1385 E. Hamlin Road Rochester, Michigan 48063	111	682,381	208,167.25
B Al Vannini 2504 East Big Beaver Troy, Michigan 48084	53	305,519	99,089.23
C Louis Piantoni 46297 Ryan Road Utica, Michigan 48087	28	139,899	48,574.83
Avon Mushroom Farm 1441 Hamlin Road Rochester, Michigan 48063	<u>141</u>	<u>940,259</u>	<u>316,716.44</u>
TOTAL	<u>1,576</u>	<u>9,666,832</u>	<u>\$3,195,372.14</u>



to meet the minimum hygiene requirements results in banning of imports from that company. Present canning facilities in Korea cannot meet these standards without major modernization. Large funds, particularly foreign exchange, are required for modernization.

Government Policy

5. In 1973, the Government introduced a credit program for rehabilitation of the industry; however, due to lack of funds, efforts so far have not been very effective. The Government plan calls for modernization, integration and diversification. Construction of new facilities is not being encouraged. Emphasis is being placed on multi-product processing to achieve optimum utilization of plant facilities and the labor force as well as to reduce the present dependence of the canning industry on one or two crops such as mushrooms. Modernization (modern equipment and techniques) coupled with diversification would enhance Korea's international competitiveness in agro-industries products. The Government, to implement these plans, is relying on official assistance from international institutions such as the World Bank and is discouraging the industry from accepting suppliers' credits.

Government Regulating Agencies

6. The National Agricultural Products Inspection Office (NAPIO), an agency for MAF and the Ministry of Health and Social Affairs (MHSA), are responsible for regulating the quality and safety of canned products. MHSA is responsible for the domestic market and NAPIO for exports. However only one set of standards is applied, which is less stringent than that of major importing countries. Moreover, quality standards and regulations are outdated. It is proposed under the Project that the Project Unit would assist NAPIO in revising quality control standards to bring them in line with international requirements.

Canning Facilities and Practices

Mushroom Canneries

7. Typical Cannery Operations. Freshly cut mushrooms, transported in baskets, reach the canneries 2-4 hours after harvest and are canned the same day. Mushrooms are weighed on platform scales, graded for price determination, dumped into cold water in large concrete tanks which are often lined with ceramic tile, and soaked for about 30 minutes. They are then transferred manually on to a link chain conveyor for trimming stems and sorting into grades. Open veil mushrooms are directed into a "stem and pieces" (S&P) grade; closed veil to "whole", "button" or "fancy slice" grades and defective tissues are removed from the line. Empty cans are hand washed in cold water and transferred manually to flat top filling tables. All grades are hand filled into containers, a labor intensive method, which are then weighed and adjusted by hand. The salt water with ascorbic acid (brine water) is



prepared in batches, heated to about 90°C in large double-packed steam kettles and poured manually from pitchers into weighed cans of mushrooms which results in variable head spaces. Filled cans are either conveyed through an exhauster and seamed with standard closers or vacuum seamed without exhausting. Sometimes seamed cans are washed by hand before retorting. Cans are hand loaded into horizontal retort baskets. Prior to shipment, cans are labeled by hand and cased.

8. Cannery Facilities. Most canneries are unscreened, poorly lighted and operated without hoods, ducts, and exhaust fans for removing steam. Ceiling and wall surfaces are unsanitary. Floors are not properly sloped or pitched with inadequate and poorly designed drains. Water, fuel and electrical utilities, together with boiler capacities and solid and liquid waste disposal practices, are adequate. No cannery has cold storage facilities. Product washing systems are inadequate and ineffective in removing loose soil particles from the surface of mushrooms. Retort systems, used in sterilizing canned mushrooms, are improperly designed. Retort pressure gauges, calibrated mercury thermometers, air bleeders and recorders are insufficient and out-dated. Sanitary control of water used in cooling cans after retort is inadequate. All these factors increase the susceptibility of Korean canned products to botulism and other types of spoilage.

9. Inefficiencies. Inadequate facilities, outdated equipment and processing practices result in lower canned pound yield and capacity utilization. The average shrinkage in Korean canneries is about 45%, resulting in a canned pound yield of only 55% (in the US and Europe, canned pound yield is about 65%). In 1972, about 75% of the existing cannery capacity was utilized. Major factors contributing to these inefficiencies are:

- (a) poor processing equipment design resulting in crushing, dropping or spillage;
- (b) abusive and excessive handling practices, partly related to the discontinuous nature of product flow;
- (c) canning without first cooling fresh mushrooms;
- (d) retorting at 121°C, instead of 130°C; and
- (e) non-automatic and slow seamers.

These inefficiencies lead to higher production cost.

10. Importing Countries Requirements. Major importing countries require that canneries be equipped with appropriate insect screens on all openings, sanitary hoods, ducts and exhaust fans, to prevent steam condensation forming on the ceiling. In addition, processing equipment must comply with sanitary designs (e.g. surfaces of equipment contacting food must be

of stainless steel, etc.) and control equipment (retort, etc.) must be modern and effective. Existing canning facilities cannot meet these requirements.

11. Conclusions. Korean mushroom canners are fully aware that their canning facilities need to be modernized to comply with importing countries' regulations and to increase the efficiency of their operations to compete more effectively in international trade.

Integrated Canneries

12. There are 20 canneries which are integrated and process peaches, mushrooms and other vegetables. Most peach processing lines have a daily capacity of about 10 tons, resulting in an average can-filling rate of 50/minute and daily packs of 1,000 cases. The advantage of integrated peach/mushroom canning facilities is that equipment such as graders, sorters, trimmers, weighing machines, and seamers, etc. could be utilized for canning both. Without the integrated approach, the cost of a peach canning line would be increased by about 30%, rendering it prohibitive to many canners. Most of these canneries have idle space for additional lines.

13. Many of the integrated canneries suffer from the same deficiencies as the mushroom canneries. Equipment flows are neither integrated nor properly scaled, adversely affecting product quality and operational efficiency. None of these canneries have cold storages and hence it is difficult to control the quality and supply of fresh peaches. This affects the quality of canned peaches as well as the utilization of the installed capacity.

Asparagus Canning

14. At present, due to lack of fresh production, asparagus canning is non-existent. However, in 1973, without purchasing specialized equipment, 500 standard cases (425 grams) were canned for trial packing and marketed successfully. The asparagus canning season of about 60 days (May and June) coincides with that of mushrooms. However a sufficient number of canners exists, with idle processing schedules in these months in potential asparagus-producing areas, which could be equipped for canning asparagus. In addition, most of these canneries already have low acid sterilizing systems (essential for asparagus canning) and are interested in diversifying their canning operations.

Freezing Industry

Frozen Strawberries and Spinach

15. At present there are three plants freezing fruits and vegetables. However existing facilities and equipment are outdated and operating practices are inefficient. Present freezing method consists of a regular cold storage room (-30°C) and prior to freezing, fruits and vegetables



KOREA Newsreview

Vol. 3, No. 18

May 4, 1974

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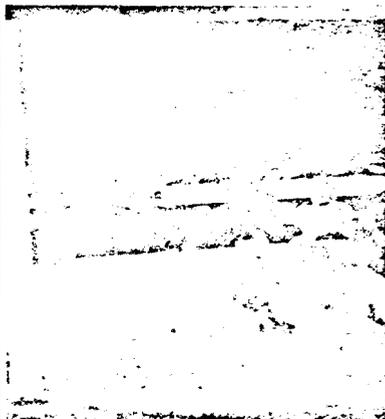
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Cover: A French engineering instructor, center, demonstrates his skills in the use of an industrial machine to the students of Ajou Institute of Technology in Suwon city in the central part of south Korea. The school, which was established under a Franco-Korea cooperation program celebrated the first anniversary of its founding last week. (Related Photo on Page 14; Story on Page 19)



Series No. 2 THIS IS KOREA

A feature-length, widescreen, color documentary on all aspects of Korea including history, arts, culture, education, economy, industry, tourism and sports.

The camera covers Seoul, the capital of Korea, and all the provincial areas including islands in the Republic of Korea, south of the military demarcation line which divides the Korean peninsula in two parts.

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Direction.....	Kang Dae-chul
Camera.....	Lee Suk-chool
Sound.....	Chung Kee-chang
Music.....	Choi Chang-gwon
Running Time.....	60 minutes
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\$24 Mil. Export Target

Mushroom Growers Flourishing on Overseas Markets

The edible mushroom has emerged recently as one of the most promising agricultural products for export, as a result of continuous efforts made by the industry to improve the cultivation technology as well as the government financial support.

The export volume of Korean mushrooms has rapidly increased as they were cultivated primarily for the overseas markets so far.

Edible mushrooms are a kind of fungus the regular cultivation of which started in this country only in the 1950s.

Among some 600 species of mushrooms growing in Korea at present, champignon, horse mushroom, morel, puff ball, agaric and some others are used for food and medicine for long time.

They grow mostly in shady forests, and two crops are available each year, both in spring and autumn. Known to be good for health, mushrooms, particularly for its flavor, attract gourmets of both East and West.

As the edible mushrooms are also believed to be good for reducing high blood pressure, the agricultural product has become one of the best foods of the people.

It was in 1966 when the government began to provide extensive financial and technical assistance to the artificial cultivation of mushrooms.

Since then, the development of mushroom cultivation seeks to make good use of available manpower.

Accordingly, the beds for mushroom



Womanworkers are processing the edible mushrooms for export at the Kumi factory of the state-run Agriculture and Fishery Development Corporation. This year, more than \$24 million worth of Korean mushrooms are to be sold to overseas markets.

cultivation have been increased in floor space to some 33,000 pyong in 1966 to 248,000 pyong in 1972 and again to some 600,000 pyong across the country in 1974. (One pyong equals 3.3 square meters)

At present, various projects are carried out to increase farmer's income through mobilizing unemployed labor to harvest mushrooms during the slack seasons in the rural areas.

With a view to increasing exports of

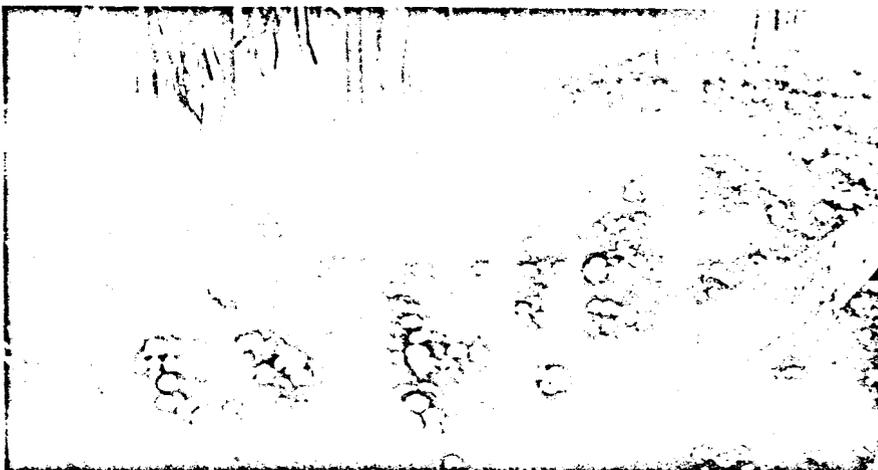
mushrooms as well as other major agricultural products, the government established in 1967 an organization called the Agriculture and Fishery Development Corporation, which was to spearhead the agricultural production and development.

In 1968, the corporation launched projects for increased production of mushrooms, including the introduction of new high yield strain, improvement of cultivation methods and control of agricultural pests and diseases. It also helped construct a new mushroom growing and processing complex. The corporation announced plans in 1971 to expand mushroom exports to the level of some \$30 million by 1977.

The export of mushroom, which amounted to \$320,000 in 1966, totaled \$4,985,000 in 1971, representing more than 10 times of increase during the five years.

Business sources said that the export of the agricultural product skyrocketed to \$18 million last year as the demand for the Korean mushrooms has been increasing on the overseas markets.

They further said that more than \$24 million worth of Korean mushrooms are anticipated to be sold to overseas markets this year.



Edible mushrooms are growing on artificial beds. The beds for mushroom cultivation have been increased from 33,000 pyong in 1966 to some 600,000 pyong in 1974 as the demand for Korean mushrooms are increasing on international markets. (One pyong equals 3.3 square meters)

The United States, the Federal Republic of Germany, Sweden and other north European countries have long been the customers for Korean mushrooms.

In particular, the export of canned mushrooms to the United States have grown remarkably at the recent time. In 1970, the United States purchased from Korea only \$266,000 worth of canned mushrooms. However, the next year, the amount increased by more than 10 times to \$3,030,000 expending to 60.8 per cent of the total mushroom export.

It is anticipated that exports to the United States will keep increasing due to the fact that the supply of mushroom in the country is still far behind demand.

Canned mushrooms for export include button, whole sliced, and pieces and stems. Cannery firms, meanwhile have a technical plan manufacture 58-ounce cans to be used at institutions and restaurants.

There are now some 54 mushroom suppliers in this country. The mushrooms delivered by them are sold to overseas markets by five major export channels including the National Agricultural Cooperative Federation, the Agriculture and Fishery Development Corporation and the Kumi Trading Co.,

According to the mushroom industry, along with the improvement of species, enlargement of packaging and quicker delivery, the industry expects to increase its exports gradually to an amount of \$27 million in 1976.

Korean Silk Exporters Seeking New Markets

The Agriculture-Fishery Ministry is working on a plan to diversify overseas markets for Korean raw silk.

The plan is designed to explore markets in Europe and the Middle East for Korean silk as the raw silk price in Japan, a major purchaser of Korean silk, has dipped to \$14.6 per pound largely because of the business recession there and dumping practices by Communist China.

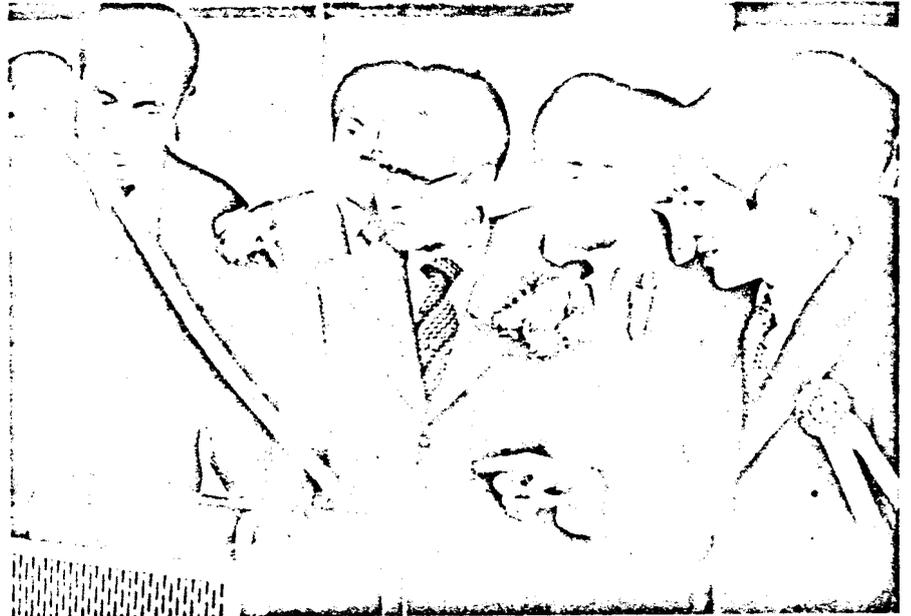
Korean raw silk exporters are suffering a deficit of \$3 per pound in their export sales of raw silk to Japan due to the sharp decline in the price of raw silk to that country.

As a means of expanding overseas markets for Korean raw silk, the ministry is considering establishing a silk center in Europe and working on a set of measures to explore markets in Syria, Iraq, Jordan and other Middle East countries.

NEWSREVIEW, MAY 4, 1974

Ajou Institute of Technology

Standing for Franco-Korean Friendship



Premier Kim Jong-pil (center) inspects a modern laboratory equipment at the Ajou Institute of Technology in Suwon, Kyonggi-do. French Ambassador Pierre Landy (left) accompanied the premier who attended a ceremony marking the first anniversary of the institute. (Another Photo on Page 14)

Ajou Institute of Technology (AIT) which was established last year under the agreement on cultural and technological cooperation between France and Korea celebrated the first anniversary of its inauguration.

The ceremony was held at 11 a.m. at the school located in the far eastern part of this capital city of Kyonggi-do with Premier Kim Jong-pil, French Ambassador Pierre Landy, Education Minister Min Kwan-shik, and many educators attending.

Gov. Cho Pyong-gyu of Kyonggi-do and Suwon Mayor Yu Ki-chon were also among the attendants.

Premier Kim, in a congratulatory address, hoped that the "Institut Supérieur de Technologie Ajou" (the French name for the school) play a major role in introducing advanced technology from France.

Citing laborious efforts made by Park Chang-won, director of the school's Board of Trustees, Premier Kim extended his congratulations on the occasion of its elevation to the full four-year college.

Based on the agreement between the two countries concluded Dec. 28, 1965, the College of Asia was established in

1971 and opened last year as a two-year institute. The junior college was elevated to a four-year College this year with the present name.

Premier Kim said he is happy to notice fine experimental equipment supplied by the French government which is "essential to scientific and technological education" in Korea.

The French government provided equipment and machinery worth \$500,000 and another shipment of equipment worth \$2 million is expected by the end of 1976.

Ambassador Landy said the school's role will be great for the Korean society and the cooperative relations between Korea and France will grow steadily.

Pointing out that the experimental equipment the French government supplied to the school is up-to-date and best one an advanced country can provide, the French ambassador expressed his firm belief that the Ajou Institute of Technology will become one of the model educational institutions in Korea.

The ceremony closed when Rev. Han Kyong-jik of Yong-nak Presbyterian Church in Seoul made a benediction for the school.

MEMORANDUM

TO: MPA Government Relations Committee

FROM: Lewe B. Martin, Counsel

DATE: February 12, 1975

SUBJECT: Section 204/Orderly Marketing Arrangement

James Van Zandt, Secretary of the Pennsylvania Congressional Delegation Steering Committee is moving to arrange a meeting with Robert S. Ingersoll, Under Secretary of State for Economic Affairs. This meeting, which is tentatively set for the week of March 3, 1975 (probably March 6), is planned for Senator Scott's office. Congressman Morgan will also be present. Also to be considered to attend are Senator Griffin and Congressman Broomfield (Ranking Minority member of the House Foreign Affairs Committee).

This matter is now some four years old, having seen innumerable meetings and memos, hearings at the Tariff Commission, trips to Europe and the Far East, and continued political pressure on the Trade Staff Committee and the State Department. In a unique (the only time) and unusual conclusion, the Tariff Commission reported to the President that the mushroom industry is threatened with injury to the extent sufficient to warrant some form of relief. After lengthy deliberation, the Trade Staff Committee finally agreed and passed the matter to the State Department. Once again, there was an extensive review with the result that the 204 Negotiation was approved and sent to Secretary Kissinger for final approval. It is painfully obvious that this approval never occurred and further efforts led to the exchange of letters with Linwood Holton, Assistant Secretary of State for Congressional Relations and Senator Scott and Congressman Morgan.

I am convinced a new approach must be developed for the March 6, 1975 meeting. The major points which I recommend be included are:



1. Use data from Special Economic Survey to demonstrate Tariff Commission conclusion as to threat of injury was correct.
 - a. Sales volume down but value down nine times greater.
 - b. Prices down 7%.
 - c. Net operating loss 4.7% of sales.
 - d. Employment down 5%.
2. Use data from U.S.D.A. Reports to demonstrate:
 - a. Taiwan plans increased exports to U.S. in 1974/75 crop year (from about 29 million pounds to 35.5 million pounds)
 - b. Korea plans (Foreign Service Dispatch not yet available)
 - c. EEC minimum import price program in place and diverting Far East Shipments -- cite actual data and U.S.D.A. Report that Taiwan will ship one-half volume to West Germany as historically exported.
3. Outline new program for an orderly marketing agreement.
 - a. Exclude glass pack from agreement (this should effectively remove opposition of Green Giant and Grocery Store Products and relieve some pressure on State Department resistance.
 - b. Establish limitations on exports based on some historical average (1974 imports about equal to 1971/72 crop year or 30%)
 - c. Offer to certify foreign processors (if they can qualify) so that any and all exports within the limitations can use Process Certified Seal)



- d. Explain promotion program to be generated from fees for use of seal.

This program to promote consumption of mushrooms to benefit all suppliers. As consumption increases, limitations on Taiwan and Korean exports could be eased. (This will respond to joint promotion program suggested by Ray Ioanes in 1969. The lack of such a program still used as an excuse by some in Washington for not going forward with Section 204 Negotiations or an orderly marketing agreement.)

cc: Alex Marzetti
Robert Shelton
Joseph Tercha
A. T. Pratt
E. M. Damon



THE WHITE HOUSE
WASHINGTON

Mushroom

April 22, 1975

MEMORANDUM FOR:

KEN GUNTHER

FROM:

PHILIP BUCHEN

P.W.B.

On March 5, I sent you material concerning the Mushroom Industry in the United States and I have just recently received additional material from Mr. Nicholas J. Rini.

I would appreciate your suggesting an appropriate response for me to send.

Enclosure



THE WHITE HOUSE

WASHINGTON

April 22, 1975

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Enclosure



Telephones:
Mr. Clemens
(313) 468-1408
Lansing
(517) 482-2536 & 482-1491

NICHOLAS J. RINI

Attorney at Law

Clinton River Center ♦ 25550 North River Road ♦ Mount Clemens, Michigan 48043

April 15, 1975

Philip W. Buchen, Counsel to the President
The White House
Washington, D.C. 20515

Dear Mr. Buchen:

Our mutual friend Bob VanderLaan gave me a copy of your March 5th letter regarding the mushroom industry. A copy is enclosed to refresh your mind.

The Office of Special Trade Representative has been involved in this matter since December, 1971. I hope you will take a few minutes to read the attached information which will not only give you a history of our struggle but will also show you that President Ford as Congressman along with Senators Griffin and Scott have been our supporters.

More important, you will come to the conclusion of Mr. Martin and myself as mentioned on page 2 of Mr. Martin's letter dated March 25, 1975 that:

"Nick, I personally believe this matter will not succeed without President Ford's blessing. Further review by STR will accomplish no real purpose and will result in further waffeling.

"We need either a behind-the-scenes directive to State from the President, or a confrontation meeting with the political figures involved, namely, Scott, Griffin, Morgan, et al."

I am firmly convinced, as is Mr. Martin, that the President's support is essential before Secretary of State Kissinger will act. We are fully aware of the value of strong international relations, but these should not be attained at the expense of domestic industry. The International Trade Commission is currently considering a move to reduce duties on mushrooms by approximately 60%. In the first two months of 1975, foreign mushroom imports increased 25.86% over the comparable period for 1974. A tariff reduction will only serve to further aggravate this distressing trend. The entire mushroom industry was dealt a near fatal blow two years ago



Mr. Philip W. Buchen

- 2 -

April 15, 1975

during the Botulism scare. The industry has only recently began to show signs that it can pull out of the financial crisis that resulted. The proposed tariff reduction, at this time, could be the single factor that would cause the demise of many farms and processors throughout the country.

These are pressing problems that are threatening the very existence of the American mushroom industry. It is no longer a problem the industry can handle from within its own ranks. It cannot fight its financial battle while the government is pulling the rug from beneath its feet. Our American mushroom industry cannot compete with foreign cheap labor and less stringent sanitary conditions. Many productive and taxpaying farms and processors are, quite literally, on the verge of collapse. The only element keeping them in operation is the prospect of governmental assistance. With your assistance in bringing these matters to the attention of the President, we may be able to revive a sick industry.

The industry must have Product Disaster Loan determination and negotiations for the limitation of exports to the United States pursuant to Section 204.

Sincerely,



Nicholas J. Rini
Attorney-at-Law

NJR:d1r
Enclosure

cc: Senator Robert VanderLaan
State Capitol
Lansing, Michigan



THE WHITE HOUSE
WASHINGTON

March 5, 1975

Dear Bob:

After receiving your letter of February 19, I reviewed the materials you transmitted which had been prepared by an attorney for the mushroom industry.

My previous acquaintance with this problem involved only the question of whether Small Business Administration disaster loans were properly available to the mushroom processors as a result of the effect on their business of the botulism bacteria. I now see that the problem also arises from the effect on the domestic business of mushrooms imported from Korea.

I have discussed this matter with Bill Seidman and at his suggestion I am sending the material from attorney Rini to Mr. Ken Gunther at the Office of the Special Trade Representative.

Best personal regards.

Sincerely yours,



Philip W. Buchen
Counsel to the President

Honorable Robert VanderLaan
4745 Curwood, S. E.
Grand Rapids, Michigan 49508

cc: Mr. Ken Gunther
Office of the Special Trade Representative



GERALD R. FORD
FIFTH DISTRICT, MICHIGAN

MICHIGAN OFFICE:
720 FEDERAL BUILDING
110 MICHIGAN NW
GRAND RAPIDS 49502

Congress of the United States
Office of the Minority Leader
House of Representatives
Washington, D.C. 20515

May 29, 1973

Mr. Alex Marzetti
Chairman of the Board
Great Lakes Mushroom Cooperative
23950 Ryan Road
Warren, Michigan 48091

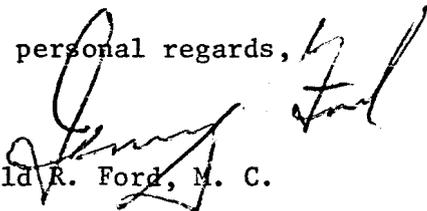
Dear Mr. Marzetti:

Following our discussion earlier this year I impressed upon the Chairman of the U.S. Tariff Commission and Presidential Assistants Peter Flanigan and William E. Timmons my concern about the effect upon the mushroom industry of Michigan of unrestricted imports, particularly from Taiwan and Korea.

I was advised that the Commission was extending its investigation, with the concurrence of Mr. Flanigan, but that its report will be going to the President about June 1st.

I will advise you of developments as soon as I have any further information.

Kind personal regards,


Gerald R. Ford, M. C.

GRF:rn



HERBERT POPE
1916-1958
ERNEST S. BALLARD
1919-1952

KARL D. LOOS
PRESTON C. KING, JR.
ALEXANDER M. HERON
JULES G. KORNER, III
DICKSON R. LOOS
LEWE B. MARTIN
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(202) 298-8600

March 25, 1975

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22 W. JEFFERSON STREET, SUITE 303
ROCKVILLE, MARYLAND 20850

CHICAGO OFFICE
POPE, BALLARD, SHEPARD & FOWLE
69 W. WASHINGTON ST., CHICAGO, ILL. 60602

Nicholas J. Rini, Esquire
Clinton River Center
25550 North River Road
Mount Clemens, Michigan 48043

Dear Nick:

Enclosed is a revised memo for use with Mr. Vander Laan. It can be read in a very few minutes and I urge you to urge Mr. Vander Laan to do so.

The memo shows that we have been attempting a solution since 1964. The most recent efforts were increased in 1971.

Note the involvement of Trade Staff Committee of the Office of Special Trade Representative since December, 1971.

There were further reviews in 1972 and early 1973 when we presented industry accumulated economic data to support a 204 negotiation. This led to the agreement to have the President order a Section 332 investigation by the Tariff Commission in May, 1973.

Again, the TSC reviewed the matter, including the Tariff Commission Report. After many agonizing months, the TSC finally endorsed Section 204 action subject to approval by someone.

This gets us into the Watergate era when no one knew who was running the country. Usually the President would sign off on



POPE BALLARD & LOOS

Nicholas J. Rini, Esquire
March 25, 1975
Page Two.

such a matter, but we were told it could be handled by Secretary Kissinger.

As referred to on page 6 of the memo, the matter received approval at all levels of the Department of State and was set for signature by Secretary Kissinger. Enter the oil and mid-east crisis and no attention by Kissinger. Finally, Deputy Secretary Rush signed off as to Taiwan and Korea -- an unacceptable situation because of the reluctance of Korea to negotiate. Authority to negotiate with Latin American countries is still lacking -- so a viable 204 is impossible at the present time.

Please note that I have rung in the Griffin/Ford letters and have attached copies.

For your information, Ken Gunther was the acting Special Trade Representative when Phil Buchen wrote this letter on March 5, 1975. Gunther is bucking for one of the deputy slots now that Dent is the STR. Gunther once worked for Senator Javitts, so perhaps Joe Frangella could be of some help. This is problimatical because Joe has evidenced no interest in 204. He is vitally interested in product disaster, however, so maybe a trade off can be accomplished.

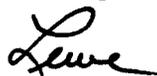
Nick, I personally believe this matter will not succeed without President Ford's blessing. Further review by STR will accomplish no real purpose and will result in further waffeling.

We need either a behind-the-scenes directive to State from the President, or a confrontation meeting with the political figures involved, namely, Scott, Griffin, Morgan, et al.

Hope this will enable you and Alex to move forward -- I of course am prepared to help whenever possible.

With kindest personal regards.

Sincerely,



Lew B. Martin

LBM/tos
Encl.

MEMORANDUM

TO: HONORABLE ROBERT VANDER LAAN
FROM: LEWE B. MARTIN, COUNSEL
MUSHROOM PROCESSORS ASSOCIATION
DATE: MARCH 25, 1975
SUBJECT: PETITION OF MUSHROOM PROCESSORS ASSOCIATION TO THE
PRESIDENT TO NEGOTIATE AGREEMENTS ON CANNED MUSH-
ROOMS UNDER SECTION 204 OF THE AGRICULTURAL ACT
OF 1956

*** IMPORTS OF CANNED MUSHROOMS WERE 2.3 MILLION
POUNDS IN 1965 AND 22.7 MILLION POUNDS IN 1968.

THE MUSHROOM PROCESSORS ASSOCIATION WAS A PARTY
IN THE PETITION TO THE TARIFF COMMISSION FOR RELIEF UNDER
THE "ESCAPE CLAUSE" OF THE TRADE ACT IN 1964 BECAUSE OF IN-
CREASED IMPORTS AND THE MEMORANDUM OF CONVERSATION WITH THE
REPUBLIC OF CHINA IN 1968 LIMITING EXPORTS TO THE UNITED
STATES FOR ONE YEAR.

WHEN IMPORTS CONTINUED TO INCREASE IN 1970 AND
1971, THE MUSHROOM PROCESSORS ASSOCIATION BROUGHT THIS TO
THE ATTENTION OF THE DEPARTMENTS OF STATE AND AGRICULTURE IN
OCTOBER 1971. CONVERSATIONS WERE HELD BETWEEN STATE DEPART-
MENT OFFICIALS AND THE EMBASSIES OF THE REPUBLICS OF CHINA
AND KOREA. THE TRADE STAFF COMMITTEE OF THE OFFICE OF THE
SPECIAL TRADE REPRESENTATIVE INVESTIGATED THE MATTER IN
DECEMBER 1971.

*** IMPORTS WERE 30.8 MILLION POUNDS IN 1971.



IN MARCH 1972, A MISSION OF MPA REPRESENTATIVES VISITED TAIWAN AND KOREA WHERE CONVERSATIONS WERE HELD BOTH WITH INDUSTRY AND GOVERNMENT OFFICIALS.

ON OCTOBER 12, 1972, SENATOR HUGH SCOTT FORWARDED A PETITION OF THE MUSHROOM PROCESSORS ASSOCIATION TO THE PRESIDENT. THIS PETITION URGED THE PRESIDENT TO NEGOTIATE WITH FOREIGN SUPPLIERS (PURSUANT TO SECTION 204 OF THE AGRICULTURAL ACT OF 1956) LIMITATIONS OF EXPORTS OF CANNED MUSHROOMS TO THE UNITED STATES.

*** IMPORTS WERE 52.1 MILLION POUNDS IN 1972.

ON MAY 30, 1973, THE PRESIDENT REQUESTED THE TARIFF COMMISSION TO CONDUCT A SECTION 332 INVESTIGATION ON THE COMPETITIVE CONDITIONS IN THE UNITED STATES BETWEEN DOMESTIC AND IMPORTED CANNED MUSHROOMS.

THE TARIFF COMMISSION REPORTED TO THE PRESIDENT ON JUNE 6, 1973 A UNANIMOUS FINDING THAT THE DOMESTIC INDUSTRY IS BEING THREATENED WITH INJURY BECAUSE OF IMPORTS AND THAT THE PRESIDENT SHOULD GIVE SERIOUS CONSIDERATION TO SOME FORM OF RELIEF.

ON JUNE 14, 1973, THE WHITE HOUSE ADVISED SENATOR SCOTT THAT THE TARIFF COMMISSION REPORT WAS NOW BEING CONSIDERED BY THE INTERAGENCY TRADE STAFF COMMITTEE WHICH WILL RECOMMEND A COURSE OF ACTION.

THE ASSISTANT MINORITY LEADER OF THE SENATE, ROBERT P. GRIFFIN, AND THE THEN MINORITY LEADER OF THE HOUSE, GERALD R. FORD, RESPONDED TO THE WHITE HOUSE AND THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS URGING THE



NEGOTIATIONS FOR EXPORT LIMITATIONS BE SETTLED BEFORE THE NEXT CROP YEAR.

THE DOMESTIC INDUSTRY BELIEVED A REASONABLE SOLUTION WAS FORTHCOMING.

*** IMPORTS WERE 49.8 MILLION POUNDS IN 1973.

IN THE YEAR JAN./FEB. 1973/74, THE FOOD AND DRUG ADMINISTRATION INITIATED RECALLS OF CANNED MUSHROOMS WHICH DIRECTLY AFFECTED SOME 13 CANNERS. WHILE THE IMMEDIATE EFFECT OF THESE RECALLS WAS TO CAUSE SERIOUS ECONOMIC HARM TO THE CANNERS THE LONG TERM EFFECT WAS THE LOSS IN CREDITABILITY OF CANNED MUSHROOMS TO THE AMERICAN CONSUMERS. IMPORTS DECLINED AFTER MORE THAN A DECADE OF GEOMETRIC INCREASES.

AN ECONOMICALLY DEVASTATING FIGHT ENSUED IN 1974 BETWEEN IMPORTS AND DOMESTIC PRODUCT FOR A DECLINING CONSUMPTION. THE MPA CONDUCTED A SURVEY IN 1974 OF DOMESTIC PROCESSORS ACCOUNTING FOR APPROXIMATELY 40% OF U.S. SHIPMENTS OF BRINE PACKED MUSHROOMS. PROMINANT IN THIS DATA IS THE SUPPRESSED SALES PRICE PER POUND, DOWN 8% WHICH RESULTED IN A 9% DECLINE IN SALES VALUE. THIS, IN TURN, CONTRIBUTED TO A NET LOSS ON SALES OF 4.7%. OBVIOUSLY, THIS NET LOSS WILL CONTINUE WHEN THE INDUSTRY IS UNABLE TO ADJUST PRICES TO REFLECT INCREASED COSTS BECAUSE OF THE UMBRELLA OF LOW PRICED IMPORTS.

*** IMPORTS WERE 42.6 MILLION POUNDS IN 1974.



A MAJOR SHIFT IN EXPORT EMPHASIS FROM THE U.S. TO WEST GERMANY WAS MADE BY TAIWAN AND KOREA IN 1973.

THE FOLLOWING TABLE SHOWS THE REMARKABLE INCREASE IN WEST GERMAN IMPORTS NOT ONLY FROM TAIWAN AND KOREA, BUT THE PEOPLES REPUBLIC OF CHINA.

WEST GERMAN IMPORTS

IN MILLIONS OF DRAINED WEIGHT POUNDS

	<u>1972</u>	<u>1973</u>	<u>JAN/SEPT. 1974</u>
TAIWAN	22,984	34,634	13,632
KOREA	1,423	7,043	7,696
PEOPLES REPUBLIC OF CHINA	154	8,778	18,443

IMPORTS INTO THE UNITED STATES

IN MILLIONS OF DRAINED WEIGHT POUNDS

	<u>1972</u>	<u>1973</u>	<u>1974</u>
TAIWAN	36,404	31,070	30,040
KOREA	9,946	14,010	7,771

ON AUGUST 8, 1974, THE EEC ISSUED REGULATION 2107/4, EFFECTIVE AUGUST 26, 1974 TO RESTRICT IMPORTS OF CANNED MUSHROOMS INTO THE COMMUNITY. THIS REGULATION INVOLVES A MINIMUM IMPORT PRICE/LICENSE PROGRAM WHICH EFFECTIVELY RESTRICTS IMPORTS TO 50% OF THE PREVIOUS YEAR.



UNDER THE CIRCUMSTANCES, ANOTHER DIRECTION OF TAIWAN AND KOREAN EXPORTS SEEMS ASSURED. CANADA AND THE UNITED STATES ARE THE ONLY REAL ALTERNATIVES FOR FAR EASTERN MUSHROOM PRODUCTION. IT IS REPORTED THAT CANADA IS IN THE PROCESS OF NEGOTIATING LIMITATIONS OF EXPORTS FROM TAIWAN AND KOREA.

THIS SITUATION LEAVES THE UNITED STATES, THE WORLD'S LARGEST GROWER OF MUSHROOMS, AS THE WORLD'S LARGEST UNPROTECTED MARKET. EVEN BEFORE THE EEC RESTRICTIVE ACTION, U.S. IMPORTS, PRIMARILY FROM LOWCOST FAR EASTERN COUNTRIES, SERIOUSLY ERODED THE DOMESTIC SHARE OF ITS OWN MARKET TO 65%. NOW THAT EROSION CAN ONLY INCREASE RAPIDLY, UNLESS THE UNITED STATES GOVERNMENT PROCEEDS PROMPTLY TO ENTER INTO THE SECTION 204 NEGOTIATION IT HAS SO LONG CONSIDERED.

REPUBLIC OF KOREA EXPORT PLAN FOR 1975 AS REPORTED BY USDA FOREIGN AGRICULTURAL SERVICE (3 MARCH 1975) CONTAINS 9 MILLION POUNDS FOR EXPORT TO THE UNITED STATES.

REPUBLIC OF CHINA EXPORT PLAN FOR 1975 AS REPORTED BY USDA FOREIGN AGRICULTURE (DECEMBER, 1974) CONTAINS 35.5 MILLION POUNDS FOR EXPORT TO THE UNITED STATES.

THUS, TWO COUNTRIES ALONE PLAN TO EXPORT MORE -- 44.5 MILLION POUNDS -- TO THE UNITED STATES IN 1975 THAN ALL COUNTRIES IN 1974.



THE DEPARTMENT OF STATE HAS BEEN ENDORSED BY OTHER AFFECTED DEPARTMENTS THROUGH THE AEGIS OF THE OFFICE OF THE SPECIAL TRADE REPRESENTATIVE TO PROCEED WITH SECTION 204 NEGOTIATIONS. THE DEPUTY SECRETARY OF STATE SIGNED OFF AUTHORIZING SECTION 204 NEGOTIATIONS WITH THE REPUBLICS OF CHINA AND KOREA. AUTHORIZATION IS NEEDED TO NEGOTIATE WITH OTHER EXPORTING COUNTRIES (LATIN AMERICA) BECAUSE OF LONG DEMONSTRATED UNWILLINGNESS OF KOREA TO PARTICIPATE.

THE DEPARTMENT OF STATE APPARENTLY IS ATTEMPTING AGAIN TO AVOID USING SECTION 204 AND RESORT TO VOLUNTARY AGREEMENTS WITH TAIWAN AND KOREA. THIS APPROACH BEGS THE QUESTION AS TO OTHER COUNTRIES, PARTICULARLY THE PEOPLES REPUBLIC OF CHINA. BECAUSE IT DELAYED SO LONG THE STATE DEPARTMENT IS CONFRONTED WITH THE EEC IMPORT RESTRICTIONS WHICH WILL NO DOUBT IMPEDE NEGOTIATIONS. FURTHER DELAY WILL SEE NEW TRADE PATTERNS AND VOLUME WHICH WILL NO DOUBT BECLOUD THE ISSUE.

THE PRESIDENT SHOULD DIRECT THE SECRETARY OF STATE TO BEGIN SECTION 204 NEGOTIATIONS AT ONCE.

THE DEPARTMENT OF STATE AND THE EXECUTIVE DEPARTMENT HAVE BEEN ADVISED OF THE WILLINGNESS OF TAIWAN AND CERTAIN LATIN AMERICAN COUNTRIES TO NEGOTIATE. SUCH AN AGREEMENT INVOLVING A SUBSTANTIAL PART OF WORLD TRADE IN CANNED MUSHROOMS WOULD PERMIT THE U.S. TO ISSUE REGULATIONS AS TO IMPORTS FROM OTHER COUNTRIES, INCLUDING KOREA.

THE WHITE HOUSE

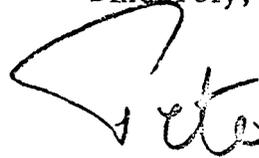
WASHINGTON

June 14, 1973

Dear Hugh:

Thank you for your letter of June 8, 1973 discussing the recent Tariff Commission report on the domestic mushroom industry. That report is now being considered by the inter-agency Trade Staff Committee which will recommend a course of action. I have asked the Committee to complete its review in time for any action which might result to be announced prior to the Fall mushroom season. I understand that the Tariff Commissioners split three ways in their report which, of course, substantially complicates the work of the Trade Staff Committee. However, your serious concern with this problem is well understood and every effort will be made to reach a decision as soon as possible.

Sincerely,



Peter M. Flanigan
Assistant to the President
for International Economic Affairs

Honorable Hugh Scott
United States Senate
Washington, D. C. 20510



United States Senate

OFFICE OF
THE ASSISTANT MINORITY LEADER
WASHINGTON, D.C. 20510

July 25, 1973

Honorable William D. Eberle
Special Representative for
Trade Negotiations
1800 G Street
Washington, D. C. 20506

Dear Mr. Eberle:

It is our understanding that the May 30, 1973, report of the Tariff Commission to the President on Mushrooms is now being considered by the Trade Staff Committee for a recommended course of action.

The President recognized the urgency of the matter in his letter to the Tariff Commission when he set a deadline for the report in the 332 Investigation so that proper attention could be given to the matter before the next marketing year begins in the Fall of 1973. Both Taiwan and Korea have set their export goals for the 1973/74 seasons and presumably will undertake to plant sufficient square footage to accomplish these increased goals unless the proposed Section 204 Negotiation is accomplished. Certainly this matter should be settled well before the crop year begins. Taiwan which harvests one crop a year, December/March, has already begun plans for the areas to be planted. South Korea harvests two crops a year, October/December and March/May, and is in the process of preparing for its Fall planting.

The Tariff Commission unanimously found that the domestic industry is threatened with injury because of imports and that the extent thereof is sufficient to warrant the President giving serious consideration to some form of relief. The Commission also reported a precedent for limiting exports of mushrooms inasmuch as Taiwan



Honorable William D. Eberle
July 25, 1973

had entered into a Memorandum of Conversation with the United States in 1968 which necessitated a cut-back of 25% of its export goals. Taiwan has again indicated a willingness to negotiate in this matter. Continued delay in acting on this matter will have injurious effects on the domestic industry and will impose an unreasonable burden on the negotiations with foreign suppliers, particularly Taiwan and Korea.

There appears to be strong justification for action in this matter. It is respectfully recommended that you support the speedy resolution by the Trade Staff Committee so that negotiations under Section 204 may be completed before the next crop year.

Sincerely,

Gerald R. Ford
Member of Congress

Robert P. Griffin
U. S. Senate



United States Senate

OFFICE OF
THE ASSISTANT MINORITY LEADER
WASHINGTON, D.C. 20510

July 25, 1973

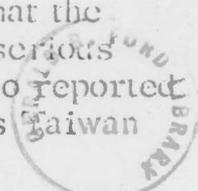
Mr. Peter M. Flanigan
Assistant to the President
for International Affairs
The White House
Washington, D. C.

Dear Mr. Flanigan:

Two recent reports from our Agricultural Attaches in Taiwan and Seoul indicate record export targets or goals for canned mushrooms from Taiwan and Korea in the crop year 1973/74. Unless some restraint is negotiated imports of canned mushrooms will continue to increase and further aggravate the injury to the domestic industry.

The President recognized the urgency of the matter in his letter to the Tariff Commission when he set a deadline for the report in the 332 Investigation so that proper attention could be given to the matter before the next marketing year begins in the Fall of 1973. Both Taiwan and Korea have set their export goals for the 1973/74 seasons and presumably will undertake to plant sufficient square footage to accomplish these increased goals unless the proposed Section 204 Negotiation is accomplished. Certainly this matter should be settled well before the crop year begins. Taiwan which harvests one crop a year, December/March, has already begun plans for the areas to be planted. South Korea harvests two crops a year, October/December and March/May, and is in the process of preparing for its Fall planting.

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Mr. Peter M. Flanigan
July 25, 1973

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There appears to be strong justification for action in this matter. It is respectfully recommended that you support the request for action under Section 204 of the Agricultural Act of 1956 and complete the necessary negotiations before the onset of another crop year.

Sincerely,

Gerald R. Ford
Member of Congress

Robert P. Griffin
U. S. Senator



Mushroom Processors Association



LEGISLATIVE INFORMATION

P.O. Box 147, Kennett Square, Pa. 19348/(215) 444-3622
E. M. Damon, Executive Secretary
Lewe B. Martin, General Counsel

TO: MPA Members
FROM: Lewe B. Martin, Counsel
DATE: April 1, 1975
SUBJECT: February Imports and Comments

Multilateral Trade Negotiations:

We have requested time to appear before the International Trade Commission (formerly the Tariff Commission) at Hearings beginning April 8, 1975 where consideration will be given to further reducing the duties on mushrooms. The Trade Act of 1974 gives the President a 60% authority which means brine packed mushroom duties could be reduced from 3.2 ¢/lb. plus 10% ad.val. to 1.3 ¢/lb. plus 4% ad.val. You will be notified as soon as a definite date is set for our hearing.

Beneficiary Developing Countries:

On March 26, 1975, the President sent to Congress a list of some 89 countries and 43 dependent territories as possibly eligible to benefit from U.S. tariff preferences, namely, duty-free entry. I am happy to report that no mushroom items were included in the eligible list so no country will get a preference. Some of our work with the State Department has proved to be beneficial.

Crop Reporting Service:

The Annual Mushroom Report of the U.S.D.A. has been nominated for rescission. On behalf of MPA, I wrote a letter of protest to Secretary Butz and Dave Hume FAS Administrator. We also requested time to appear before the Subcommittee on Agriculture of the Senate and House Appropriations Committees. The Hearings are tentatively set for April 15 and 17, per the attached memorandum.



February, 1975 Mushroom Imports - CANNED

<u>COUNTRY</u>	<u>February 1975</u>		<u>February 1974</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
TAIWAN	1,034,410	725,391	1,296,420	814,420
KOREA	1,509,237	958,697	875,320	513,215
JAPAN	205,634	124,825	198,133	112,618
MEXICO	-	-	25,500	15,000
OTHER	188,526	142,027	288,232	249,497
TOTAL.....	2,937,807	1,950,940	2,683,605	1,704,750

<u>COUNTRY</u>	<u>2 months 1975</u>		<u>2 months 1974</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
TAIWAN	4,643,053	3,305,713	3,853,336	2,355,336
KOREA	2,993,747	1,883,005	2,160,207	1,277,178
JAPAN	560,196	356,011	248,757	147,121
MEXICO	-	-	25,500	15,000
OTHER.....	508,790	432,032	628,965	538,563
TOTAL	8,705,786	5,976,761	6,916,765	4,333,198

FRESH POUNDS

13,058,679

10,375,147

Imports Up 25.86%



28 APR 1975

28 APR 1975

The Honorable Robert VanderLaan
Senator-31st District
4745 Curwood, S. E.
Grand Rapids, Michigan 49508

Dear Senator VanderLaan:

At the request of Mr. Philip Buchen, this Office has undertaken a review of the problem of import competition faced by the domestic canned mushroom industry, as described in your letter of February 19, 1975, and its enclosure from Mr. Nicholas Pini, an attorney representing Michigan mushroom interests.

As you know from the record, discussions were held in 1973 with Taiwan and Korea, the two major foreign suppliers of canned mushrooms, concerning unilateral restraints on their exports to the United States. Nothing developed from these discussions. Subsequently, attention was turned to the negotiation of agreements under Section 204 of the Agricultural Adjustment Act of 1956. While preparations for such negotiations were underway, the import picture changed, and for the year 1974 the quantity of canned mushrooms entering the United States from Taiwan and Korea dropped 16 percent below the 1973 level and was 18 percent lower than in 1972. Such circumstances weakened the argument that formal export restraint commitments were essential. In fact, there is serious question whether marketing arrangements that the industry would consider satisfactory can be negotiated.

We have for some time been keeping mushroom imports under surveillance and are aware of the upturn this year. While this is a matter of concern, we do not have hard evidence as to the impact of imports on domestic canners subsequent to the period covered by the Tariff Commission's May 1973 report to the President. However, any current determination as to what action may be appropriate must take into account an important new factor, namely the Trade Act of 1974.

A major element in earlier discussions about restraint arrangements on canned mushrooms was the fact that the industry was not able to satisfy the criteria for escape clause relief under the trade legislation in effect until January 3, 1975, due to the statutory causal link between trade concessions, increased



imports, and serious injury. (The Commission's conclusions in 1973 that a threat of future injury existed were not based on an escape clause investigation and the report did not address itself to the criteria for such relief.) Under the new Trade Act, the criteria for escape clause relief have been made substantially easier to meet. Specifically, the link with trade concessions, which was the basis for the Commission's negative finding on mushrooms in 1965, has been eliminated.

After careful review, it is our judgment that if the mushroom industries are suffering losses due to import competition, they should petition for an escape clause investigation by the International Trade Commission under Section 201 of the new Trade Act. The Congress gave detailed consideration to the framing of the liberalized new import relief provisions with the express intention of establishing effective means for dealing with situations of import injury.

The advantage to the Executive Branch in dealing with an import problem after an affirmative finding of the Commission is that virtually all avenues for providing relief are opened, including orderly marketing arrangements. Legal deadlines for action are specified in the law and our negotiating leverage is greatly increased when an impartial investigation has established import injury.

If the contention is made that the escape clause procedures are too time-consuming, I believe the answer is that the Commission can be asked to expedite its consideration of the case. Realistically, it does not appear that any type of orderly marketing arrangement could be negotiated and put into effect more rapidly.

Mr. Rini states that in addition to limitation on import competition, the industry wants to obtain financial assistance. While such matters do not fall within the responsibilities of this Office, it should be noted that one of the remedies which may be provided following a finding of injury in an escape clause case is adjustment assistance, which can include federal loans and loan guarantees.

It is a matter of serious concern to me that your constituents feel the Executive Branch does not understand or does not care about their problems. I can assure you that we do care and in fact the Administration's decision to recommend a



relaxation of the import relief measures to the Congress began with a proposal from this Office. If the industry believes we do not understand, I would welcome any additional material they may want to bring to our attention.

Sincerely,

~~Signed~~ Frederick B. Dent

Frederick B. Dent
Special Representative



MATERIALS FILED IN

"MUSHROOM" FILE

cc: VanderLaan, Robert
Rini, Nicholas
Special Trade
Representatives
Martin, Lewe

- 4/15/75 letter to Philip Buchen from Nicholas J. Rini
(with copy to Michigan Senator Robert VanderLaan)
- 4/22/75 memo to Ken Gunther forwarding letter of 4/15 with
further reference to the material sent on 3/5 (copy of
letter to Michigan Senator Robert Vanderlaan)
and
- 3/25/75 letter from Lewe B. Martin (Pope Ballard & Loos)
to Nicholas J. Rini, attaching Petition of Mushroom
Processors Association to the President to Negotiate
Agreements on Canned Mushrooms under Section 204 of
the Agricultural Act of 1956.
- 4/29/75 - Memo from Frederick B. Dent sending cy of 4/28 letter
to Michigan Senator Robert VanderLaan concerning the
mushroom matter and Nicholas Rini, and returning our
memo of 4/22 to Ken Gunther since he feels the letter to
Sen. VanderLaan provides the response to both of the letters.



OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

April 29, 1975

MEMORANDUM FOR: PHILIP BUCHEN

FROM: FREDERICK B. DENT



On April 28 I sent a letter to Michigan Senator Robert VanderLaan about the problems of the canned mushroom industry and sent you a copy of that correspondence. This letter was written in response to your memorandum of March 5 to Ken Guenther of this Office forwarding Mr. VanderLaan's letter with attachment from Mr. Nicholas J. Rini of Mount Clemens, Michigan.

On the same day my letter was sent, your memorandum of April 22 to Ken Guenther was received enclosing an additional letter from Mr. Rini dated April 15. In that memorandum you requested an appropriate response for you to send to Mr. Rini.

I believe my letter to Mr. VanderLaan provides a response to both of these letters. For your convenience, I am enclsing a copy of my letter to Mr. VanderLaan and am returning Mr. Rini's letter of April 15 to you.

Enclosures



Memorandum

THE WHITE HOUSE
WASHINGTON

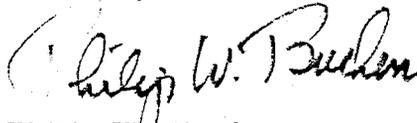
May 26, 1975

Dear Mr. Rini:

It appears from your letter of May 15 that you may not have seen a letter sent by Frederick B. Dent, Special Representative for Trade Negotiations, to Bob VanderLaan. In this letter, Mr. Dent recommends that you petition for an escape clause investigation by the International Trade Commission under Section 201 of the Trade Act of 1974.

I trust this suggestion may be useful to you.

Sincerely,



Philip W. Buchen
Counsel to the President

Mr. Nicholas J. Rini
Attorney At Law
Clinton River Center
25550 North River Road
Mount Clemens, Michigan 48043

Enclosure



mushrooms
Telephones:
Mt. Clemens
(313) 468-1408
Lansing
(517) 482-2536 & 482-1491

NICHOLAS J. RINI

Attorney at Law

Clinton River Center ♦ 25550 North River Road ♦ Mount Clemens, Michigan 48043

May 15, 1975

Philip W. Buchen, Counsel to the President
The White House
Washington, D.C. 20515

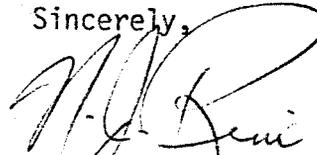
Dear Mr. Buchen:

Since my letter of April 15, 1975 I have come across the Trade Act of 1974. As I interpret the Act, Congress has given the President the necessary tools to safeguard American industry and labor against unfair or injurious import competition and to assist industries, firms, workers and communities.

We at Great Lakes Mushroom Cooperative appreciate that our communications to you come at a time when the problems of Asia are uppermost in the President's and the State Department's mind. Our situation too is desperate.

We hope that the world situation will straighten out and that our industry can get some attention before we too will go the way of the Indonesians.

Sincerely,



Nicholas J. Rini
Attorney-at-Law

NJR:d1r

cc: Senator Robert VanderLaan



OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

Mushrooms

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON

20506

April 28, 1975

The Honorable Robert VanderLaan
Senator-31st District
4745 Curwood, S. E.
Grand Rapids, Michigan 49508

Dear Senator VanderLaan:

At the request of Mr. Philip Buchen, this Office has undertaken a review of the problem of import competition faced by the domestic canned mushroom industry, as described in your letter of February 19, 1975, and its enclosure from Mr. Nicholas Rini, an attorney representing Michigan mushroom interests.

As you know from the record, discussions were held in 1973 with Taiwan and Korea, the two major foreign suppliers of canned mushrooms, concerning unilateral restraints on their exports to the United States. Nothing developed from these discussions. Subsequently, attention was turned to the negotiation of agreements under Section 204 of the Agricultural Adjustment Act of 1956. While preparations for such negotiations were underway, the import picture changed, and for the year 1974 the quantity of canned mushrooms entering the United States from Taiwan and Korea dropped 16 percent below the 1973 level and was 18 percent lower than in 1972. Such circumstances weakened the argument that formal export restraint commitments were essential. In fact, there is serious question whether marketing arrangements that the industry would consider satisfactory can be negotiated.

We have for some time been keeping mushroom imports under surveillance and are aware of the upturn this year. While this is a matter of concern, we do not have hard evidence as to the impact of imports on domestic canners subsequent to the period covered by the Tariff Commission's May 1973 report to the President. However, any current determination as to what action may be appropriate must take into account an important new factor, namely the Trade Act of 1974.

A major element in earlier discussions about restraint arrangements on canned mushrooms was the fact that the industry was not able to satisfy the criteria for escape clause relief under the trade legislation in effect until January 3, 1975, due to the statutory causal link between trade concessions, increased



imports, and serious injury. (The Commission's conclusions in 1973 that a threat of future injury existed were not based on an escape clause investigation and the report did not address itself to the criteria for such relief.) Under the new Trade Act, the criteria for escape clause relief have been made substantially easier to meet. Specifically, the link with trade concessions, which was the basis for the Commission's negative finding on mushrooms in 1965, has been eliminated.

After careful review, it is our judgment that if the mushroom industries are suffering losses due to import competition, they should petition for an escape clause investigation by the International Trade Commission under Section 201 of the new Trade Act. The Congress gave detailed consideration to the framing of the liberalized new import relief provisions with the express intention of establishing effective means for dealing with situations of import injury.

The advantage to the Executive Branch in dealing with an import problem after an affirmative finding of the Commission is that virtually all avenues for providing relief are opened, including orderly marketing arrangements. Legal deadlines for action are specified in the law and our negotiating leverage is greatly increased when an impartial investigation has established import injury.

If the contention is made that the escape clause procedures are too time-consuming, I believe the answer is that the Commission can be asked to expedite its consideration of the case. Realistically, it does not appear that any type of orderly marketing arrangement could be negotiated and put into effect more rapidly.

Mr. Rini states that in addition to limitation on import competition, the industry wants to obtain financial assistance. While such matters do not fall within the responsibilities of this Office, it should be noted that one of the remedies which may be provided following a finding of injury in an escape clause case is adjustment assistance, which can include federal loans and loan guarantees.

It is a matter of serious concern to me that your constituents feel the Executive Branch does not understand or does not care about their problems. I can assure you that we do care and in fact the Administration's decision to recommend a



relaxation of the import relief measures to the Congress began with a proposal from this Office. If the industry believes we do not understand, I would welcome any additional material they may want to bring to our attention.

Sincerely,

A handwritten signature in dark ink, appearing to be 'F. B. Dent', written in a cursive style.

Frederick B. Dent
Special Representative



Telephones:
Mr. Clemens
(313) 468-1408
Lansing
(517) 482-2536 & 482-1491

NICHOLAS J. RINI

Attorney at Law

Clinton River Center ♦ 25550 North River Road ♦ Mount Clemens, Michigan 48043

June 23, 1975

Philip W. Buchen, Esq.
Counsel to the President
The White House
Washington, D.C. 20506

Dear Mr. Buchen:

Great Lakes Mushroom Cooperative and its members are grateful at the interest and concern the Administration has shown toward solving its problems, as indicated by your letter of May 26, and Mr. Dent's letter of April 28.

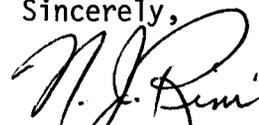
We forwarded this information to the Mushroom Processors Association who have mailed copies of the two letters to every member in the United States.

In accordance with the Trade Act of 1974, we have urged the MPA to file the petition as soon as possible.

We are sincerely grateful for the care and assistance you have given us in this critical situation and hope we can call on the Administration for help if we become bogged down in the bureaucratic red tape.

Several disastrous incidents in the last few years have placed the domestic mushroom industry on the verge of collapse. Despite the critical setbacks, the men and women who comprise the mushroom industry are strong-willed and not about to give up when the going gets tough. It is reassuring to these people to know that the Administration is behind them in their efforts to pull their industry up by the boot straps. We offer you our deepest thanks for all you have done for us in the past and anything you may be able to do in the future.

Sincerely,



Nicholas J. Rini
Attorney-at-Law

NJR:d1r

cc: Honorable Robert VanderLaan



GREAT LAKES MUSHROOM COOPERATIVE • 23950 Ryan Road • Warren, Michigan 48091 • 313/757-0888

May 29, 1975

Mr. E. M. Damon
Mushroom Processors Association
P. O. Box 147
Kennett Square, Pa 19348

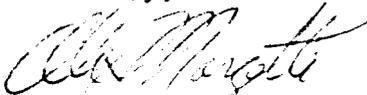
Dear Mr. Damon:

Great Lakes Mushroom Cooperative on behalf of the Association and itself has been pursuing the Section 204 matter on all levels of Washington including the White House. It is our conclusion as a result of receiving the enclosed letters from Mr. Martin and Mr. Philip W. Buchen, Counsel to the President and Frederick B. Dent, Special Representative, Office of the Special Representative for Trade Negotiations, that pursuing Section 204 further is useless.

Therefore we recommend that the industry finance the filing of a petition under Section 201, Trade Act 1974 (Escape Clause) with the International Trade Commission.

It is urgent that a copy of this communication be mailed immediately to all MPA Members for discussion at the June meeting, copy of news release attached.

Sincerely,



Alex Marzetti



Lino Ghilardi

cc: A. Pratt
L. Martin

Enclosures



THE WHITE HOUSE

WASHINGTON

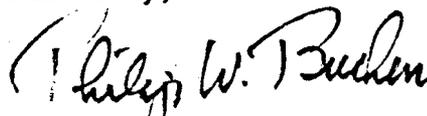
May 26, 1975

Dear Mr. Rini:

It appears from your letter of May 15 that you may not have seen a letter sent by Frederick B. Dent, Special Representative for Trade Negotiations, to Bob VanderLaan. In this letter, Mr. Dent recommends that you petition for an escape clause investigation by the International Trade Commission under Section 201 of the Trade Act of 1974.

I trust this suggestion may be useful to you.

Sincerely,



Philip W. Buchen
Counsel to the President

Mr. Nicholas J. Rini
Attorney At Law
Clinton River Center
25550 North River Road
Mount Clemens, Michigan 48043

Enclosure

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON

20506

April 28, 1975

The Honorable Robert VanderLaan
Senator-31st District
4745 Curwood, S. E.
Grand Rapids, Michigan 49508

Dear Senator VanderLaan:

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If the contention is made that the escape clause procedures are too time-consuming, I believe the answer is that the Commission can be asked to expedite its consideration of the case. Realistically, it does not appear that any type of orderly marketing arrangement could be negotiated and put into effect more rapidly.

Mr. Rini states that in addition to limitation on import competition, the industry wants to obtain financial assistance. While such matters do not fall within the responsibilities of this Office, it should be noted that one of the remedies which may be provided following a finding of injury in an escape clause case is adjustment assistance, which can include federal loans and loan guarantees.

It is a matter of serious concern to me that your constituents feel the Executive Branch does not understand or does not care about their problems. I can assure you that we do care and in fact the Administration's decision to recommend a



relaxation of the import relief measures to the Congress began with a proposal from this Office. If the industry believes we do not understand, I would welcome any additional material they may want to bring to our attention.

Sincerely,



Frederick B. Dent
Special Representative



HERBERT POPE
1916-1958
ERNEST S. BALLARD
1919-1952

KARL D. LOOS
PRESTON C. KING, JR.
ALEXANDER M. HERON
JULES G. KORNER, III
DICKSON R. LOOS
LEWE B. MARTIN
EDGAR T. BELLINGER
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MURRAY S. SIMPSON, JR.
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May 21, 1975

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ROCKVILLE, MARYLAND 20850

CHICAGO OFFICE
POPE, BALLARD, SHEPARD & FOWLE
69 W. WASHINGTON ST., CHICAGO, ILL. 60602

Alex Marzetti, President
Great Lakes Mushroom Cooperative
23950 Ryan Road
Warren, Michigan 48091

Dear Alex:

It is with the greatest reluctance that I must tell you that our chances of a Section 204 negotiation are so slim that I would advise abandoning this project. Bud Damon, Jim VanZandt and I had a long conference last week at the State Department. It was inescapable to me that the next moves will be a revival of an attempt to gain Presidential approval of a negotiation rather than a last ditch attempt to push the ball over the goal line. In other words, we now learn that this has not been a continuous effort but several. The biggest push followed the Tariff Commission report and the most recent was last summer when it was revived by efforts of Senator Scott and Congressman Morgan. Further, contrary to advice that the matter had moved as a Circular 175 approval to the Secretary of State, the fact is that it never got that far. And, also contrary to the advice that the Secretary could sign off on the matter, the fact is that it had to be approved by the President.

Even before the Trade Act of 1974, the Executive Department as a matter of policy did not want to use 204. We were given consideration however, because we had been to the Tariff Commission and were turned down because we did not meet the criteria, i.e., the reductions in duty were not proximate in time to the increased imports. That criteria was deleted from the 1974 Act, therefore, opening up this chance for relief for the U.S. mushroom processing industry. The



Mr. Alex Marzetti
May 21, 1975
Page Two.

people at State, while willing to try once more with 204, were telling us the Government will probably insist that we use the escape clause and petition the Tariff Commission for relief. It now would be my recommendation that this action be approved by the MPA and a petition filed. Actually the 1975 budget provides for this.

You should be advised that this action will probably be opposed by Grocery Store Products and definitely by Green Giant.

Sincerely,



Lew B. Martin

LBM/tos



Weather

Cloudy

Details on Page 9A

The Detroit News

Finance

Pages 8C to 11C

Races

Page 8D

AMERICA'S LARGEST EVENING CIRCULATION

WEDNESDAY, MAY 28, 1975

15 CENTS

YEAR NO. 279

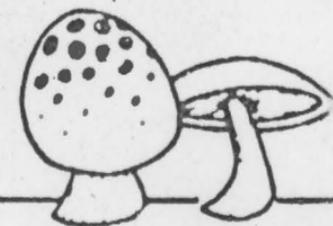
PARZOE ROUTE IN A CRIMINAL ENTERPRISE
terrible, not a Pacer.

A fishy story

The only fish Dr. Robert F. Willson caught during a recent four-day outing on Manistique in the Upper Peninsula was a beauty of a walleye that weighed nearly three pounds. It took skill and a net to land the prized catch, which then was mysteriously lost when the former director of the Detroit Zoo forgot to latch the bottom of the fishing basket on his boat. The fish fell overboard and swam happily away.



The mighty mushroom



It's nutritious, and may be good for what ails you

By **GEORGE BULLARD**

News Education Writer

The lowly mushroom.

"But we're not the only freaks — others are studying mushrooms too," said Cochran, who's jokingly defensive about investigating what

heart disease to the formation of gallstones.

Investigators at Duke University have turned up anti-tumor properties in the mighty mush-

than 38,000 mushroom varieties around the world.

One Mexican type also is said to be