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THE WHITE HOUSE

WASHINGTON

October 29, 1974

MEMORANDUM FOR:

SECRETARY BUTZ
FRANK ZARB
STEVEN GARDNER
HAL MALMGREN
DAVID MC DONALD
GARY SEAVERS
WILLIAM SEIDMAN
MIKE DUVAL
NORM ROSS ✓ *ref*

FROM:

WILLIAM J. BAROODY, JR. *WB*

Attached is for your information, the list of invitees to the meeting that the President will have tomorrow, October 30 from 2:00 p.m. to 3:30 p.m. in the Cabinet Room with various farm leaders and individual farmers.

I would appreciate it if you could join us in the Cabinet Room at 1:45 so that we may be prepared to begin by the time the President arrives at 2:00.



THE WHITE HOUSE

WASHINGTON

ATTENDANCE LIST
WEDNESDAY MEETING, OCTOBER 30

Milton J. Brown
President
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Route 6
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Legislative Director
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NA 8-3507

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Hilmar G. Moore
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Rancher
Wytana Livestock Company
Bozeman, Montana

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Reston, Virginia 22091
(703) 860-0120

Sam Washburn
President
National Lamb Feeders Asso.
Fowler, Indiana 47944

George Watts
President
National Broiler Council
1155 15th Street, N.W.
Suite 614
Washington, D.C. 20006
296-2622



THE WHITE HOUSE

WASHINGTON

October 30, 1974

MEETING WITH SECRETARY BUTZ

Wednesday, October 30, 1974

1:45 p.m. (15 minutes)

The Oval Office

From: Kenneth R. Cole, Jr.

I. PURPOSE

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

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

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



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

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

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

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

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

III. TALKING POINTS

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



Wristock

October 30, 1974

MEMORANDUM FOR: PAUL THEIS
FROM: NORM ROSS
SUBJECT: President's Trip to Sioux City, Iowa

Attached is a suggested announcement and a fact sheet which provides information which could be included in the President's speech in Sioux City.

NEROSS/ee



STATEMENT OF EMERGENCY LIVESTOCK LOANS

America's livestock producers find themselves in a tremendous cost-price squeeze and have experienced some difficulty obtaining sufficient credit. The emergency livestock guaranteed loan program, signed into law on July 25, 1974, guarantees loans made by banks or other legally organized lenders to ranchers and farmers in the livestock business to permit them to maintain their operation. The intent of the law was to make credit assistance available to the nation's livestock producers, especially family farmers, during a period when falling meat prices and rising costs caught them in a pinch.

Now, after making over 421 loans exceeding \$59.4 million, we know more about the needs of the family farmers and others engaged in livestock production than we did before, and there has been better opportunity to assess the intent of the Congress as expressed in the law.

Today I am announcing changes in the eligibility criteria so that an individual may be eligible for a loan guarantee if he derives a majority of his gross income from his own livestock enterprise, or if he devotes most of his time to it. More farmers will be able to get assistance under this program change. Partnerships and corporations including their partners and major stockholders-- must derive a majority of their gross income from their own, and the organization's livestock operation, and devote most of their time to them.

The changes re-emphasize that this assistance is intended for family farmers and others who are recognized in their communities chiefly as livestock producers.



President's Livestock Conference

Question: What is the government doing about the squeeze on livestock producers?

Answer: We have proposed a change in beef grades to permit more younger, leaner beef in the upper grades. The "comment period" on this change is now open and will close in early December. A decision will be made as soon as possible after that.

We are providing emergency credit to livestock producers and propose to loosen eligibility requirements.

We are holding a joint conference on Food Productivity, Costs and Prices tomorrow and Friday (Oct. 31-Nov. 1) at the Department of Agriculture in cooperation with the Council on Wage and Price Stability that will focus on the widened margins between farm prices and consumer food prices.

We will be taking a close look at meat import quotas at the end of the quarter to see if a change is indicated.

We are holding public hearings on the import restrictions that Canada has placed on imports of our beef.

We have held hearings on the feasibility of increasing Class I ✓ Milk Order prices, and the "comment" period is now open.

We are recommending the imposition of countervailing duties on imports of dairy products and meat any time that foreign governments put export subsidies on these products.

Our U.S. Department of Agriculture Extension Service has activated an educational program on beef management problems.

We are monitoring grain export sales daily to accomplish an equitable sharing of our grain supplies.

We have announced an all-out production effort to increase feed grain supplies next year.

N. E. R.
11-7-74



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WEDNESDAY MEETING, OCTOBER 30

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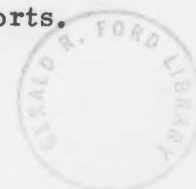


[10/30/74]

The President opened the meeting with a few words, acknowledging that he is well aware of the critical financial need of the livestock people, as well as dairy and poultry people.

The Secretary of Agriculture opened the meeting with introducing the people to the President, saying that they were there as concerned livestock people, and that hopefully the President would be able to recommend to them what they might be able to do.

The President also stated that he and Chairman Poege had talked about the concerns of the dairy areas, and when he was in Oklahoma people told the President of the cattlemen problems, also the milk producers, farmers union, etc.. Also, the President is going to meet with cattle people at the Cattlemen's Association in Oregon; also when ~~go~~ he arrives in Grand Junction, Colo, he will be meeting with another group of cattlemen. So the President is very cognizant of the problems. The cost price squeeze is a very serious one. He realizes that the farmer is different from the manufacturer. Most Americans do realize the difference between the producer and the manufacturer. We do have programs in the Federal Government to help people of these problems . No snap judgments or determinations will be made today. The President made a statement on dairy imports in ~~the~~ Lincoln, Nebraska. That there would be no action on dairy imports.



If there are, dairy people will be given a full hearing with the Secretary of Agriculture and the President. The President was pleased to see a cross-section of people representing the farm areas. The President also said that Bill Seidman is the first-class economist in this area and that the Secretary of Agriculture was great.

Mr. Van Vlick opened with the first statement. His statement is attached. He stated that the the livestock business is in serious trouble and that cattlemen are going out of business. This will cause many hardships to the consumers. This situation has to be turned around soon. Killing more cows and baby calves is not going to work because of low prices. We have applied the inflation guidelines, but this doesn't work because they are not in the business of supply and demand. See his statement for full details.

The President responded with a statement on that his son is working on a farm in the West - Loyola, Montana and that his son had given him a few hints of what could be done.

M. GARDNER: Hog Producers. Hog producers are having problems in that grains are high therefore causing the price of raising hogs to high. Also, import products from Canada should be improved. Their products are inferior to the U.S. products. There are other port import products that do not have the quality that the U.S. does.



Mr. Gardner continued in that they want quality products from imports just as those foreign countries want from the United States. They also suggested that tariff regulations be changed - that at this time they are unfair. A need for research in the area of production is needed. If a better product (protein can be found) it would give us a greater trading power.

ROGER FLEMING: He suggested we have reductions in demand; reductions in government spending but increase production. Working on this. The imposition of price control is the major factor of trouble. They do not want price control. The President said he has no intention of asking Congress to write legislation on price control and the President then illustrated the 90-day freeze we had on meat prices last year. The President thinks that there are better plans to stabilize the economy.

MILT BROWN: The feeding trend is bad. The cattle production people are experiencing potential disaster. He submitted a statement, which is attached. He went on to say they want enough meat for the consumer. Even a small liquidation of this kind of business would have a big impact on this livestock cattle== do not want subsidies. He said that the price the farmer gets and what the consumer pays is not right and that the Department of Justice this morning had stated that investigations would be made into this situation. He was pleased to hear of this action.



GLENN DEEN: He stated that there are too many feed lots in the country. Some of them are now only 55 percent filled; many are only 20-35 percent filled. Feedlots are operating at a loss. Lending is being made to good feed lots so that they can stay in business.

W. GORDON LEITH: Cattle industry is depressed. Cattlemen getting \$10-\$90 a head in Western Kansas. Food prices are not going to come down because the farmer is paying too much for fertilizer, machinery feeds, etc. He was pleased to read that a new ~~proposak~~ meat standard proposal was in the Federal Register regarding leaner beef but using less grains. He suggested that a look be made at retail prices; labor practices; and especially transportation prices. Take a look at imports of meats - for example, canned hams are being imported but yet the product doesn't compare to U.S. quality. The President responded to the difficulty we are having with Canadian imports and our exports into Canadia --Canada wants strict ~~xxx~~ export regulations on our products, but when we subject them to the same situation, they rebel.



1. - 0.64 0.5 - 0.8 1/2 c. leave beef
but using ~~less~~ grains.

→ retail prices - labor practices -
archive for prices

imports - ~~0.5~~ 0.5 c. → can't connect.

0.5 0.5 ^{U.S.} ~~imports~~ have only 2 good,

The President & Carolan problem to Roy head +
→ 0.5 Carolan beef - 1 0.5 1 steel imports

also 0.5 0.5 0.5 ^{impose} higher tariffs ~~and~~ ordered
the Senate → 0.5 0.5.

Less Watts - month 4 ~~6~~ → losing on broiler,

15% under 1 - 2 land 0.5 0.5 0.5

adopted grain deals 1 0.5 0.5 0.5

→ 0.5 0.5 export policy ^{needs}

productivity: 0.5 0.5 fed. regulate c 0.5 0.5

The Pres: inflation impact → 0.5 0.5 0.5

→ 0.5 0.5



inflation $\checkmark$

^{blame}
~~Miller~~ Ebert - taken speeches place

Land's Take

profits in middle men: 4.6% of 73 -

1974 - ^{cost} neg. 1.1% $\rightarrow$ (—) decline & high

Costs of operation,

moving in $\rightarrow$ cost productivity ratio improving
productivity - (producing same - but costs more
import & - dairy & suffering)

• He illustrated a / & 6, a put in - 8 day
& milk - Fed. Gov. for too many $\rightarrow$ & dairy
63, & of & , endorse 63 66 & fight
inflation,

(Redcoat) sitting between C Anderson

Handwritten price - 9¢ & 6¢ & 11¢ & 12¢

6¢ & 11¢, so costs of 72, &

land grant & asking of 1 - 9¢

& - 9¢ salaries

6¢ & 11¢ & 12¢ & 13¢ & 14¢ & 15¢



... ^{monitor} ...
 productivity Council ...
 ... by ... of voluntary
 response - (19) across the board ...
 ...

Sam Washburn: Dr. - predator ...
 land by
 market ...

... Coyote ...
 diverting funds on wildlife ...
 ... EO, ... for ... etc.
 ...
 ... endorse the ...

H. Stull ... 1903, lot of ...
 ... productivity record -
 ... land-grants ...
 ... of hyperinflation
 opened gate to export industry -



Penicillin - ~~is~~ ^{is} ~~not~~ on turkeys.

Q - production, r - price is
good - but δP ~~is~~ costs δ eating up

CG, R. 2 up

expected reserves, of a commodity

Control, Competency-02 ✓

He also mentioned predator control -

Rechner

Price: Dairy - Cows - concerned of fertilizers

1) 0 0 0 0 0 energy 0 0

9 types of damage - 1 to consumer

from P. C. Ogden, Gaines Co. Ga., good

2. more: cattle raiser - reentered & of 8

Quota System - reorganized - S. U. C. N. index 1

$$P \sim \text{free integers} = \text{simple.}$$

Herrn **Datwick** -

Production - Cost
of a unit of output

0.7. - 96. v foods for 2.

Howe McQueen: Is. C ^{met} exports -

etc. - ~~to 70%~~ embargo on meat export
and investigate the price spread of -
grain export only when needed
export dairy ~~to 50%~~ - ~~5~~
military force.

James Irawik: dairy use, I.C. on
use P.C. - ~~going~~ going to be able stay in house
8⁵⁰ partly rawie -

Good stamp C.S., 35% of n.s., bef. Chute -

B. J. Neill:

grain commitments -) 1) re or 2) re
marketing conditions deteriorated

B. Wath - no broods. 10 - 12. 12 - 13. 14 - 15. 16 - 17. 18 - 19. 20 - 21. 22 - 23. 24 - 25. 26 - 27. 28 - 29. 30 - 31. 32 - 33. 34 - 35. 36 - 37. 38 - 39. 40 - 41. 42 - 43. 44 - 45. 46 - 47. 48 - 49. 50 - 51. 52 - 53. 54 - 55. 56 - 57. 58 - 59. 60 - 61. 62 - 63. 64 - 65. 66 - 67. 68 - 69. 70 - 71. 72 - 73. 74 - 75. 76 - 77. 78 - 79. 80 - 81. 82 - 83. 84 - 85. 86 - 87. 88 - 89. 90 - 91. 92 - 93. 94 - 95. 96 - 97. 98 - 99. 100 - 101. 102 - 103. 104 - 105. 106 - 107. 108 - 109. 110 - 111. 112 - 113. 114 - 115. 116 - 117. 118 - 119. 120 - 121. 122 - 123. 124 - 125. 126 - 127. 128 - 129. 130 - 131. 132 - 133. 134 - 135. 136 - 137. 138 - 139. 140 - 141. 142 - 143. 144 - 145. 146 - 147. 148 - 149. 150 - 151. 152 - 153. 154 - 155. 156 - 157. 158 - 159. 160 - 161. 162 - 163. 164 - 165. 166 - 167. 168 - 169. 170 - 171. 172 - 173. 174 - 175. 176 - 177. 178 - 179. 180 - 181. 182 - 183. 184 - 185. 186 - 187. 188 - 189. 190 - 191. 192 - 193. 194 - 195. 196 - 197. 198 - 199. 200 - 201. 202 - 203. 204 - 205. 206 - 207. 208 - 209. 210 - 211. 212 - 213. 214 - 215. 216 - 217. 218 - 219. 220 - 221. 222 - 223. 224 - 225. 226 - 227. 228 - 229. 230 - 231. 232 - 233. 234 - 235. 236 - 237. 238 - 239. 240 - 241. 242 - 243. 244 - 245. 246 - 247. 248 - 249. 250 - 251. 252 - 253. 254 - 255. 256 - 257. 258 - 259. 260 - 261. 262 - 263. 264 - 265. 266 - 267. 268 - 269. 270 - 271. 272 - 273. 274 - 275. 276 - 277. 278 - 279. 280 - 281. 282 - 283. 284 - 285. 286 - 287. 288 - 289. 290 - 291. 292 - 293. 294 - 295. 296 - 297. 298 - 299. 300 - 301. 302 - 303. 304 - 305. 306 - 307. 308 - 309. 310 - 311. 312 - 313. 314 - 315. 316 - 317. 318 - 319. 320 - 321. 322 - 323. 324 - 325. 326 - 327. 328 - 329. 330 - 331. 332 - 333. 334 - 335. 336 - 337. 338 - 339. 340 - 341. 342 - 343. 344 - 345. 346 - 347. 348 - 349. 350 - 351. 352 - 353. 354 - 355. 356 - 357. 358 - 359. 360 - 361. 362 - 363. 364 - 365. 366 - 367. 368 - 369. 370 - 371. 372 - 373. 374 - 375. 376 - 377. 378 - 379. 380 - 381. 382 - 383. 384 - 385. 386 - 387. 388 - 389. 390 - 391. 392 - 393. 394 - 395. 396 - 397. 398 - 399. 400 - 401. 402 - 403. 404 - 405. 406 - 407. 408 - 409. 410 - 411. 412 - 413. 414 - 415. 416 - 417. 418 - 419. 420 - 421. 422 - 423. 424 - 425. 426 - 427. 428 - 429. 430 - 431. 432 - 433. 434 - 435. 436 - 437. 438 - 439. 440 - 441. 442 - 443. 444 - 445. 446 - 447. 448 - 449. 450 - 451. 452 - 453. 454 - 455. 456 - 457. 458 - 459. 460 - 461. 462 - 463. 464 - 465. 466 - 467. 468 - 469. 470 - 471. 472 - 473. 474 - 475. 476 - 477. 478 - 479. 480 - 481. 482 - 483. 484 - 485. 486 - 487. 488 - 489. 490 - 491. 492 - 493. 494 - 495. 496 - 497. 498 - 499. 500 - 501. 502 - 503. 504 - 505. 506 - 507. 508 - 509. 510 - 511. 512 - 513. 514 - 515. 516 - 517. 518 - 519. 520 - 521. 522 - 523. 524 - 525. 526 - 527. 528 - 529. 530 - 531. 532 - 533. 534 - 535. 536 - 537. 538 - 539. 540 - 541. 542 - 543. 544 - 545. 546 - 547. 548 - 549. 550 - 551. 552 - 553. 554 - 555. 556 - 557. 558 - 559. 560 - 561. 562 - 563. 564 - 565. 566 - 567. 568 - 569. 570 - 571. 572 - 573. 574 - 575. 576 - 577. 578 - 579. 580 - 581. 582 - 583. 584 - 585. 586 - 587. 588 - 589. 590 - 591. 592 - 593. 594 - 595. 596 - 597. 598 - 599. 600 - 601. 602 - 603. 604 - 605. 606 - 607. 608 - 609. 610 - 611. 612 - 613. 614 - 615. 616 - 617. 618 - 619. 620 - 621. 622 - 623. 624 - 625. 626 - 627. 628 - 629. 630 - 631. 632 - 633. 634 - 635. 636 - 637. 638 - 639. 640 - 641. 642 - 643. 644 - 645. 646 - 647. 648 - 649. 650 - 651. 652 - 653. 654 - 655. 656 - 657. 658 - 659. 660 - 661. 662 - 663. 664 - 665. 666 - 667. 668 - 669. 670 - 671. 672 - 673. 674 - 675. 676 - 677. 678 - 679. 680 - 681. 682 - 683. 684 - 685. 686 - 687. 688 - 689. 690 - 691. 692 - 693. 694 - 695. 696 - 697. 698 - 699. 700 - 701. 702 - 703. 704 - 705. 706 - 707. 708 - 709. 710 - 711. 712 - 713. 714 - 715. 716 - 717. 718 - 719. 720 - 721. 722 - 723. 724 - 725. 726 - 727. 728 - 729. 730 - 731. 732 - 733. 734 - 735. 736 - 737. 738 - 739. 740 - 741. 742 - 743. 744 - 745. 746 - 747. 748 - 749. 750 - 751. 752 - 753. 754 - 755. 756 - 757. 758 - 759. 760 - 761. 762 - 763. 764 - 765. 766 - 767. 768 - 769. 770 - 771. 772 - 773. 774 - 775. 776 - 777. 778 - 779. 780 - 781. 782 - 783. 784 - 785. 786 - 787. 788 - 789. 790 - 791. 792 - 793. 794 - 795. 796 - 797. 798 - 799. 800 - 801. 802 - 803. 804 - 805. 806 - 807. 808 - 809. 810 - 811. 812 - 813. 814 - 815. 816 - 817. 818 - 819. 820 - 821. 822 - 823. 824 - 825. 826 - 827. 828 - 829. 830 - 831. 832 - 833. 834 - 835. 836 - 837. 838 - 839. 840 - 841. 842 - 843. 844 -

Ferney!

100

of 1, 2, 3, 4, 5, 6, 7, 8, 9, 10

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1972 - 6 slaughter year - (but 1974 or 1972)
 75 ✓ - 0, 125 lbs @ 6 - -

PC 1632 - 1900 1632 - 1

PC 1632 - 1900 1632 - 1

(1) - re 2000 - (1) 1900 - 1
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1900 1900 1900 1900 1900 1900

Reynolds Fleming
1900 1900 1900 1900 1900 1900

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National Livestock Feeders Association

309 Livestock Exchange Building.

Omaha, Nebraska 68107

MEMORANDUM FOR THE CONFERENCE
on The Livestock Industry with
PRESIDENT GERALD R. FORD
SECRETARY OF AGRICULTURE EARL L. BUTZ
Other Administration Officials

THE WHITE HOUSE

Wednesday, October 30, 1974

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PRODUCERS AND FEEDERS DEMORALIZED

Feeders have been suffering devastating losses for over a year now; and producers of feeder cattle have found themselves in a severe squeeze since last spring. There is no way that either feeders or producers can recover these losses.

Livestock operators feel abandoned by their Government

THE NEED OF THE HOUR IS TO RESTORE CONFIDENCE BY POSITIVE ASSURANCE ON THE PART OF GOVERNMENT --- AND NO ONE IS IN THE POSITION TO DO THIS AS EFFECTIVELY AS THE PRESIDENT --- THAT AGRICULTURE, AND LIVESTOCK OPERATORS SPECIFICALLY, ARE NOT GOING TO BE TRAMPLED UNDER FOOT

Commercial slaughter of cattle is running at an all-time high. The cattle inventory is also at record levels. Production of beef in 1974 is expected to reach 116 lbs. per capita, equal to the previous record in 1972.

The complexion of the commercial slaughter, however, has changed dramatically. Whereas, practically all of the commercial slaughter other than cows and bulls (representing 20% to 22%) consisted of fed steers and heifers, fed marketings have been lower in 1974 (7.3% during 3rd quarter) and non-feds are now making up about 40% of the total commercial slaughter vs. about 23% in 1973.

Placements on feed for future fed slaughter are also down and have been running below previous year levels for many months. Thus, fed beef production is bound to



continue lower, while total beef production so far in 1974 has been well above 1973.

How can confidence be restored in the livestock industry. Let's look at some of the root causes and follow through from there

PRICE CONTROLS

Since the livestock farmer operates in a competitive, non-administered-price framework, in which prices go down as well as up, price controls completely throw him and throw the industry into an economic tailspin.

We commend the President for his stand with respect to price controls and hope he will see fit to reassure livestock people, in connection with this meeting, that they will not be subjected to a repeat of the 1973 action.

FOREIGN TRADE

U. S. livestock feeders have been subjected to the most extreme kind of discriminatory treatment in the foreign trade arena during 1973 and 1974; and, yet, the U. S. Government has not lifted a finger to sanction nations who have closed their borders to animal and animal product exports.

Livestock farmers need to be assured that:

(1) Agricultural products will not be forced to take the brunt of trade negotiation trade-offs, including those involving 3rd countries, and will not be separated from industry in said negotiations;

(2) That the countervailing duties provisions of existing statute will be enforced without making it necessary for the industry to file suit each time against our own Government;

(3) That the U. S. will quit stalling in forcing the hand of Canada to modify its import quotas on fed cattle and beef from the U. S.;

(4) That the U. S. will cease according Japan and the EC full access to the U. S. market unless and until their borders are opened up to U. S. exports of meat and other animal products (including by-products) and U. S. producers are accorded reciprocity;

(5) That the President reassure the domestic industry that it will not be left completely exposed to the diversion to this market of the pent-up supplies



of beef in Australia and other countries . . . That he announce the quotas provided for in the 1964 Meat Import Act will not be suspended for the forthcoming year.

PRICE SPREADS

Latest figures available indicate retail beef prices are coming down; however, NLFA is still concerned that competitive forces are not working freely and fully, as evidenced by continuing unjustifiably large margins --- particularly, both the packer and the retail spreads on beef and the retail spread on pork.

In an article in the August, 1974 issue of "Monthly Economic Letter" published by the First National City Bank of New York City, entitled "Food: the costly trip from farm to table," the sub-headline observation was made that "Farmers get less for their produce than a year ago, but retail prices are still going up. . ."

The article continues: "But a year-over-year comparison shows that middlemen were responsible for the \$98 rise from August 1973 to August 1974. Their proceeds from the ^(market) basket rose \$232, a rise that was partly offset by a \$134 decline in the share received by farmers. In other words, the farmers' share shrank nearly 16% while the middlemen's portion grew 29%."

The article continues to state, with respect to beef, that since 1963 more than 90% of the increase has occurred in the segment comprising wholesaling, local delivery, some processing, and retailing. Pork has followed a similar pattern.

LABOR UNION RESTRAINT OF TRADE

Labor union restraints add to the bill consumers pay and affect producers adversely in 5 principal ways:

- (1) Sales Hours Restrictions -- Chicago (9:00 to 6:00 Mon. thru Sat.), and Seattle; may be others.
- (2) Resistance to fabricating at or near point of slaughter -- boxed beef and centralized cutting.
- (3) Pay-offs to gain access to markets -- example, New York City.
- (4) Low productivity and high per unit wage costs.



(5) Strikes which paralyze complete industries or major segments of the economy and stop the movement through channels of perishable products.

The special Task Force appointed by the Secretary of Agriculture to report on the Farm-Retail Price Spreads for Red Meat reported that the increase in the spreads were caused by rising costs of labor and other items that went into marketing services.

The report states: "Total labor costs have risen substantially and account for about half of the farm-retail spread for beef and pork."

For additional comments and recommendations, see section on Inflation.

INFLATION

Run-away inflation literally picks the pockets of farmers. We applaud the determination of The President to bring inflation under control.

Federal Spending

Strong and positive action must be taken to bring Federal spending within the bounds of Federal income. Spending beyond its (their) means feeds the fire of inflation, be it the Federal Government or the citizenry.

Government Regulation

The inflationary impact of government regulation is very real. Said impact in general, breaks down into two types: (1) That from the regulation of rates and the like which hamstring competitive forces and innovation, and (2) That which adds costs which are disproportionate with the benefits.

A good example of the first type is ICC regulation of the transportation industry which adds millions to the cost of moving goods, including agricultural commodities and products, even though most are "exempt" in at least their raw form. Rate regulation rules out competitive forces; backhaul prohibitions for both private and contract haulers force them to return empty; gateway limitations add large amounts to the fuel bills of truckers; etc.

Good examples of the latter type of impact are the regulatory activities under the Occupational Health and Safety Act and the Water Pollution Control Amendments of 1972. We urge that small employers be exempt from OSHA and, furthermore, that all regulatory requirements be measured in the context of cost vs. benefit.



The pollution potential from livestock and other agricultural operations need to be put in proper perspective and farmers should be assured that enforcement will change course to one of reasonableness with respect to time limits and compliance costs.

Antitrust and Restraint of Trade

Tighter antitrust and restraint-of-trade enforcement can help boost competition and improve marketing efficiency. Specifically, reference is made to two situations: (1) Developments in retail food store buying, and (2) Restraints of trade forced on the movement and sale of red meats by labor union restrictions.

Two very significant developments in the area of retail food store buying in recent years, which have had definite effect on the bargaining position of individual firms and the retail segment of the industry, are the growth of smaller chains and the flocking of independents to affiliate themselves with voluntary and cooperative buying groups.

The dramatic growth of the buying groups is of particular interest with respect to antitrust considerations. In 1973, the affiliated independents handled 43.1% of total grocery store sales.

The practice of consolidated buying is in direct contrast to what is permissible for buyers of livestock and the packer selling of meat. Such buying practices by meat packers would be viewed as collusion under the provisions of the Packers and Stockyards Act and, therefore, illegal and prohibited under said Act.

In other words, retailers are being allowed to follow consolidated buying practices in dealing with packers but the packers, on the other hand, would be prohibited from following the same practices in selling meat and buying livestock -- and rightly so in the case of buying livestock because to allow such a buying practice would mean even greater disaster for feeders.

Mention has already been made of labor union restraints of trade. We urge that steps be initiated to bring labor unions under the scope of antitrust to the extent necessary to prevent such restraints as the sale hours limitations and the effective blocking of new innovations, such as boxed beef and centralized cutting.

Careful analyses show that on the average a saving in distribution through centralized cutting and boxing of beef amounts to \$36.33 on a typical 650 lb.



carcass coming from a live steer weighing approximately 1050 lbs. The typical 650 lb. carcass will yield about 455 lbs. of meat at retail, meaning a potential saving in distribution costs of 7.9¢ per retail lb. Stated another way, the saving would amount to an additional 3.3¢ per lb. that could be paid to the cattle feeder.

Unfortunately, processors of boxed beef are still unable to market boxed beef, due to labor restrictions, in many important metropolitan consuming centers. Some of these cities and metropolitan areas and their populations are as follows:

Chicago	8,913,000
Minneapolis - St. Paul	3,629,000
St. Louis	3,056,000
Kansas City - Topeka	2,258,000
Metro - Milwaukee	1,318,000
Omaha	<u>1,077,000</u>
Total Population-----	20,151,000



There is also an over-riding need to break the current state of affairs in which the amount a person is paid for his labors bears no relationship to his contribution (to productivity) but, rather, is based on the amount of muscle his negotiator can muster in bargaining with employers or the amount his professional group (lawyers, doctors, and other professionals) collectively decides to extract from the public.

The far-reaching disparity among wage rates, salaries, and professional fees is a serious matter and the absence of the concept of productivity in the determination of same adds an inflationary dimension which is literally inflicted on each and every buyer of products and services.

Tax Reform

The use of cattle feeding for tax shelter purposes has contributed to the over-building of feedlot facilities and the distortion of feeder cattle and feed grain prices.

The use of the limited partnership as a tax entity, wherein the investor is accorded limitations on liability as in a corporation and yet is taxed like a

partnership, is primarily a creation of IRS. The President is urged, therefore, to include in his tax reform recommendations that the limited partnership be disallowed for this purpose, or other reforms that would effectively accomplish this objective such now included in tentative legislation.

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STATEMENT
of
GORDON VAN VLECK
President,
AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION
Meeting with President Ford
October 30, 1974

Mr. President, the American National Cattlemen's Association deeply appreciates the privilege of meeting with you today.

I briefly will outline for you the situation in which the domestic beef cattle industry finds itself today in an economic sense and what we anticipate is in store for us and consumers in 1975.

You have heard from many individual cattlemen and your former colleagues in Congress about our critical economic plight. Simply stated, we are in a situation of large over supply.

The reasons for this are numerous, but mostly, it can be attributed to decisions of government seeking short term solutions which cause long term adverse economic consequences. Specifically, I refer to the ill conceived price ceilings imposed in 1973. This was compounded by the energy crisis which developed in late 1973, extending into 1974.

We applaud your all out effort to control inflation in the United States. Like every group, the cattle industry suffers as the result of runaway inflation. Because many of our costs are fixed and since we have no one else to pass on increased costs of doing business, the inflationary pinch hits our industry harder than most of our society.

The table attached to this statement points out what has happened to cattle feeders in the last 12 or so months. The rapid escalating costs of feed grains combined with other costs increases have caused losses on every fed animal sold. Cummulatively, we are estimating these losses to be well over \$2 billion. •

Losses by feed lot operators are now being reflected to the basic producer. We conservately estimate that every 400 pound feeder animal sold today is losing approximately \$100 for the cow-calf producer. Obviously, this cannot continue forever. We can expect a large liquidation of cow herds which will result in less beef being available in the years ahead.

We also expect the slaughter of all cattle -- fed and non-fed -- to continue large through 1975. It could run as high as 10% greater in the year ahead, raising the per capita consumption level to 125 pounds per person. For comparison purposes, we estimate the 1974 per capita consumption level will be about 117 pounds per person.

With that background, following are some recommendations we make today and respectfully ask for your support:

1. Japan and the European Economic Community have embargoed beef imports. The United States, now the only completely open market for beef, cannot remain as the only potential "dumping ground." The United States should immediately announce that beef imports will be limited in 1975 under the Meat Import Act of 1964. Such an announcement would bolster the morale of cattlemen and hopefully ease the economic impact expected if unlimited imports continue. Great dependence upon foreign beef eventually could cause similar problems as those the United States presently has with petroleum and sugar.

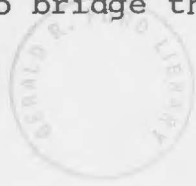
2. Financing for the beef cattle industry is mandatory. Many cattlemen have used up all of their equity because of high production costs and depressed prices. Government should encourage lending institutions to continue credit for cattlemen who have exhibited sound management and who are good risks. This can be done through such agencies as the Federal Reserve Board, Farm Credit Administration, and Farmers Home Administration.

3. Tax policies which provide investment incentives are a "must." No changes should be made at this time which would discourage investments, particularly as we look at the long term economic well-being of the industry.

4. A stepped up effort to export beef for dollars should be pursued. This has long term potential benefit, but first the markets in Japan and Europe have to be opened.

5. Such things as canning the surplus U.S. beef and making it available to the needy and starving overseas should be explored. Your commitments to ship grain might be changed to animal protein. In other words, why not ship a product which is in long supply instead of one in short supply?

Mr. President, these are only a few suggestions. We do not want subsidies or "hand-outs." Yet, the United States Government has an opportunity to "lend a hand" in a positive sense to bridge the problems we are now experiencing.



(000 head)	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
All Cattle and Calves	112,369	114,578	117,862	121,534	127,540
Beef Cows	36,389	37,877	38,807	40,918	42,874
Calves (beef and dairy)	45,871	46,739	47,695	49,934	50,969
Cattle Slaughter	35,025	35,585	35,779	33,686	23,590 *
Calf Slaughter	4,072	3,689	3,053	2,249	1,671 *

*January-August period

	<u>Price Steers</u> <u>Omaha</u>	<u>Corn</u> <u>Prices</u>	<u>Estimated</u> <u>break/even</u>	<u>Profit or</u> <u>(loss) / head</u> **
Sept.	45.46	2.47	49.75	(45.05)
Oct.	41.82	2.37	48.93	(74.66)
Nov.	39.88	2.50	50.69	(113.51)
Dec.	38.82	2.68	57.50	(133.14)
Jan.	46.92	2.90	53.91	(73.40)
Feb.	46.01	3.13	58.85	(134.82)
Mar.	43.16	2.99	55.30	(127.45)
April	41.53	2.69	53.94	(134.31)
May	40.92	2.70	52.48	(121.38)
June	37.84	2.93	49.60	(123.48)
July	43.72	3.35	57.71	(83.90)
Aug.	46.62	3.63	50.66	(42.42)
Sept.	41.49	3.55	47.67	(64.89)

** This translates into over \$2,000,000,000 lost
in cattle feeding since Sept. 1973.



Horace M. Zuck
T Roub, TEXAS

Mr. President:

We are here, not as paid directors or officers of a formal organization, but rather as the spokesmen for over 50,000 beef and dairy producers in East Texas. Our area has 1,037,000 beef cows plus over 100,000 dairy cows.

We are here to discuss a problem that is bankrupting our industry. East Texas is a grass country; we turn our grass into beef as we cannot produce grains and proteins.

Today, our cost to produce a 500 lb. grass fed calf and maintain its mother is \$200. We are receiving today \$100 to \$120 per head.

Feed costs are at a record high, as is fertilizer, seed, bailing wire, twine and most other production necessities cost.

We submit to you figures from U.S.D.A. and a solution we feel would not completely solve this problem but certainly improve our position--maybe to the extent that a very productive and vital industry would be kept out of bankruptcy.

If today an Associated Press News Release stated 6,703,000 cows were unloaded at U.S. ports, (equal to total



cow population of the entire State of Texas), what would be your reaction? This is happening today.

U.S.D.A. estimates 1974 meat imports under the quota system to be 1,115,000,000 lbs. Non-quota imports (such as canned and prepared meats) are estimated to be 185,000,000 lbs. Imports of live cattle from Mexico and Canada add another 900,000 cattle.

This is a total of 1,300,000,000 lbs of imported beef into the U.S., plus the 900,000 live cattle.

This import beef is the equivalent of 6,703,000 cows. (Average weight of 800 lbs. with a dressing percentage of 40% and a bone-out percentage of 70%.

All import restrictions have been removed. This was done with the signature of one person. All these imports can be stopped today with the signature of one person, President Ford.

At the time these controls were lifted, we were told it was to protect the consumer. The housewife then was paying an average of \$1.45 per lb. for all types of beef. During the beef boycott, she paid \$1.35 per lb. Today she is still paying \$1.43 per lb.--net result is 2¢ per pound



saving to consumer.

Last year we were receiving:

\$58.00 for 1,000 lb. fed steers

60.00 for 500 lb. feeder steers

75.00 for 400 lb. feeder steers

35.00 for canner and cutter 800 lb. cows

(All figures per 100 pounds liveweights)

Today we receive:

\$40.00 for 1,000 lb. fed steers

26.00 for 500 lb. feeders

25.00 for 400 lb. feeders

15.00 for 800 lb. canner and cutter cows

We feel that imports have played a very substantial part in depressing our cow prices today. We submit the following solutions:

- (1) We are requesting an immediate embargo on all meat and dairy imports; this will at least give us an opportunity to supply our own market.



- (2) A complete investigation into the price ratio from producer level to consumer level.
- (3) No further grain exports until domestic needs are ascertained, and then only excess in of these needs.
- (4) All federally funded food programs purchase only domestic meats and dairy products.
- (5) U.S. military forces purchase domestic meats and dairy products.
- (6) That imported live cattle from other nations be counted as imports, not as domestic production.

The U.S. budget and taxpayer will not be called on to withstand any type of subsidy or grants utilizing these recommendations. And our balance of trade deficit would decline over \$1,200,000,000. (This price was wholesale quoted figure of imported boneless beef October 2, 1974).



Mr. President, we submit the above for your very careful consideration and sincerely hope for affirmative action.

Sincerely,

Billy Joe Davis

Horace A. McQueen

East Texas Cattlemen -- who drafted
these proposals for consent by
our cattlemen in 28 counties.

Billy Joe Davis
Horace McQueen
John Haid
Frank York
Arthur Judge
Larry Davis
Bob Jones
John Wade
Ruth Godwin
Bill Turner
Dan Godwin
Dale Griffin



EMERGENCY ACTIONS FOR U.S. BEEF AND DAIRY PRODUCERS

- I. Formulate a Feasible Feed Grain Export Policy
 - A) Place an embargo upon grain exports until domestic requirements are adequately met, or
 - B) Provide domestic programs for all animal enterprises which will:
 1. Place the burden of continued massive grain exports upon all benefiting segments of the economy:
 - a) All users of fuel
 - b) All who benefit from maintenance of balance of payments in international commerce
 2. Assure maintenance of productive capacity to assure future supplies of animal products
- II. Improve Milk Prices
 - A) Announce immediately that manufacturing grade milk will be supported for the remainder of the marketing year @ 90% of parity.
 - B) Immediate action with respect to the Chicago Milk Price Hearing
 - C) Set an immediate hearing to consider a higher level of Class I prices. A basic formula floor of not less than \$8.50 would be fully justified.
- III. Curtail or discontinue meat imports (estimated above three million animals during the first eight months of 1974) and give public assurance that further emergency expansions of dairy product imports will not be made.
- IV. Insist that Imported Meat and Dairy Products permitted must meet Sanitary and Quality Standards equivalent to those imposed upon domestic producers.
- V. Revise Emergency Loan Regulations to extend loans to producers in distress.
- VI. Re-establish and Expand Commodity Distribution Programs. Arrange for foreign distribution of surplus meat products, dairy products, and eggs.
- VII. Designate Food Stamp Usage for Meat, Milk, and Dairy Products and Eggs.



- I. The continued large volume export trade in food grains, feed grains and soybeans is important to U.S. farmers and to all Americans. Only because of such export sales, national solvency can be maintained while continuing essential imports of petroleum.

Producers of livestock and poultry products cannot nor should they be expected to shoulder the cost of an export policy vital to the general welfare.

Certain "NOW" actions can be taken by the administration under existing legislative authority which will help to lessen the financial drain for livestock producers. Full sharing of responsibility for energy imports and national solvency will require new legislation for direct federal production subsidies or feed grain subsidies, and such legislation should be considered a long term goal; the extreme urgency of the farm financial situation requires immediate and maximum actions under existing legislative authorities.



II. Milk Price Actions

The law requires the Secretary of Agriculture to announce milk price supports at that level between 75 (temporarily increased to 80 percent) and 90 percent of parity which will assure adequate supplies of milk now and in the future.

Upward adjustments during the marketing year are proper and necessary and have been made several times in the past.

The adequacy of future milk supplies is in jeopardy. Low milk-feed price ratios exist in all areas of the nation, and costs of all production items have increased sharply. Consequently, dairy farmers generally, even the most efficient producers, do not find sufficient profit margin to continue in business. Those farmers having large equities in their total capital outlay cannot afford to continue many months of heavy losses. Many of the farmers with low or no equity in their business will be closed out by lenders.

The gravity of the farm financial situation cannot be ignored if the Secretary is to meet his legal responsibilities to consumers and farmers. 90% of parity as of mid-September would be \$7.99, an increase of \$1.42 above the present level of \$6.57.

Prompt action to place a floor of \$7.50 at the minimum manufacturing milk value for use in the basic formula for Class I prices in all Federal Milk Market Orders following the October 8-10 public hearing in Chicago is necessary in addition to the action to increase price supports. Such action will cause the improved manufacturing milk values to be reflected more promptly in the farm prices received by fluid milk producers.

The decision to increase the floor price to not less than \$7.50 will be inadequate. Therefore, a new hearing should be called immediately to consider a level at not less than \$8.50 as the appropriate floor price figure.



III. Stop Depressing Domestic Livestock Prices with Meat Imports

Red Meat Imports from January through August have been in excess of one billion pounds. Depending upon the weight of dressed carcasses selected, this volume of meat could represent more than 2½ million animals. An additional flood of meat has resulted from the importation of nearly one million live animals for slaughter, for a total equivalent of more than three (3) million animals.

Such quantities of meat have had heavy impact upon domestic livestock prices and forebode bankruptcy for meat animal producers.

Depressed meat prices prohibit normal culling of cows, adding to distress production of milk and further buildup in beef cattle inventories. Artificially low meat prices reduce cheese, milk and egg consumption. Further damage to U. S. productive capacity must be prevented.



IV. Imported Beef and Dairy Products should be adequately inspected.

Sanitary and quality standards for Imported Dairy Products are lax. Only a small percentage of imported dairy products are inspected for wholesomeness and safety; a large percentage of the inspected products have been rejected. It is reasonable to assume that American Consumers have been sold substantial volumes of inferior and unwholesome dairy products.

U. S. Producers have complied with on-going programs of milk quality improvement for many years. Seventy-eight percent of U. S. milk production takes place under the strict sanitary standards recommended under the U. S. Public Health Ordinance and Code. Much of the remaining twenty-two percent of domestic production is produced in compliance with various State Ordinances applicable to manufacturing grade milk.

Laxity in enforcing equivalent standards for imported products will deter progress in improving the quality of domestic supplies.



- V. Emergency loan guarantees are meaningless if extended only to producers whose equities are adequate without additional collateral.

Depressed beef prices have eroded producer equities in loans. In order for the emergency loan program to salvage the young producers that will be needed in the future, loan evaluations must be based upon collateral values as existing at the time the original loan was made.

Loan application procedures can be greatly simplified.



VI. Food Stamp Programs have permitted de-emphasis of commodity distribution programs; lack of surplus commodities over the past few years have also deactivated many of the commodity distribution centers.

CCC now holds substantial quantities of dairy products due to heavy imports. Such stocks will serve as a deterrent to farm milk price improvement until they are disposed of.

Domestic distribution centers for milk, meat and egg products should be re-established in addition to appropriate foreign donations to dispose of stocks.



- VII. Food Stamps equal to at least 35 percent of totals issued each recipient should be color-coded for specific use in purchasing meat, milk or egg products.

The Food Stamp Program should receive special emphasis in helping to meet the immediate farm price emergency.

In the longer run, a direct farm subsidy may be the only method of assuring continued production of animal products. A \$1.00 subsidy payment to farmers cost taxpayers \$1.00 whereas a \$1.00 increase to farmers through the marketplace costs consumers approximately \$2.00.



Table 1: Prices Paid Farmers Per Hundredweight for Manufacturing Grade Milk
f.o.b Plants in Minnesota and Wisconsin
by Months, 1960 to Date

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Simple Average
(3.5 percent butterfat)													
1960	\$3.10	\$3.10	\$3.08	\$3.04	\$3.00	\$3.00	\$3.00	\$3.07	\$3.23	\$3.32	\$3.32	\$3.34	\$3.13
1961	3.28	3.18	3.21	3.23	3.23	3.22	3.24	3.27	3.29	3.30	3.31	3.31	3.26
1962	3.30	3.29	3.21	3.05	3.01	3.01	3.03	3.04	3.06	3.07	3.10	3.11	3.11
1963	3.10	3.10	3.09	3.08	3.07	3.08	3.09	3.10	3.12	3.15	3.16	3.16	3.11
1964	3.17	3.16	3.15	3.12	3.12	3.11	3.12	3.15	3.24	3.27	3.29	3.29	3.18
1965	3.25	3.22	3.22	3.23	3.22	3.20	3.21	3.25	3.29	3.34	3.39	3.47	3.27
1966	3.47	3.58	3.68	3.64	3.65	3.82	4.05	4.26	4.34	4.26	4.15	4.14	3.92
1967	4.08	4.02	4.01	3.98	3.96	3.96	3.95	3.97	3.97	3.98	4.00	4.04	3.99
1968	4.01	4.00	4.02	4.18	4.19	4.18	4.18	4.20	4.23	4.28	4.27	4.30	4.17
1969	4.27	4.23	4.28	4.34	4.37	4.39	4.41	4.42	4.49	4.58	4.62	4.63	4.42
1970	4.67	4.63	4.58	4.60	4.58	4.61	4.60	4.61	4.66	4.77	4.82	4.83	4.66
1971	4.79	4.83	4.81	4.83	4.77	4.76	4.77	4.77	4.83	4.82	4.84	4.93	4.81
1972	4.97	4.97	5.04	4.96	4.94	4.95	5.01	5.07	5.10	5.18	5.32	5.41	5.03
1973	5.43	5.45	5.55	5.66	5.55	5.73	5.78	6.38	6.91	7.49	7.64	7.94	6.30
1974	8.10	8.14	8.15	7.73	6.93	6.31	6.29	6.39	6.69				

Source: Dairy Division, AMS/USDA

Fellow Consumer: Take Care of America First!

It's too late to stop the energy crisis —

▶ ▶ ▶ ▶ It's not too late to stop the **FOOD** crisis!

Imported food products cause dependence on substandard foreign food supplies. We must not become dependent upon foreign foods. **HELP** yourself by helping the American Farmer **TODAY**.

DID YOU KNOW?

A pint of milk costs 28c. If the dairymen gave the milk to the consumer, the container and processing would still cost her 21½c per pint.

Cattle price on the hoof is the same today to the farmer as it was in 1950 —

— **HOWEVER** —

Club Steak in the store in 1950 was 69c per lb.

TODAY the same Steak is \$1.89 per lb.

— **WHO GETS THE
DIFFERENCE** —

The Squeeze Is On!

The dairymen are in an impossible situation and cannot continue to produce due to imports competing in our market and skyrocketing feed and operating cost.

Who will suffer?

— **YOU THE CONSUMER** —

Facts from the Food and Drug Administration — indicate that over the past few months samples of foreign produced milk products have contained unacceptable amounts of various bacteria, molds and even **RODENTS**, yet 90% of all imported products are **NOT** inspected.

— **IN CONTRAST** —

..... U. S. produced dairy products are untouched by human hands and must pass rigid inspection before it can be sold.

The prices our farmers receive for their products have gone down 15 to 18% this year, yet prices he pays for goods to operate have gone up as much as 25% and More.

Who will suffer?

— **YOU THE CONSUMER** —

**You are paying higher prices in the supermarket.
WHO GETS THE DIFFERENCE?**

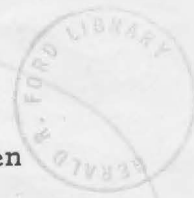
DEMAND AMERICAN DAIRY AND BEEF PRODUCTS!!!

The Cost Price Squeeze Tightens on Dairy Farmers



9
→ Natwick/MAGDANZ

FREDERICK



ED ANDERSEN

Washburn	Ebert	Leith	Garner	Lake	Van Vleck	Fleming	Brown	Deen
Steele								Watts
Conkwright								McQueen
Moore								Waltz
Natwick								Finney
Covell								Price
Taylor								Traweek
								Neill

Seidman The President Butz

OUT

October 30, 1974 - The Cabinet Room
Agriculture & Livestock Meeting

PRESIDENT'S LIVESTOCK CONFERENCE

SEATING ARRANGEMENTS:

- A. We recommend that you have place cards on the table for seating the livestock representatives.
- B. We recommend that the following ten people be asked to speak for 5 minutes each in the following sequence, which can be done by seating them across from the President from his right to his left so that he can call on the first person and suggest that they speak in turn from the first person going left:

1. Gordon VanVleck	Beef cow-calf
2. Glenn Lake	Dairy
3. Marvin Garner	Hogs
4. Roger Fleming	General farm group
5. Milton Brown	Beef feeder - Corn Belt
6. Glenn Deen	Beef feeder - Southwest Feedlot
7. Gordon Leith	General farm group
8. George Watts	Poultry
9. Melvin Sprecher	Dairy
10. John Scott	General

- C. The remaining people could be seated in this arrangement if that is practical:

11. Wray Finney	Beef cow-calf
12. Harold Steele	Hogs
13. Sam Washburn	Lambs
14. Edward Covell	Poultry-Broilers
15. Richard Price	Dairy
16. Hilmar Moore	Beef cow-calf
17. Lew Waltz	Poultry
18. Don Magdanz	Beef feeder - Corn Belt

- D. I do not have background on the other livestock people who have been invited.
- E. The following four people will be present from the Department of Agriculture:

Secretary Butz
Clayton Yeutter, Assistant Secretary
Don Paarlberg, Director of Agricultural Economics
Claude W. Gifford, Director of Communication

- F. Attached are additional background papers on the livestock situation.



Suggested comments regarding upcoming changes in the emergency livestock guaranteed loan program:

You are all aware that the emergency livestock guaranteed loan program was signed into law on July 25, 1974. Twenty days later, on the 14th of August, the first loan was made in Nebraska.

This means that the content and intent of the law had been digested and interpreted; regulations were written, approved and published; instruction and training were prepared for the 1,750 county offices of Farmers Home Administration that were to administer the program, and national and state associations of lenders were contacted and informed, since they are the key to a successful guaranteed loan program.

Those 20 days were full and busy ones, and I'm pleased and proud that the Department was able to respond so quickly and so well.

Now, however, two months later and after the making of over 421 loans exceeding \$59.4 million, we know more about the needs of the family farmers and others engaged in livestock production than we did before, and there has been better opportunity to assess the intent of the Congress as expressed in the law.

Section 2a of the law provided that: "The Secretary of Agriculture is authorized and directed to provide financial assistance to bona fide farmers and ranchers who are primarily and directly engaged in agricultural production for the purpose of breeding, raising, fattening or marketing livestock." Further, the lender was required to certify that the financing was to be used only for purposes related to the breeding, raising, fattening or marketing of livestock, which seemed to say that the intent of Congress was quite restrictive.



It has since become apparent that this was not the case, and the Farmers Home Administration instructed its field personnel to include family living expenses among the permissible uses of guaranteed loan funds.

Under another change in the emergency livestock loan program being announced today, an individual may be eligible for assistance if he derives a majority of his gross income from his own livestock enterprise, or if he devotes most of his time to it. By giving individuals the optional eligibility requirements of either income produced or time spent on their operations, more of them will be able to qualify for assistance and benefits from the program.

Take a family farmer, for example, who feeds out some livestock and also grows wheat. While most of his income might come from the wheat, particularly in the period of high prices, he would be an eligible borrower under this program if he spent a majority of his time with livestock, and with the livestock chores requiring time daily, the usual family farmer will spend more time with dairy or with beef or poultry than he will in plowing, seeding or harvesting, although these operations may take most of his time during a particular season.

For partnerships or corporations, the organizations, including partners or major stockholders, must derive a majority of their income from the livestock operations and devote most of their time to their own and the organization's livestock operations.

The dual eligibility has been retained for partnerships and corporations, but eliminated for family farmers. This distinction can help re-emphasize the intent of the law to assist the bona fide family farmers.



Johnson (202) 447-4323
McDavid (202) 447-4026

NEWS

U.S. DEPARTMENT OF AGRICULTURE

ELIGIBILITY REQUIREMENTS EASED FOR EMERGENCY LIVESTOCK LOANS:

WASHINGTON, Oct. 30--Changes have been made in the Emergency Livestock loan program that will make assistance available to more family farmers who produce livestock, Secretary of Agriculture Earl L. Butz announced today.

The Secretary noted that more than 420 loans had been made, exceeding \$59 million in the three months since the law was passed.

"The intent of the law was to make credit assistance available to the nation's livestock producers, especially family farmers, during a period when falling meat prices and rising costs caught them in a pinch," the Secretary said.

"The purpose of the changes is to open the program to more family farmers without throwing it wide open to other than bona fide farmers and ranchers," he said.

Under the new eligibility criteria, an individual may be eligible for a loan guarantee if he derives a majority of his gross income from his own livestock enterprise, or if he devotes most of his time to it. More farmers will be able to get assistance under this program change.

Partnerships and corporations including their partners and major stockholders--must derive a majority of their gross income from their own and the organization's livestock operation, and devote most of their time to them.

(more)



The original intent of the law was to offer assistance to bona fide farmers and ranchers who are primarily and directly engaged in agricultural production for the purpose of breeding, raising, fattening or marketing livestock, including beef or dairy cattle, swine, sheep, goats, chickens or turkeys.

The changes re-emphasize that this assistance is intended for family farmers, and others who are recognized in their communities chiefly as livestock producers.



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A Rural Credit Program

fact sheet

WASHINGTON, D. C. 20250

FARMERS HOME ADMINISTRATION

U. S. DEPARTMENT OF AGRICULTURE

EMERGENCY LIVESTOCK LOANS GUARANTEED BY FmHA

The Farmers Home Administration guarantees loans made by banks or other legally organized lenders to ranchers and farmers in the livestock business to permit them to maintain their operation. This loan guarantee program will be in effect through July 25, 1975. It may be extended for 6 months if the Secretary of Agriculture determines that it is needed to help the livestock industry obtain sufficient credit. The Emergency Livestock Credit Act of 1974 (P.L. 93-357) which was enacted on July 25, 1974, provides the authority for these loan guarantees.

FmHA guaranteed loan programs are available to all qualified applicants regardless of race, color, creed, sex, or national origin.

Who Is Eligible For Assistance?

Loans can be guaranteed for bona fide ranchers and farmers who:

1. Do business in the United States, either as an individual, corporation or partnership;
2. Are recognized in the community as one whose chief occupation is ranching or farming; and
3. Are primarily and directly engaged in agricultural production for the purpose of breeding, raising, fattening or marketing their own beef or dairy cattle, swine, sheep, goats, chickens or turkeys.

An individual must derive a majority of his gross income from his own livestock enterprise or devote a majority of his time to it.

A corporation or partnership must derive a majority of its gross income from the livestock operation and shareholders or partners who own a controlling interest must receive a majority of their gross income from and devote a majority of their time to their own or the corporation's or partnership's livestock operations.

If any applicants can secure credit without a guarantee, FmHA shall not guarantee the loan.



What Are The Terms And Conditions Of Assistance?

FmHA can guarantee up to 80 percent of losses on loans made by lending institutions. No fees will be charged by FmHA for the guarantee. The total loans guaranteed for a borrower cannot exceed \$250,000.

How May The Money Be Used

Funds may be used for agricultural production purposes essential to conducting livestock operations, including replacing livestock, providing feed, paying usual charges for grazing permits or use of land and buildings, providing farm machinery, moving livestock, building or repairing pens and fences, and for essential family living expenses. Loans cannot be used to expand livestock enterprises.

Can Debts Be Refinanced?

Yes, if absolutely necessary to enable the borrower to remain in business, needed credit is not available without the guarantee, and the lending agency is not currently refinancing similar loans to others without the guarantee.

What Are The Interest Rates and Terms of Repayment?

The interest rates will be those agreed upon by the lender and the borrower. Maximum repayment terms for these loans will be 3 years, with possible renewal for up to two additional years.

What Security Is Required?

Loans guaranteed under this Act shall be adequately secured by liens on livestock, other chattels, real estate, or additional property.

What Is The Procedure For Applying For Assistance?

Applicants should contact banks or other lenders. When amount of loan, terms of repayment, interest rates, and other details are completed, the lender may request the FmHA office serving the area where the livestock operations are conducted to issue a guarantee. The lender will process the application, close the loan, and service it to final settlement.



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