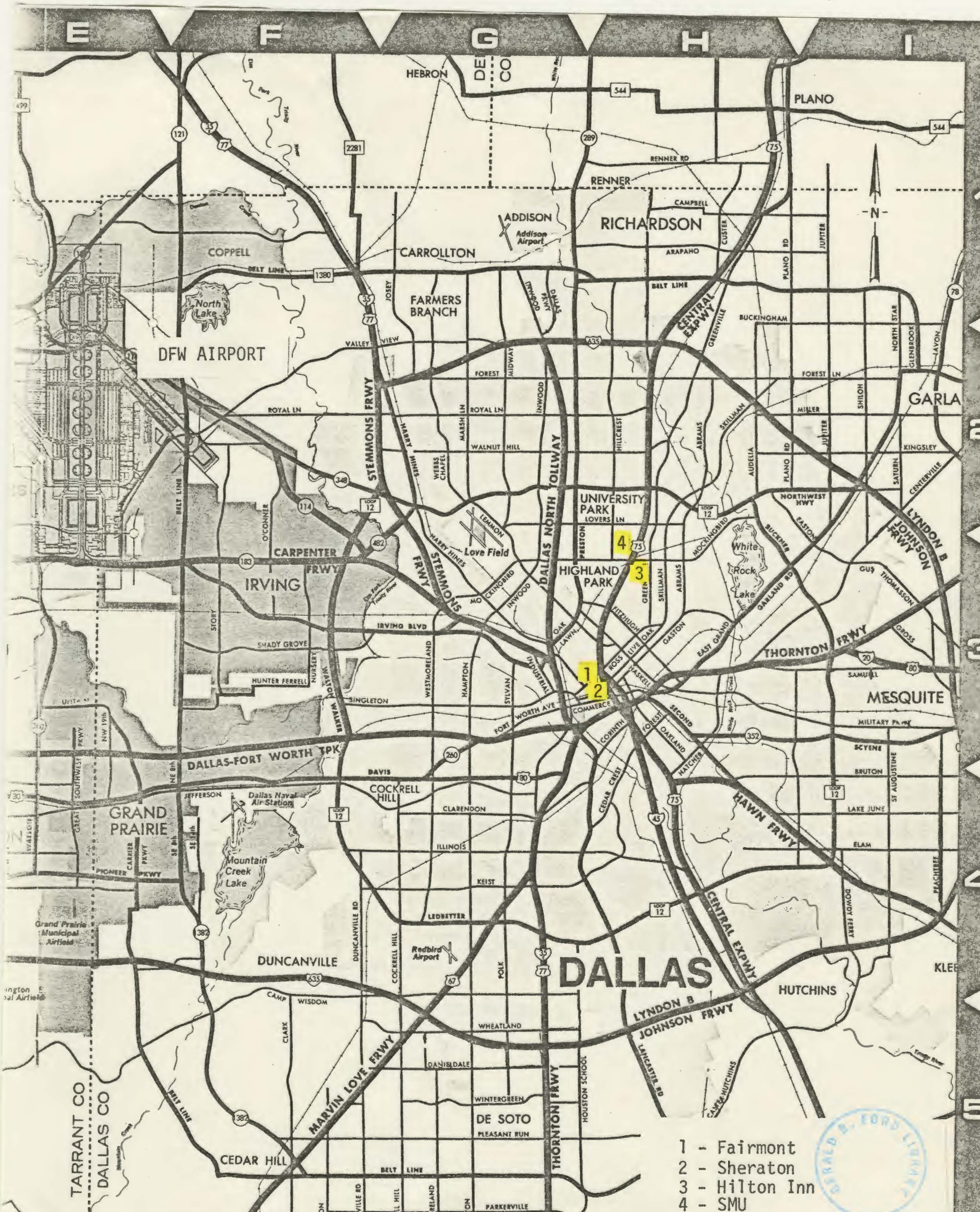
The original documents are located in Box 2, folder "Food and Agriculture Conference on Inflation" of the Norman Ross Files, 1974-75 at the Gerald R. Ford Presidential Library.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North Lake
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BUCKINGHAM
DFW AIRPORT
VALLEY VIEW
FOREST
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ROYAL LN
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GARLA
WALNUT HILL
KINGSLEY
STEMMONS FRWY
DALLAS NORTH TOLLWAY
UNIVERSITY PARK
LOVERS LN
NORTHWEST HWY
LYNDON B JOHNSON FRWY
CARPENTER FRWY
Love Field
HIGHLAND PARK
White Rock Lake
IRVING
IRVING BLVD
SHADY GROVE
THORNTON FRWY
HUNTER FERRELL
SINGLETON
MESQUITE
COMMERCE
FORT WORTH AVE
MILITARY PKWY
DALLAS-FORT WORTH TPK
DAVIS
SCYENE
BRUTON
COCKRELL HILL
JEFFERSON
Dallas Naval Air Station
GRAND PRAIRIE
CLARENDON
LAKE JUNE
HAWN FRWY
ILLINOIS
ELAM
Mountain Creek Lake
KEIST
LEDBETTER
Grand Prairie Municipal Airfield
Redbird Airport
DUNCANVILLE
DALLAS
CENTRAL EXPWY
HUTCHINS
CAMP WISDOM
WHEATLAND
LYNDON B JOHNSON FRWY
MARVIN LOVE FRWY
DANIELDALE
THORNTON FRWY
WINTERGREEN
DE SOTO
PLEASANT RUN
CEDAR HILL
BELT LINE
TARRANT CO
DALLAS CO
PARKERVILLE
BEAR CREEK RD
1 - Fairmont
2 - Sheraton
3 - Hilton Inn
4 - SMU

SUGAR PRICE RISE AND CURRENT SITUATION

The price rise in sugar reflects increasing consumption, lagging production and declining stocks as shown in the following table for the 1969-74 period:

World Sugar Market [1/]

	000 metric tons				
	1969/70	1970/1	1971/2	1972/3	1973/4
Production	74,346	72,771	73,188	77,313	80,493
Consumption	72,290	74,518	76,105	78,099	81,068
Initial stocks as percentage of consumption	26.7	28.7	25.1	22.0	19.5

1/ F.O. Licht

The U.S. sugar policy during this period and for the past 40 years has been marketing limitation through quotas for both domestic production and foreign imports of the commodity.

This system of control was designed to operate like a valve regulating the supply during the era of surplus and thus also regulating U.S. sugar prices. When the surplus disappeared the system failed as it was geared solely to cope with excess sugar supplies.

Concurrently, with the change in the world sugar supply, there were a number of economic forces at work which also contributed to the sharp price rises in sugar. Among these were the monetary crisis, worldwide commodity shortages, inflation, tight money and the energy crisis.

The energy crisis had a double-barreled impact on sugar prices. It increased the cost of production and shipment as well as put large amounts of dollars and other currencies in the hands of the Arab countries which bought aggressively, adding to the rise in prices.

In order to attract the sugar to the U.S., Americans had to bid up prices equal to those which other buyers would pay.

While this had the undesirable effect of increasing prices it did secure sugar this country needed. Compared to England where traditional suppliers reneged on contracts rather than accept low Commonwealth sugar agreement prices, the U.S. has not undergone a sugar shortage.

Our peak level of consumption for 1974 is already provided for although stocks in the hands of primary distributors are currently at lower than desired levels. Supplies of raw sugar available to U.S. refiners likewise appear to be tight even though the harvest has begun for sugar crops in the Southern Hemisphere. Some relief can be anticipated from the start of the European and our own beet harvest in the fall as well as the U.S. Continental cane crops in October and November of this year.

With consumer resistence to high sugar prices being evidenced in recent weeks it appears that sufficient supplies are available as long as we are able to pay competitive prices. There are reasonable prospects that in the short run prices will decline moderately in response to a probable reduction in consumption and the availability of new crops on the market.

It takes between 24 and 36 months for sugar to get from the planning board to the grocery shelf. In the long run, the high price levels are expected to stimulate production which will ultimately provide adequate supplies of sugar at more reasonable and competitive prices.

# # #

8:15

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

9-6-74

The President
The White House

Dear Mr. President:

As you will recall, in June of this year the House of Representatives declined to extend the Sugar Act of 1948. For 40 years we have operated under legislation which limited imports of foreign sugar with the net result that prices to U.S. consumers have been higher than world prices in 39 of these 40 years. With the expiration of this legislation, import restrictions will cease as of December 31, 1974.

For the past 8 months the import quota system has been ineffective in that U.S. prices have been substantially higher than the price objective envisioned in current legislation. The raw cane sugar spot price for the month of August averaged 32.60 cents per pound and is presently quoted at 34.50 cents per pound. Legislation provides for a U.S. price objective of 12.05 cents per pound. This has occurred even though we have increased foreign quotas in an effort to increase supplies and lower prices in the U.S. market.

A continuation of the U.S. sugar quotas protects countries with unfilled quota balances that choose to delay shipments until the end of the quota period. It also prevents countries that have additional supplies but no quota balances from selling to the U.S. market. These actions tend to push up U.S. sugar prices.

Accordingly, under the provisions of Section 408(a) of the Sugar Act of 1948, as amended, I recommend that you immediately suspend quotas. This is an appropriate step in a situation when supplies are scarce and every effort should be made to eliminate restrictions on their importation.

Drafts of a proposed proclamation and press release are enclosed. The Department of State has indicated that it has no objection on foreign policy grounds to the proposed action.

Respectfully,

Earl L. Butz

EARL L. BUTZ
Secretary

Enclosures

Mc. Ross -

THE WHITE HOUSE

WASHINGTON

REQUEST FOR TRAVEL

TO: WARREN K. HENDRIKS

FROM: Norm Ross

DESTINATION: Chicago, Illinois

DEPARTURE DATE: September 12, 1974 RETURN DATE: September 13, 1974

MODE OF TRANSPORTATION: Military Plane (travel expenses paid by military)

LODGING ACCOMMODATIONS: (if know) Marriott Hotel - O'Hare Airport (312) 693-4444 (Hotel or Motel)

PURPOSE OF TRIP: Food and Agriculture Conference on Inflation

SIGNATURE: ______________________ DATE: September 11, 1974

APPROVED: ______________________
Warren K. Hendriks
Domestic Council

COMMENTS: