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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

March 4, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. LYNN

SUBJECT: Information Memorandum on Agricultural Commodity Target  
Prices

Producer income from wheat, feed grains, and cotton is supported by a system of target prices and loan levels for those commodities established in agricultural legislation passed in 1973. Whenever market prices average below target prices over specified time periods, the deficiency is made up by direct payments from the Treasury. Because of the current high commodity prices, no payments have been made, even though the targets were initially set at high levels. There has been little or no commodity loan activity since loan levels are well below both market and target prices.

Under the law, target prices will be adjusted next year to reflect any increase in production costs during this calendar year and any changes in productivity. They will not, however, be adjusted to reflect the increase in costs during 1974.

With costs of production still rising, and with commodity prices drifting downward, producers are seeking legislative action to raise target prices for this year and later years. The principal motivation is to:

- Lock up high prices and prevent a drop in income.
- Protect record high land values.

The high land values result largely from recent high prices for farm products. They are viewed by some producers as a significant contributor to the upsurge in production costs, and as justification for a large increase in Federal support. If such additional support were forthcoming, risk would be reduced, thereby giving another push to land prices. Thus does the ratcheting proceed, and the need for Federal subsidies continue to feed on itself.

The Senate Agriculture and Forestry Committee has held hearings on the issue of raising target prices and loan levels. Secretary Butz, in



his appearance before that committee indicated his opposition to higher targets, but left the door open for compromise. . The House Agriculture Committee is marking up a bill and seems to be heading for a schedule of target prices and loan levels which USDA estimates could increase Federal outlays by \$600 million in FY 1976; \$3.4 billion in FY 1977 and \$5.2 billion in FY 1978. The estimates assume that 1975-crop corn and wheat prices would average \$2.50 and \$3.50, respectively. However, if we get the kind of output indicated by the planting intentions report, corn prices could decline to around \$2 per bushel and wheat to around \$2.25. Under the proposed bill such an eventuality would mean deficiency payments for grains in FY 1976 of around \$3.8 billion.

Other problems in addition to the budget exposure are:

- Undermines the Administration's policy of keeping the government out of regulating agricultural production and buying and selling commodities, thus freeing farmers to respond to the demands of the market.
- Places another prop under land values.

Secretary Butz is now meeting with Chairman Foley, presumably to try to reduce the amount of the increase. We do not know what levels would be acceptable to the Secretary and to the Congress. The Secretary testified that target prices should not be set at incentive levels nor loans at levels so high that the government would have to acquire surplus commodities.

We are continuing to oppose any increase in target prices. I will meet with Secretary Butz shortly to discuss strategy.

I think a strong case can be made against raising targets, but it is only now coming before the public. If urban representatives are not aware of the real implications, they are likely to support higher targets in exchange for rural support of more liberal feeding programs (especially food stamps). Thus the total bill for improved farm income guarantees could be far higher than indicated.



THE WHITE HOUSE

WASHINGTON

March 5, 1975

MEMORANDUM FOR: THE VICE PRESIDENT  
FROM: JIM CANNON  
SUBJECT: Meeting with Secretary Butz

The following subjects may come up at your meeting this afternoon with Secretary Butz:

FARM POLICY

- Administration opposes Congressional proposals raising target (floor) prices and adjusting loan levels for wheat, feed grains and cotton. Supporters say increases are needed as production incentives.
- Administration supports a proposal to establish a U. S. grain reserve in the private sector, not as a government owned operation.
- Administration proposes moving rice, peanuts and extra long staple cotton into market-oriented programs similar to current feed grain, wheat and cotton programs.

FOOD ASSISTANCE PROGRAM REFORM

- Over 42 million Americans are now receiving food subsidies through Department of Agriculture programs.
- Costs account for 60 per cent of Agriculture Department's total spending.
- President's budget proposal for block grant approach to funding of child nutrition program is facing strong opposition.





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March 5, 1975

MEMORANDUM FOR: THE VICE PRESIDENT  
FROM: JAMES CANNON  
SUBJECT: Meeting with Secretary Butz

We have developed some points for your meeting this Wednesday, March 5, with Secretary of Agriculture Butz.

1. Farm Policy - A major concern which would have dramatic impact on farm policy is the current effort by the Congress to amend existing farm legislation. Senate and House Agriculture Committees are holding hearings on proposed revisions to the Agriculture and Consumer Protection Act of 1973. Bills H. R. 1290, 2259, 2738 and 2820 have been introduced providing for the adjustment of target prices and/or loan levels for wheat, feed grains and cotton. The Administration opposes enactment of these bills, or any other similar bills that would alter the target price and loan level provisions of the existing legislation. Higher target prices have been rationalized by supporters on the basis that farmers need higher targets to provide additional production incentive. The Administration views the kind of change in farm policy proposed in the bills as a step backward for both farmers and consumers. When food supplies become more abundant in relation to demand, higher price supports would prompt a return to substantial land diversion, large government payments, export subsidies, import restrictions, and possibly even to the mandatory production controls of the past.

The Administration favors establishment of a U. S. grain reserve, as part of a world network of nationally held reserves, endorsed by the World Food Conference; but believes strongly that such



a reserve should be held by the private sector and not be government-owned. In addition, the Administration favors moving rice, peanuts and extra long staple cotton into market-oriented programs in phase with current feed grain, wheat and cotton programs. The Department of Agriculture will submit legislation to the Congress designed at repealing these outdated programs.

2. Food Assistance Program Reforms - Over 42 million Americans are now receiving food subsidies, through USDA financed programs. Total USDA budget cost rose sharply after 1970 liberalization of the food stamp program by Congress, and now accounts for over sixty percent of USDA's total spending (in FY 1975). Rapidly rising costs, and failure to reach many non-needy, indicate the need to improve the cost-effectiveness of existing programs. The Department has ongoing studies on food stamp reform legislative proposals which will be completed in March. On May 1, the Proposals will be ready for Presidential decision. Senate Resolution 58 requires a report on Food Stamp program reform to be sent to the Congress by June 30.

The President's 1976 Budget Message to Congress contained a provision for a Block Grant approach to funding of child nutrition programs. Such an approach assumes the discontinuance of several individual programs now in existence: School Lunch; Special Milk; School Breakfast; Women, Infants and Children; and Wonschool Food. The Administration will submit this legislation within the next two weeks. Opposition to the Block Grant approach is strong and growing.

NEROSS/ee

prepared 3-4-75



March 5, 1975

MEMORANDUM FOR: JOHN CARLSON  
FROM: NORM ROSS  
SUBJECT: Farm Price Support Legislation

The House Agriculture Committee has agreed to a one-year "emergency" revision to the Agriculture and Consumer Protection Act of 1973. The revision provides for the adjustment of target prices and/or loan levels for wheat, feed grains, cotton, as well as provides higher milk price supports to aid dairy farmers.

The Administration opposes enactment of these revisions that would alter the target price and loan level provisions of existing legislation. Higher target prices have been rationalized by supporters on the basis that farmers need higher targets to provide additional production incentive. The Administration views the kind of change in farm policy proposed in the bills as a step backward for both farmers and consumers. When food supplies become more abundant in relation to demand, higher price supports would prompt a return to substantial land diversion, large government payments, export subsidies, import restrictions, and possibly even to the mandatory production controls of the past.

The Administration favors establishment of a U. S. grain reserve, as part of a world network of nationally held reserves, endorsed by the World Food Conference; but believes strongly that such a reserve should be held by the private sector and not be government-owned. In addition, the Administration favors moving rice, peanuts and extra long staple cotton into market-oriented programs in phase with current feed grain, wheat and cotton programs. The Department of Agriculture will submit legislation to the Congress designed at repealing these outdated programs.

R/p 3-5-75  
cc:WH files



Parsons  
cc Lynn Mar  
✓cc Koss-~~TYE~~

THE WHITE HOUSE  
WASHINGTON

March 8, 1975

MEMORANDUM FOR:

✓MR. JAMES CANNON  
DR. JAMES CAVANAUGH

FROM:

WARREN RUSTAND *WR*

SUBJECT:

Approved Presidential Activity

Please take the necessary steps to implement the following and confirm with Mrs. Nell Yates, ext. 2699. The appropriate briefing paper should be submitted to Dr. David Hoopes by 4:00 p.m. of the preceding day.

Meeting: With Secretary Butz, Gabriel Hauge and Mrs. Francine Neff

*Tuesday of 4/4*

Date: Thursday, March 13, 1975 Time: 5:30 p.m. Duration: 5 minutes

Location: The Oval Office

Press Coverage:

Purpose: To be photographed with the President in connection with the Savings Bond Program. Secretary Butz, is Chairman for the Federal Government. Hauge is National Chairman.

cc: Mr. Hartmann  
Mr. Marsh  
Mr. Cheney  
Dr. Connor  
Dr. Hoopes  
Mr. Jones  
Mr. Nessen  
Mr. O'Donnell  
Mrs. Yates



3/10

U.S. DEPARTMENT OF AGRICULTURE

FROM: DEPUTY ASSISTANT SECRETARY  
FOR RURAL DEVELOPMENT

DATE:

*File*  
*Mar. 12*

TO:

*Norm Kass*  
*White House*

- |                                                           |                                                           |                                                 |
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| <input type="checkbox"/> For Secretary's signature        | <input type="checkbox"/> For your action                  | <input type="checkbox"/> For your information   |
| <input type="checkbox"/> Reply directly - copy to me      | <input type="checkbox"/> For your approval                | <input checked="" type="checkbox"/> Please file |
| <input type="checkbox"/> Copy to me with copy of incoming | <input type="checkbox"/> For your comments                | <input type="checkbox"/> Set up meeting on this |
|                                                           |                                                           | <input type="checkbox"/> Call me on this        |

REMARKS:

*As we discussed —*

*Jim Bostic*



ACTION DATE: \_\_\_\_\_

*3/13*

Norm -  
please use  
this memo  
only for your  
own personal  
background.  
Jm





January 29, 1975

SUBJECT: FmHA Operating Loans

TO: The Secretary

As you know, last year we increased funds available for farm operating loans by \$175 million in the spring of 1974. At that time the discretionary authority to make the increase was vested with the Administration. This increase brought the total farm operating funds available in FY 1974 to \$525 million. The 1975 Appropriations Act took this discretionary authority from the Administration. The House Committee on Appropriations Report contains, in part, the following language "...However, for the sake of legislative history, the Committee wishes to make it clear that beginning with the 1975 fiscal year the loan level for Operating loans specified in the appropriation act is to be considered as a ceiling...." The FY 75 Appropriations Act provides for \$525 million for farm operating loans.

These funds are loaned only with the no-credit-available-elsewhere provision and therefore do not compete with private lenders. This fiscal year the interest rate being paid by these borrowers is 8.75 percent per annum. While production operating loans are generally made for one year, operating loans for machinery and equipment can be made for up to 7 years. The current 7-year interest rate being paid by FmHA on Certificates of Beneficial Ownership is 7.7 percent.

Senator Talmadge has written the President and the Department urging the President submit a supplemental request because of an acute need in rural America for additional operating loan funds.



2 - The Secretary

As you know, the cost of anhydrous ammonia to farmers in the last two years has gone from approximately \$80 a ton to over \$300 a ton in some places, and many other fertilizers have doubled and tripled in price. There has been an overall increase in other production costs such as feed, fuel, and farm machinery, more referrals by banks and other creditors, cash only sales by farm suppliers, the poor livestock situation, increased mechanization in the flue cured tobacco states, and currently decreased off-farm employment opportunities.

The FmHA has completed a state-by-state analysis on the projected need for Operating loan funds in FY 1975. Summary of the attached data indicates that approximately \$107 million in additional obligational authority is needed to meet the expected demand through June 30, 1975. The projections are based on loan activity this fiscal year through December 31, 1974, compared to the comparable period for FY 1974.

Since we are often in the position of opposing additional loan funds because they include an interest subsidy, it would seem to be most appropriate to be positive and responsive to this particular need because it is done at no expense to the government. The difference between the cost of the money and the rate at which it is loaned should adequately cover administrative expenses.

Although Senator Talmadge suggested the need for an additional \$200 million in operating loans, we believe that an additional \$110 million will be sufficient for the remainder of FY 1975. It is my recommendation that we proceed rapidly.

WILLIAM ERWIN

WILLIAM ERWIN  
Assistant Secretary

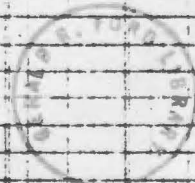
Attachment

SEC:JEBOSTIC:lnh 1-29-75



OPERATING LOAN FUNDS NEED - SUMMARY  
FY 1975  
(ESTIMATES PREPARED JANUARY 1975)

| STATE                      | Estimated<br>Initial<br>Loans (000) | Estimated<br>Subsequent<br>Loans (000) | Total<br>(000) | Current<br>Distribution<br>(000) | Additional<br>Need<br>(000) |
|----------------------------|-------------------------------------|----------------------------------------|----------------|----------------------------------|-----------------------------|
| <b>TOTAL</b>               | <b>365,955</b>                      | <b>266,132</b>                         | <b>632,087</b> | <b>525,000</b>                   | <b>107,087</b>              |
| <b>Alabama</b>             | 7,111                               | 7,184                                  | 14,295         | 10,600                           | 3,695                       |
| <b>Alaska</b>              | 2,227                               | 1,304                                  | 3,531          | 3,700                            | 169                         |
| <b>Arizona</b>             | 11,363                              | 10,142                                 | 21,505         | 16,400                           | 5,105                       |
| <b>California Office:</b>  |                                     |                                        |                |                                  |                             |
| California                 | 4,792                               | 1,957                                  | 6,749          | 4,570                            | 2,179                       |
| Idaho                      | 113                                 | 224                                    | 337            | 300                              | 37                          |
| Nevada                     | 794                                 | 653                                    | 1,447          | 800                              | 647                         |
| Oregon                     | 4,465                               | 1,503                                  | 5,968          | 6,000                            | 1,872                       |
| <b>Delaware Office:</b>    |                                     |                                        |                |                                  |                             |
| Delaware                   | 319                                 | 321                                    | 640            | 800                              | 160                         |
| Maryland                   | 1,089                               | 1,239                                  | 2,328          | 2,200                            | 128                         |
| New Jersey                 | 2,093                               | 1,415                                  | 3,508          | 3,400                            | 108                         |
| <b>Florida</b>             | 4,595                               | 3,385                                  | 7,980          | 6,090                            | 1,890                       |
| <b>Georgia</b>             | 14,075                              | 15,171                                 | 29,246         | 20,475                           | 8,771                       |
| <b>Illinois</b>            | 10,713                              | 6,749                                  | 17,462         | 13,400                           | 4,062                       |
| <b>Indiana</b>             | 6,985                               | 9,180                                  | 16,165         | 12,750                           | 3,415                       |
| <b>Iowa</b>                | 7,952                               | 5,070                                  | 13,022         | 9,600                            | 3,422                       |
| <b>Kansas</b>              | 15,401                              | 6,534                                  | 21,935         | 16,000                           | 5,935                       |
| <b>Kentucky</b>            | 14,706                              | 5,314                                  | 20,020         | 12,000                           | 8,020                       |
| <b>Louisiana</b>           | 5,506                               | 5,748                                  | 11,254         | 11,500                           | 246                         |
| <b>Maine</b>               | 12,087                              | 12,613                                 | 24,700         | 22,470                           | 2,230                       |
| <b>Massachusetts</b>       | 5,178                               | 9,222                                  | 14,400         | 12,700                           | 1,700                       |
| <b>Michigan</b>            | 9,075                               | 4,660                                  | 13,735         | 11,800                           | 1,935                       |
| <b>Minnesota</b>           | 16,728                              | 7,618                                  | 24,346         | 16,000                           | 8,346                       |
| <b>Mississippi</b>         | 10,783                              | 10,466                                 | 21,249         | 21,800                           | 551                         |
| <b>Missouri</b>            | 16,493                              | 11,274                                 | 27,767         | 20,250                           | 7,517                       |
| <b>Montana</b>             | 5,202                               | 6,621                                  | 11,823         | 8,000                            | 3,823                       |
| <b>Nebraska</b>            | 8,227                               | 5,138                                  | 13,365         | 10,500                           | 2,865                       |
| <b>New Mexico</b>          | 2,867                               | 1,748                                  | 4,615          | 4,300                            | 315                         |
| <b>New York</b>            | 8,112                               | 6,158                                  | 14,270         | 10,600                           | 3,670                       |
| <b>North Carolina</b>      | 18,783                              | 22,796                                 | 41,579         | 29,200                           | 12,379                      |
| <b>North Dakota</b>        | 10,330                              | 4,895                                  | 15,225         | 13,000                           | 2,225                       |
| <b>Ohio</b>                | 4,622                               | 3,009                                  | 7,631          | 5,700                            | 1,931                       |
| <b>Oklahoma</b>            | 14,834                              | 10,892                                 | 25,726         | 22,800                           | 2,926                       |
| <b>Oregon Office:</b>      |                                     |                                        |                |                                  |                             |
| Alaska                     | 24                                  | 58                                     | 82             | 100                              | 18                          |
| Oregon                     | 3,345                               | 3,152                                  | 6,497          | 4,300                            | 2,197                       |
| <b>Pennsylvania</b>        | 6,232                               | 2,257                                  | 8,489          | 7,400                            | 1,089                       |
| <b>South Carolina</b>      | 7,216                               | 8,370                                  | 15,586         | 11,400                           | 4,186                       |
| <b>South Dakota</b>        | 16,929                              | 7,745                                  | 24,674         | 20,000                           | 4,674                       |
| <b>Tennessee</b>           | 8,217                               | 4,666                                  | 12,883         | 9,500                            | 3,383                       |
| <b>Texas</b>               | 30,833                              | 16,794                                 | 47,627         | 41,000                           | 6,627                       |
| <b>Vermont</b>             | 1,922                               | 2,013                                  | 3,935          | 3,800                            | 135                         |
| <b>Vermont Office:</b>     |                                     |                                        |                |                                  |                             |
| Connecticut                | 419                                 | 425                                    | 844            | 800                              | 44                          |
| Massachusetts              | 547                                 | 181                                    | 728            | 500                              | 228                         |
| New Hampshire              | 209                                 | 449                                    | 658            | 500                              | 158                         |
| Rhode Island               | 224                                 | 95                                     | 319            | 200                              | 119                         |
| Vermont                    | 2,414                               | 1,734                                  | 4,148          | 3,860                            | 288                         |
| <b>Virginia</b>            | 4,134                               | 3,886                                  | 8,020          | 5,500                            | 2,520                       |
| <b>Washington</b>          | 6,297                               | 3,411                                  | 9,708          | 7,000                            | 2,708                       |
| <b>West Virginia</b>       | 2,339                               | 1,763                                  | 4,102          | 4,000                            | 122                         |
| <b>Wisconsin</b>           | 15,766                              | 6,024                                  | 21,790         | 21,200                           | 590                         |
| <b>Wyoming</b>             | 1,771                               | 2,349                                  | 4,120          | 4,000                            | 120                         |
| <b>Puerto Rico Office:</b> |                                     |                                        |                |                                  |                             |
| Puerto Rico                | 941                                 | 557                                    | 1,498          | 1,575                            | 77                          |
| <b>Virgin Islands</b>      | 32                                  | 0                                      | 32             | 0                                | 32                          |





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

FEB 7 1975

Honorable Roy Ash  
Director, Office of Management  
and Budget  
Washington, D.C.

Dear Mr. Ash:

Pressing needs for agricultural operating credit make necessary a request that the Farmers Home Administration operating loan program be increased by \$110 million and \$590,000 for administrative funds.

During the period December 15, 1973, to December 15, 1974, prices received by farmers dropped about four percent while prices paid by farmers for commodities and services, interest, taxes and farm wage rates increased about 16 percent, according to information gathered by the United States Department of Agriculture's Statistical Reporting Service.

Some specific increases during this period were 18 percent for family living items, 23 percent for motor vehicles (cars, trucks and tractors), 23 percent for farm equipment, and 13 percent for feed. Fertilizer costs increased by 81 percent during the period December 15, 1973, to September 15, 1974, the latest date for which figures are available.

The spread between prices paid and prices received is increasing at a time when farmers are experiencing a reduction in credit available from other sources. Banks are referring larger numbers of applicants to FmHA, the "lender of last resort" in that loans are made only to applicants who cannot get credit elsewhere. Farm supply companies which formerly would carry many farmers during the growing season are now largely operating on a cash basis requiring many of their customers to turn to FmHA for operating credit.

These factors, together with production disasters, increased acreage and mechanization in the flue cured tobacco states and decreased off-farm employment opportunities have created a need for FmHA operating credit which cannot be met within the \$525 million currently available. The additional amount was arrived at through a state-by-state analysis of operating credit needs.





Honorable Roy Ash

2

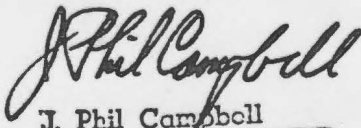
This increase should have no impact on outlays in the loan program. Certificates of Beneficial Ownership will be sold to offset loans made. The January 20, 1975, rate on Certificates of Beneficial Ownership was 7.7 percent and, since operating loan borrowers pay 8.75 percent interest, no interest subsidy is involved.

We are also requesting an increase of \$590,000 in Salaries and Expenses to administer these additional loan funds. This includes the hiring of temporary employees and the travel and related expenses involved in making and servicing the loans.

The travel restriction pursuant to Public Law 93-554 has made administration of FmHA programs and protection of the Government's financial interest substantially more difficult. The travel involved with the additional funds requested in this supplemental, as well as the additional funds recently approved for the emergency loan program, adds to this burden. We, therefore, have included language in the supplemental for Salaries and Expenses to exempt the travel necessitated by the emergency loan program of the Farmers Home Administration from the restriction contained in P.L. 93-554.

The necessary supplemental budget schedules are enclosed.

Sincerely,



J. Phil Campbell  
Acting Secretary

Enclosures



U.S. DEPARTMENT OF AGRICULTURE

FROM: DEPUTY ASSISTANT SECRETARY  
FOR RURAL DEVELOPMENT

DATE:

Mar. 13

TO:

Norm Ross  
White House

File

- |                                                           |                                                           |                                                          |
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REMARKS:

I hope that this info  
is useful to you.

Jim Bostic



3/14

ACTION DATE: \_\_\_\_\_

*Mar. 13, 1975 Hearing  
Em Livestock Credit Act*

House Subcommittee on Livestock and Grains:

✓ W. R. Poage, Texas, Chairman

John Melcher, Mont.  
✓ Bob Bergland, Minn.  
✓ Jerry Litton, Mo.  
✓ James Weaver, Oregon  
✓ Tom Harkin, Iowa  
✓ Jack Hightower, Texas  
✓ Berkley Bedell, Iowa  
✓ Glenn English, Okla.  
✓ Floyd Fithian, Ind.  
✓ Richard Nolan, Minn.  
✓ Norman E. D'Amours, N.H.

✓ Keith Sebelius, Kansas  
Paul Findley, Ill.  
Charles Thone, Nebr.  
Steven D. Symms, Idaho  
✓ James P. (Jim) Johnson, Colo.  
✓ Tom Hagedorn, Minn.

House Subcommittee on Conservation and Credit

✓ Bob Bergland, Minn., Chairman

✓ W. R. Poage, Texas  
✓ E. de la Garza, Texas  
✓ Alvin Baldus, Wis.  
✓ Glenn English, Okla.  
Frederick W. Richmond, N.Y.  
✓ Jack Hightower, Texas  
✓ Berkley Bedell, Iowa

✓ Edward R. Madigan, Ill.  
✓ James M. Jeffords, Vt.  
✓ Richard Kelly, Fla.

✓ - attended hearing  
4 - attending hearing and on both  
subcommittees.





Statement of the Honorable William Erwin  
Assistant Secretary of Agriculture  
before the  
Joint Meeting of the Livestock and Grains Subcommittee  
and the Conservation and Credit Subcommittee of the  
House Committee on Agriculture

March 13, 1975

Chairmen and Committee Members: I thank you for the opportunity to appear here to discuss a subject that is of concern to all of us, and one that has a direct and important effect on a major section of American agriculture. Some changes in the Emergency Livestock Credit Act of 1974 would have the support of the Administration, based upon the following two premises: (1) that the Emergency Livestock Program will continue as a guaranteed loan program, and (2) that loans will be made at interest rates agreed upon by the borrower and the lender.

We are in accord with the benefits being provided to bona fide ranchers and farmers. In carrying out the intent of the Act, the Department has required that eligible borrowers be engaged in agricultural production with the funds being used for the purpose of raising, breeding, fattening, or marketing livestock. Our regulations reinforce this concept of helping the family farmer -- the livestock producer whose access to credit sources may be limited.

The program has not been used as widely by farmers and ranchers as originally thought by some. We are pleased to report, however, that as of March 7, 1975, 1,811 borrowers have had \$218.1 million guaranteed under this program. The number of loans increased by 200



between February 28 and March 7, so we may be entering a period of accelerated use of this program.

Farmers involved with beef cattle lead the list of borrowers. Statistics do not show whether a borrower is primarily interested in feedlots, cow-calf operations, or one of the many variations in breeding, growing, fattening and marketing beef animals. We know that, as of January 31, 1975, 70 percent of the borrowers and 78 percent of the money involved the beef cattle business. Next in line came dairy operations with ten percent of the loans and six percent of the dollars, followed in descending order by swine and chickens. Combinations of one or more livestock enterprises involved 14 percent of the loans and 12 percent of the dollars.

Since the average loan is about \$123,000 and loans for beef producers running on the average about \$136,000, we do not believe it necessary to authorize a higher loan limit than the current \$250,000 maximum.

A number of specific suggestions have been made in proposed legislation. Here are changes which the Administration can support.

First among these would be an amendment to permit the Federal Financing Bank to participate in the program to the extent of being a holder of the guaranteed portion of such loans. Presently the Bank is excluded by law. We would not favor changing the exclusion to allow the Federal Financing Bank to make loans directly to farmers and ranchers. The Federal Financing Bank's participation should be



limited to purchasing and holding the guaranteed portion of loans made by other lenders. Eliminating the exclusion as a holder could improve the basis for a secondary market for guaranteed loans and increase the funds available to rural banks for loans. We believe that this change could have a beneficial effect on this program. However, we would expect that private lending institutions would be the primary purchasers of the guaranteed portion of the loans. I would like to make it clear that our support of this change with regard to the Federal Financing Bank does not in any way state or imply any commitment or obligation on the part of the Federal Financing Bank to participation in this program.

A change in the guarantee from 80 percent of any loss to up to 90 percent of the principal and interest of the total loan would be acceptable. We understand the intent is to guarantee a lender for up to 90 percent of principal and interest until such time as the loan is paid off. This change would provide a procedure for the secondary market to operate. We would be opposed to a provision referring to 90 percent of payments due, because such a provision could have the effect of providing more than a 90 percent guarantee.

A third change we could support would be to institute a flexible repayment schedule for borrowers, by giving the Secretary authority to determine the length of the repayment period up to seven years, based on a case by case analysis of each borrower's repayment ability and the type of loan security. Such a provision would also provide more latitude in working with the individual private lenders.



As to the fourth suggestion, the concept of a line of credit to a borrower is acceptable in principle. Such action would allow borrowers a great deal more latitude in running their operations. Since the results of the economic squeeze may cause credit problems there is a possibility that a borrower would need to return for an additional guaranteed loan. Thus, we would support amending the Act to provide that the total loans guaranteed under the Act for any applicant cannot exceed \$250,000 at any one time.

Finally, there has been interest in extending the period for which the Emergency Livestock Credit Act is in effect. The Administration can support an extension of the Act until December 31, 1976.

If there are question, I shall be glad to respond.



File

STRAIGHT WIRE ----- MARCH 15, 1975

Mr. Tony T. Dechant  
President  
National Farmers Union  
73rd Annual Convention  
Portland Hilton  
921 Southwest Sixth Avenue  
Portland, Oregon

With warm memories of my visit with you in 1968, I  
am happy to greet the delegates at this year's convention of the National  
Farmers Union.

You are deliberating at a time when all segments of our  
society must weigh their responsibilities in the national effort to restore  
the health and vitality of our economy.

This last year has especially reinforced the continuing  
need for a strong rural sector. I know that we share the same fundamental  
goals, and I am hopeful that your meetings will provide constructive ideas  
for meaningful progress in the important areas of inflation, energy and  
general economic policy.

102  
GERALD R. FORD

GRF:Hasek:jmc  
cc: D.E. Downton/R. Nessen/N. Ross/P. Thies/E. Hasek/CF  
EVENT: MARCH 16-19, 1975





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

March 17, 1975

Subject: Vice President Briefing Materials

To: Norman Ross  
Domestic Council

In response to your telephone request on Friday, March 14,  
enclosed are two copies of the charts covering the following:

- prices for farm products compared  
with other commodities
- participation in USDA food assistance  
programs

As indicated, these can be updated monthly for use by the  
Vice President, if needed.

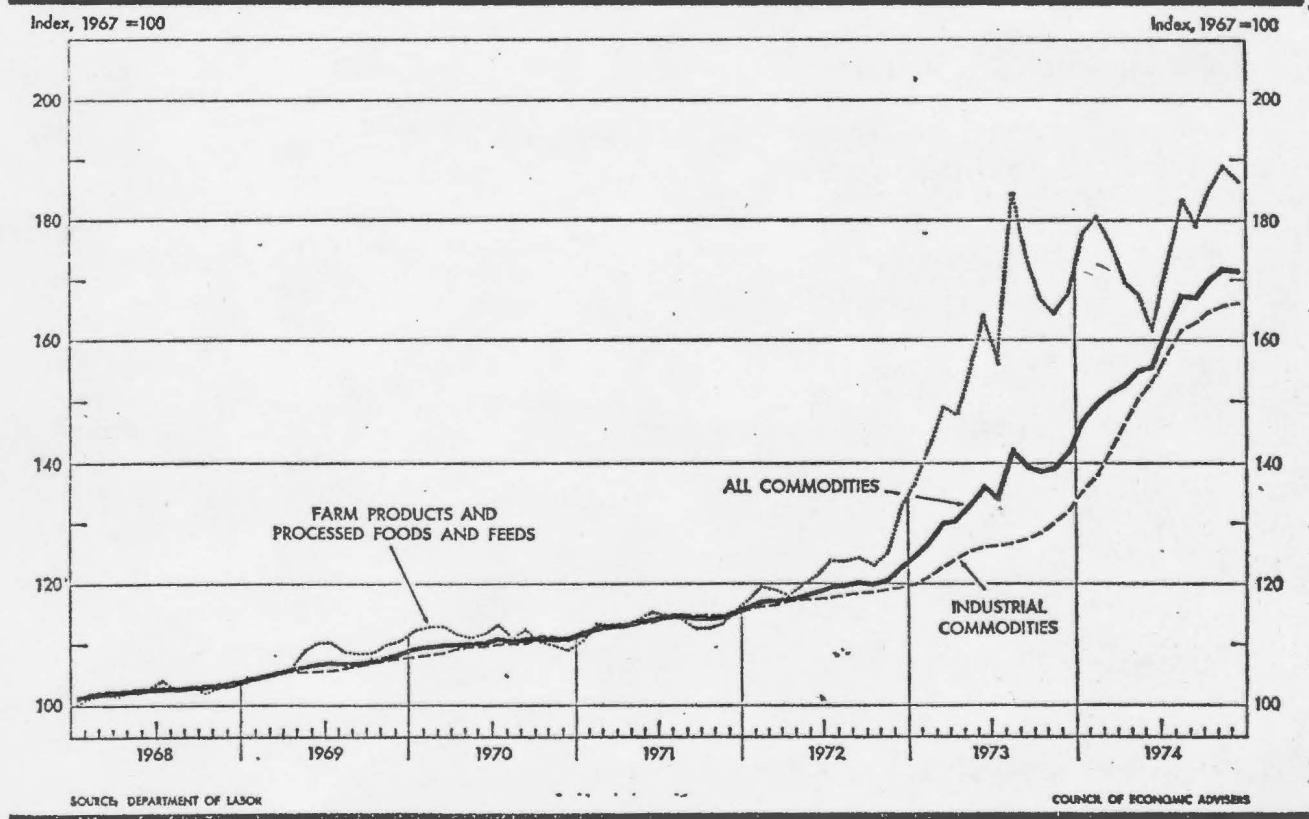
*Bill*

William A. Carlson, Director  
Office of Planning and Evaluation





## WHOLESALE PRICES



THE RAPID PRICE RISE FOR FARM PRODUCTS THAT STARTED  
IN 1972 BEGAN TO EASE LATE IN 1974 AS THE WORLD FOOD  
SITUATION SHOWED SIGNS OF IMPROVEMENT.

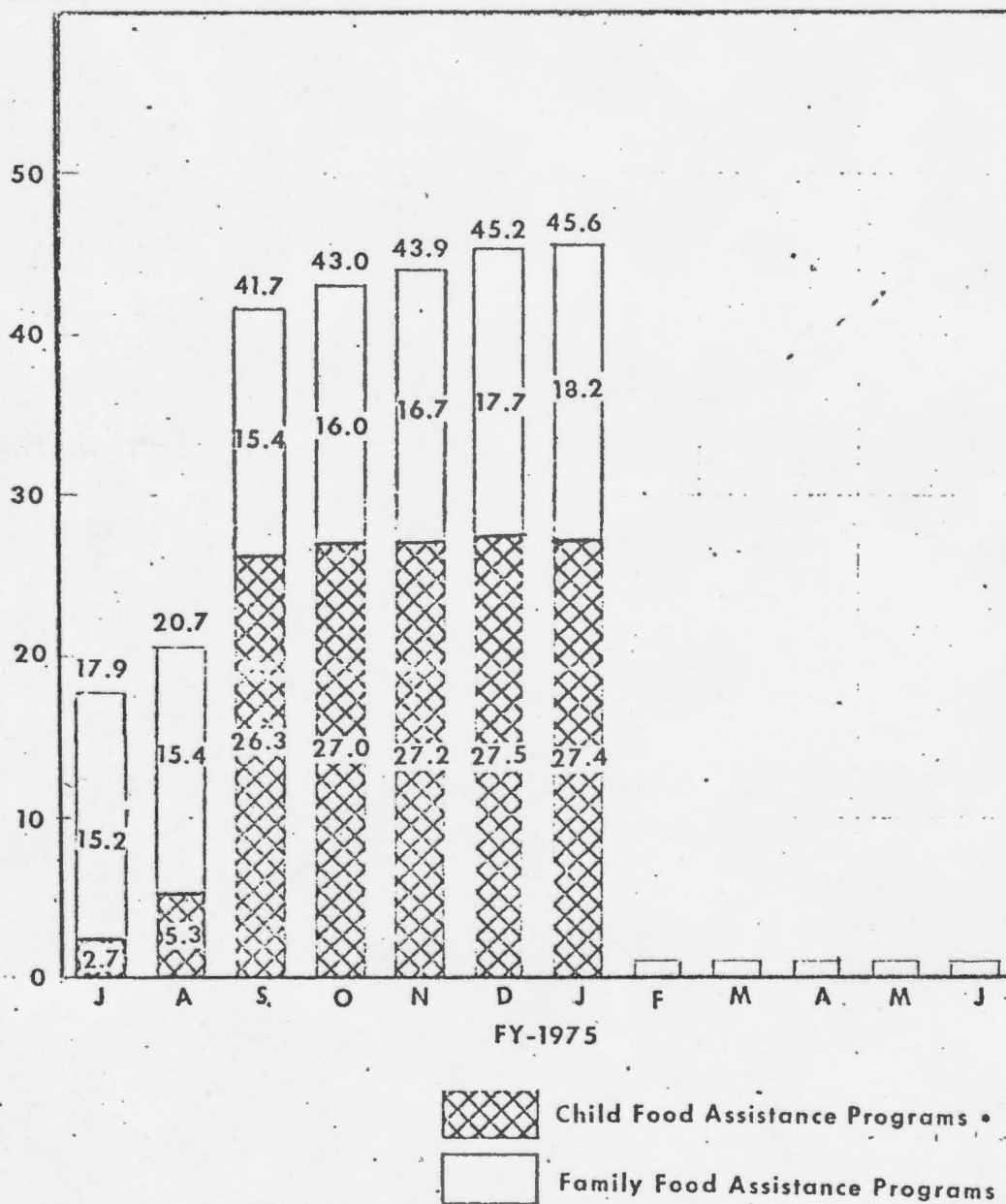
WHOLESALE PRICES OF FARM PRODUCTS AND PROCESSED FOODS  
AND FEEDS DECLINED 2.5 PERCENT ON A SEASONALLY ADJUSTED  
BASIS.



USDA-FOOD AND NUTRITION SERVICE

Program Participation—FY 1975

MILLION PARTICIPANTS



BY JANUARY 1975 OVER 45 MILLION AMERICANS WERE PARTICIPATING IN USDA FOOD ASSISTANCE PROGRAMS, INCLUDING

- 18.2 MILLION IN THE FOOD STAMP AND OTHER FAMILY FOOD ASSISTANCE PROGRAMS
- 27.4 MILLION IN THE SCHOOL LUNCH AND OTHER CHILD FOOD ASSISTANCE PROGRAMS

THE FOOD STAMP PROGRAM EXPERIENCED THE LARGEST INCREASE IN DECEMBER AND JANUARY, DUE TO THE RISE IN UNEMPLOYMENT AND THE RESULTING INCREASE IN ELIGIBLE FAMILIES.



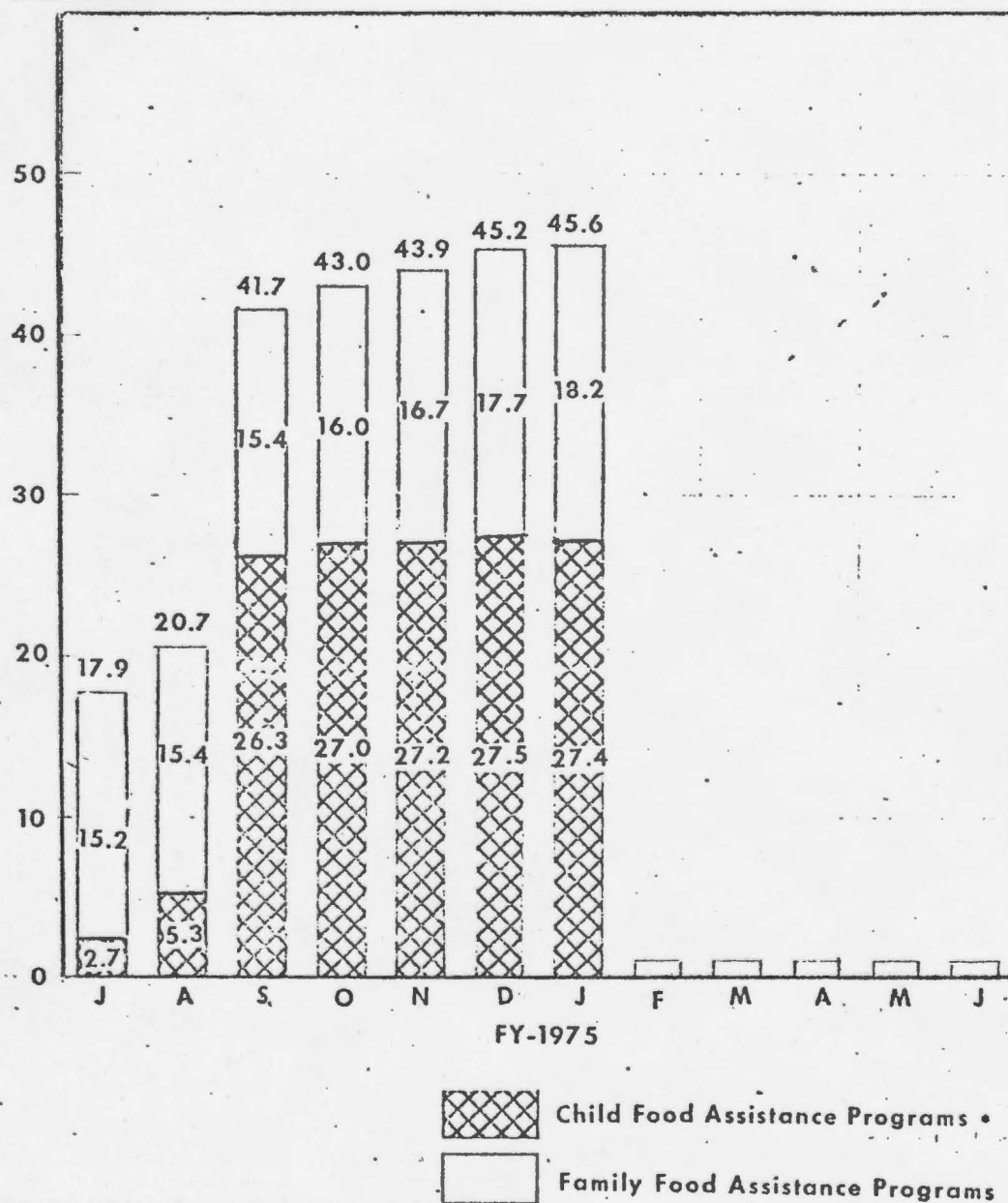
AGRICULTURE



USDA-FOOD AND NUTRITION SERVICE

Program Participation—FY 1975

MILLION PARTICIPANTS





USDA FOOD AND NUTRITION SERVICE

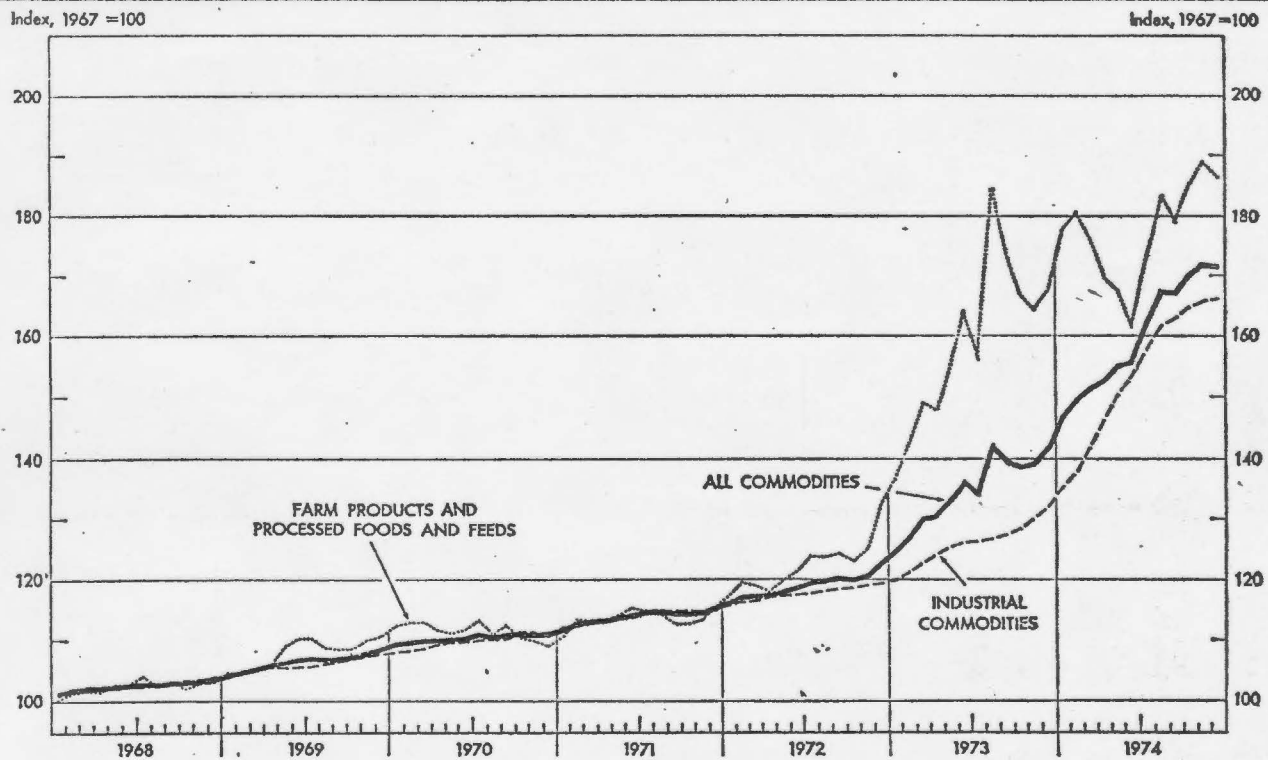
PROGRAM PARTICIPATION - FY 1975

- By January 1975, over 45 million Americans were participating in USDA Food Assistance Programs, including
  - 18.2 million in the Food Stamp and other family food assistance programs.
  - 27.4 million in the School Lunch and other child food assistance programs.
- The Food Stamp Program experienced the largest increase in December and January, due to the rise in unemployment and the resulting increase in eligible families.



# WHOLESALE PRICES

## FARM PRODUCTS



SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVISERS



WHOLESALE PRICES - FARM PRODUCTS

- The rapid price rise for farm products that started in 1972 began to ease late in 1974 as the world food situation showed signs of improvement.
- Wholesale prices of farm products and processed foods and feeds declined 2.5 percent on a seasonally adjusted basis.



ROSS  
from  
Cannon

IOWA AGRICULTURE PROMOTION BOARD

Conference Room - Iowa Development Commission  
March 19, 1975

The Iowa Agriculture Promotion Board met on March 19, 1975, at 9:15 a.m. in the conference room of the Iowa Development Commission.

The Following people were present:

Board Members

D. R. Davidson  
E. Thurman Gaskill  
Oliver Hansen  
Keith Kirkpatrick  
L. B. Liddy  
John Megown  
James Mullins  
Max Naylor

Staff Members

Del Van Horn  
Paul Mueller  
Keith Heffernan  
Doug Snyder  
John Spooner  
Carol Spence

Other Guests

Gail Danilson, Director of Marketing Division, Iowa  
Department of Agriculture

Opening Remarks

Chairman Megown opened the meeting by introducing Mr. James Mullins, a new board member recently appointed. Mr. Mullins is currently the Chairman of the Iowa Beef Industry Council and on the board of the Iowa Cattlemen's Association. Chairman Megown officially welcomed Mr. Mullins to the Board indicating that we are looking forward to utilizing his expertise regarding the beef industry in Iowa along with other items.

Chairman Megown reviewed the schedule of meeting dates for the Iowa Agriculture Promotion Board and reviewed the changes made on the executive committee as outlined at the previous meeting.



#### Comments - Vice Chairman Gaskill

Prior to Mr. Gaskill's comments, Chairman Megown announced that Mr. Gaskill had recently received the Student Agriculture Council Hall of Fame award from Iowa State University. Vice Chairman Gaskill reported that he had recently spoken at two food conferences; one was held at Wartburg College, Waverly, Iowa, and the other was held at Indianapolis, Indiana.

Earlier in the week, Mr. Gaskill had been into Washington, D. C., and he briefly reviewed the national situation. Mr. Gaskill stated that the House had passed a bill on target and loan prices and noted that five year grain contracts are being considered. U. S. D. A. officials have been negotiating with Japan in regard to buying our red meats and additional grain. It is felt that Japan does have purchasing power and that this should be utilized, as opposed to some other developing countries. It is expected that the import quotas on American beef to Japan will be lifted within the next 30 days.

#### Reading or Acceptance of Minutes

As the minutes were handed out at the meeting, Chairman Megown quickly reviewed them with the Board. Mr. Keith Kirkpatrick made a motion that the minutes be accepted as read; Mr. Oliver Hansen seconded the motion. The motion carried.

#### Agriculture Division Activities

K. Heffernan and J. Spooner reviewed the Fine Iowa Meats promotion recently held in Buffalo, New York. Mr. Mullins was in attendance at this promotion and he indicated that he felt everything was well organized. Mr. Mullins suggested that more point of sale material could be used, possibly at the entrance of the store, drawing the customer's attention to the meat counters.



Mr. Heffernan indicated to the group that a research study has been proposed to evaluate the Fine Iowa Meats promotions to determine ways of improvement, impact to the areas, etc. A discussion followed as to the merits of such a study and the problems in getting accurate information. It was indicated that a study of this information would be beneficial to obtaining promotional funds through the legislature.

Mr. Hansen asked if these promotional trips taken by producers were tax deductible. It was indicated that it may be advisable to obtain a ruling from the IRS on this.

Mr. Heffernan reported that a meeting with packers had been scheduled for March 26, 1975, to make information available to all Iowa packers on the Fine Iowa Meats retail program and the Fine Iowa Meats restaurant program. Mr. Heffernan reviewed the agenda, indicating that Governor Robert Ray would lead off with comments regarding the Fine Iowa Meats program, followed by Mr. D. R. Davidson, and a representative of both the beef and pork industry. Following these remarks, the meeting would be opened for discussion.

D. Snyder reported on the progress of the restaurant program, indicating that twelve restaurants have agreed to participate. The art work for the menus has been prepared and the steak markers will be ready for use by April 1, 1975. Mr. Snyder reviewed the questionnaire which would be used to get reaction from the program.

Following a brief discussion of the restaurant program, a question was raised as to whether or not we had experienced any problems on delivery of product by the packers; type of product delivered and if we had any complaints from the retailer on our Fine Iowa Meats promotions. It was indicated by Mr. Heffernan that when a promotion is scheduled a guarantee is made by the packer on the amount ordered. Also, that to date, we had experienced no real problems.





### Quarantine Point in Midwest

Mr. L. B. Liddy indicated that he had attended the original meeting in Kansas City. He explained that the Missouri group felt strongly that any quarantine point should be established in their area. During the meeting that he attended, the question of how it would be financed was discussed. There was also discussion on the usage of such a facility. The final outcome was that an ad hoc committee was appointed of non-governmental people to study the situation. A representative from Iowa was appointed to this committee.

Mr. Danilson reported that another meeting had been held but attendance was poor because of the weather. However, another meeting has been scheduled and the representative from Iowa, Duane Shaver, would be present. Mr. Danilson explained that Missouri is one of the top exporting states and, also, that Kansas City is an import-free city which allows countries to send material in duty free. He also indicated that some interest had been shown by the breed associations at the last meeting and they have indicated possible financial support.

Mr. Max Naylor suggested that possibly Iowa should be looking into the importance and possibilities of being duty free.

### National Agriculture Day

Chairman Megown distributed copies of the Agriculture Day lessons plans to be used in the school systems nationwide. He explained the use of the lesson plans and indicated that the National FFA has been responsible for the distribution of the plans. The FFA students will be working with the fourth, fifth and sixth graders nationwide. Chairman Megown commended and thanked the Department of Instruction for the fine job they have done in developing the plans. The essay contest, which was sponsored by the Cedar Rapids Chamber of Commerce, has been judged





and the winner will be presented a savings bond and a plaque by Governor Robert Ray on Agriculture Day. Chairman Megown cited events taking place in Oregon, Missouri, Kansas, New York and South Dakota on March 24.

#### Iowa Agriculture Day

J. Spooner reported that everything was coming along fine in the plans for Iowa Agriculture Day. The banquet was to be held at the Fort Des Moines Hotel and tickets are available from NAMA. Tapes cut by Governor Ray have been distributed to TV and radio stations. All mayors and farmers are being contacted this week. The Farm Bureau has consented to involve their organization by encouraging members to host a mayor for the day. Members of the Iowa Executive Council will be visiting the Don Newby farm at Bondurant, as part of the Agriculture Day activities. It was indicated that the Agriculture Divisions's only involvement in Agriculture Day was the Mayor-Farmer Work Exchange.

#### Research Projects - Paul Mueller

Waste Utilization Project - The project is being conducted in conjunction with Iowa State University on methane gas production from animal wastes and ground up corn stalks with water mixed in. Basically, determination is being made of how much methane gas is given off and at what temperature reaction will occur. They are removing part of the fluid and measuring fertilizer value. They are also mixing this with corn to see how it will do in the silo. The other portion of this project deals with the refeeding of animal wastes and cornstalks back to beef cows. The cornstalks are presently being mixed with 40% manure and put into a harvestore silo, along with Vitamin A supplement. This mixture will be fed to beef cows for three years. This project is costing the Iowa Development Commission \$15,000 per year.



Harvesting of Cornstalks - Most of the information in circulation on this is research-oriented. We are attempting to put together a brochure for producers explaining how to harvest the cornstalks for use. There is large equipment available to perform this operation, but there is interest in a simpler method.

Cottonwood Utilization - This study would attempt to treat cottonwood in such a way that it will be accepted by the American Lumber standards. There was considerable discussion as to the merits of such a study. Items of concern brought up were: The situation of the sawmill industry in Iowa; interest of forest industry; has this not been done before and the doubt of it being successful. It was indicated that the only industry utilizing cottonwood now was for the use of pellets of which there seems to be a shortage of at the present time.

Evaluation of the Fine Iowa Meats Program - This project would basically review the goals of the program and the impact to the total industry. The program would be viewed as far as the long-term effect in a particular city. Consumers would be contacted for their reactions to the program. Also, a follow-up on the amount of Iowa meats before, during and after a promotion would be measured. Included in this project would be the impact of the restaurant program. The total cost of this project would be \$6,500. Considerable discussion followed as to the need of such a project. It was indicated to the Board that the Commission felt the need for an outside person to look at the success of the program with the thought that they would be more objective in their views.

Project Status Reports - Board Members

Chairman Megown reported to the group on a project called "Food Day" scheduled for April 17, 1975, listing the ten terrible foods including bacon and prime beef. The Board members asked that Mr. Megown



forward any information on this to them.

Mr. Gail Danilson reported on the current legislation being introduced by the Department of Agriculture. Among them are: Corporate farming, regulatory bills on brucellosis in swine and beef, nuisance bill relating to feedlots, trip ticket bill requiring all truckers to have a trip ticket indicating from and where they are going, implied warranty, weed seed bill and building a seed laboratory at Iowa State University.

Vice Chairman Gaskill indicated that the corn check-off bill will need some pushing. Also, land use is a priority bill.

Mr. Oliver Hansen asked if anyone had direct contact with congressmen. He asked that consideration be given to FHA financial support. Mr. Naylor asked if anything could be done to expand the legal limits to enable some of the young farmers to get started. Mr. Hansen said the first concern was to get the FHA offices staffed to take care of the customers and then possibly other things could be worked in.

Mr. Max Naylor reported that four members had been appointed to the Commodity Futures Trading Commission. Until the fifth member is appointed, nothing more can be done.

Mr. Gail Danilson reported that the Marketing Division, Department of Agriculture, was hosting a group of French Parliamentarians for the following two days.

#### New Business

Del Van Horn, Director of the Iowa Development Commission, expressed his sincere appreciation to the Agriculture Promotion Board. Other boards of this nature have been tried by the Commission but haven't worked out. Mr. Van Horn stated that he felt not only their talent and experience were of value but also their diversification. On many



occasions the Governor has indicated to Mr. Van Horn that the Agricultural Promotion Board is the best ad hoc committee in state government.

Mr. Van Horn also made brief comments on the budget and indicated that any contact with any members of appropriations committees would be helpful.

Chairman Megown announced that the next meeting would be held on May 21. The meeting place will be announced at a later date.

The meeting was adjourned.



*file in agr*

THE WHITE HOUSE  
WASHINGTON

March 24, 1975

MEMORANDUM FOR

PAUL O'NEILL  
GARY SEEVERS  
JOHN HILL  
NORM ROSS

FROM:

MIKE DUVAL

*D*

SUBJECT:

TITLE II of P.L. 480

Attached is a letter to Jim Cannon from Secretary Butz urging that we review the effectiveness of our food aid program under Title II of P.L. 480. I will try to set up a meeting with all of you towards the end of the week to discuss the points raised by the Secretary and what our response should be.



*324*

THE SECRETARY OF AGRICULTURE  
WASHINGTON

March 19, 1975

Mr. James M. Cannon  
Office of the Vice President  
Executive Office Building  
Washington, D.C. 20501

Dear Jim:

I know the Domestic Council is getting more hay down than you can conveniently cure with your staff and resources, but here comes another one.

I attach herewith a memo I wrote to Clayton Yeutter dated February 3, relative to the use of Title II under P.L. 480. I also attach a copy of an analysis made of that general program by our Office of Planning and Evaluation dated January 28, and a subsequent Talking Paper dated March 5.

I have had a session on this with some of my top staff. Opinion is divided as to the real effectiveness of Title II programs under P.L. 480.

I continue to feel that the Title II phase of this program may be pretty heavily dominated by the voluntary agencies and by some of the "foreign hunger lobby" people. These folks have a pretty well oiled lobby group in Washington, headed up by Herb Waters, formerly administrative assistant to Senator Hubert Humphrey, once associated with this program in the AID section of the State Department under the Kennedy and Johnson Administrations, and now a Washington consultant, Washington rep for one or two foreign governments, and coordinator of the Freedom from Hunger Foundation in Washington. He coordinated the "Propaganda Campaign" of the voluntary agencies and related groups that reached its zenith right at the time of the World Food Conference in Rome last November. This group obviously wants an expanded title to program, because that's one of the ways they keep expanding their own programs. However, I see Title II programs in



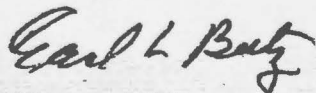


2--Mr. James M. Cannon -3-19-75

some countries that have now become institutionalized, and have been going for a dozen or more years. Programs like these obviously become "supplemental feeding programs," and in the longer run, probably inhibit the growth of indigenous food production in those countries that would otherwise occur. Anyway, I think it's an area that might be examined. You'll find very strong sentiment for expansion of this program in AID, in many sections of Congress where the voluntary agencies have done a pretty good lobbying job, especially in the Senate, and among the general hunger lobby and world assistance lobby in the United States. I continue to have a strong feeling, however, that through the years we might better perform food relief around the world if we do it primarily through Title I rather than Title II. This will not be universally true, but I think generally so.

Any way, sometime when this moves high enough on your priority list of things to look at, I think it's worth a "look-see."

Sincerely yours,



EARL L. BUTZ





February 3, 1975

MEMORANDUM

To: Clayton Yeutter, Assistant Secretary

From: Earl L. Butz, Secretary

Subject: P.L.480 - Title II - Memo from Bill Carlson dated January 28

I think we ought to have a little discussion about some of the implications in the study summarized and transmitted to us by Bill Carlson under date of January 28.

I have had a very strong feeling for some while that much of our Title II AID program has not been very effective in achieving the two major objectives of P.L. 480, as I understand them, viz: (1) National Security objectives; (2) Humanitarian objectives.

Obviously, Title II is not well adapted to achieving National Security objectives except in a very general way. This means that Title II therefore is designed primarily to achieve humanitarian objectives. However, to the extent that Title II supports on-going programs which have now become more or less permanent and "in place" programs, it is very doubtful if it is an effective way to achieve the objectives of Title II.

Famine conditions, disasters, floods, crop diseases, and the like, don't strike in a regular continuing program for five, ten or even fifteen years in a row. I have a suspicion that some of the Title II supplemental feeding programs have now become permanent fixtures, which benefits going to those who don't need them just the same as to those who do need them.

Inasmuch as in the years ahead it now appears the limiting factor on PL 480 assistance will be "political" rather than "physical," in that it will probably be increasingly difficult to get adequate appropriations from the Congress in the years ahead. If this is true, then we should make every effort to extend our limited aid over as broad an area of genuine humanitarian need as possible. I have a strong feeling that this can be accomplished under Title I programs perhaps better than it can under many of the continuing Title II programs.

In any event, I think those of us in Agriculture ought to have a little session on this one of these days to kick the idea around. Will you please take the initiative in setting one up in my office.

EARL L. BUTZ

cc: Under Secretary Campbell  
Dr. Paarlberg  
Mr. Carlson



P.L. 480-Title II  
Issues and Alternatives

The Issues

Expanding commercial exports and the elimination of surplus stocks has sharpened long-standing unresolved policy issues on Title II-P.L. 480 donations, including

- the purposes the programs should serve, and priorities
- the mode of delivery best suited to those purposes
- availability of commodities

Purposes and Priorities--Conflict with respect to the purposes and priorities of Title II involves six major organizations--Department of State, AID, USDA, Vol-agencies, United Nations, and Congress. While all endorse to some extent similar purposes for Title II, they differ substantially with respect to their views of priorities; and, whether or not Title II donations of commodities should be used to serve them (Table 1).

With tight budget and commodity constraints, the trade-offs between purposes has become a difficult and time-consuming annual exercise for top policy officials.

Delivery Systems--The current mix of delivery systems does not allocate Title II commodities in accordance with the priorities stated by AID which has been assigned the primary programming responsibility by Executive Order No. 10900 dated January 5, 1961. Also it does not produce the allocation that is preferred by USDA--or for that matter any other agency. One of the basic reasons for this is AID's failure to exercise sufficient control over most of the delivery system, and the divided responsibilities for resource allocations.

- The law specifies that Vol-agencies shall be used for distributing Title II commodities. However, the Vol-Agency programs and commodity allocations are a composite of independently developed programs in each of some 100 countries where AID, the Vol-agency and the host government representatives negotiate the kinds of projects unconstrained by commodity availability. Under these conditions it is difficult if not impossible to direct Title II food to specific uses;
- The World Food Program allocations are subject to only moderate influence by the U.S. representation at the policy level;
- The National Security Council and State Department determine allocations for national security needs.
- USDA intervenes primarily through limits on commodity availability, which is unrelated to program purpose.
- Other agencies including OMB, Treasury and DOD, also participate and limit AID's control.



Commodity Availabilities--The U.S. commodity supply and consumer price situation of the past 2 years has raised considerable uncertainty regarding the supplies of commodities "available" for Title II. A recent GAO report suggests that this has been of particular concern to the Vol-agencies because it raises uncertainty about the continuity of their overseas programs which are highly dependent on Title II donations. Most of their programs have become institutionalized and they are now threatened with cut/backs or extinction.

But the Secretary of Agriculture has the responsibility by law for determining the availability of U.S. commodities for all P.L. 480 shipments. For some commodities in recent years the determination of "available supplies" could have been questioned.

As commitments to permanent projects (such as school feeding) become built into the program, flexibility for responding to emergency humanitarian needs is seriously restricted.

#### Alternative Actions

A number of legislative and administrative alternatives exist to change the Title II program to meet the priority purposes of USDA--emergency and humanitarian needs. This would relegate all other purposes to Title I or some other source of funding.

Legislative alternatives for changes in P.L. 480 might include some combination of the following:

- reserving Title II for emergency and humanitarian purposes only;
- deleting the requirement that Vol-agencies be used to the maximum practical extent;
- authorizing commodity purchases regardless of the U.S. and world supply situation;
- transferring the Title II appropriation to AID. (CCC and USDA does not need to be involved if commodity availability is no longer a question);
- providing separate AID authorizations for funding the World Food Program, and possibly Vol-agency programs. This could be in commodities or cash for the purchase of commodities.

Administrative alternatives might include:

- revising of Executive Order 10900 to transfer Title II appropriations and full responsibility to AID. (This may create problems in Congress because different committees are involved);
- shifting responsibility for funding school feeding and other sustaining programs to other AID authorizations;



- developing separate budgetary line items in accordance with various Title II purposes, and restrict allocations for the lower priority purposes while reserving authorizations for true emergency needs;
- set up an interagency study group (similar to that recommended in recent GAO report) to include an indepth examination of objectives, problems, issues and conflicts surrounding Title II programming and develop a set of recommendations for consideration at the policy level.



Table 1--Approximate Rank of Priorities and Agency Views of Major Purposes to be Served by PL 480-Title II Commodity Donations

| Various<br>Purposes    | Indicate Priorities |     |                  |                               |      |   | FY 1974<br>Programed<br>Results<br>All Agencies |
|------------------------|---------------------|-----|------------------|-------------------------------|------|---|-------------------------------------------------|
|                        | State<br>Dept.      | AID | Vol.<br>Agencies | UN:<br>World<br>Food<br>Prog. | USDA |   |                                                 |
| <u>Title II</u>        |                     |     |                  |                               |      |   |                                                 |
| National Security      | 1                   | -   | -                | -                             | -    | } | 1                                               |
| Emergencies            | 2                   | 1   | 4                | 2                             | 1    |   |                                                 |
| Maternal/Child Feeding | 3                   | 2   | 2                | -                             | 2    |   | 4                                               |
| Food for Work          | -                   | 3   | 3                | 1                             | -    |   | 3                                               |
| School Feeding         | -                   | 4   | 1                | -                             | -    |   | 2                                               |
| U.S. Supply Management | -                   | -   | -                | -                             | 3    |   | -                                               |

1/ Based on relative spending levels, or other direct indications of priorities.



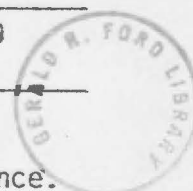


Table 2--P.L. 480 Title II, Value of Commodities Shipped by Program and Organization, FY 1971-74\*

| Fiscal Year<br>and Program    | Voluntary<br>Agencies | Government to<br>Government | World Food<br>Program | Total<br>Program |
|-------------------------------|-----------------------|-----------------------------|-----------------------|------------------|
| (million dollars)             |                       |                             |                       |                  |
| <u>FY 1971</u>                |                       |                             |                       |                  |
| Emergency <u>1/</u>           | 22.4                  | 24.9                        | 9.6                   | 56.9             |
| Maternal and Child<br>Feeding | 31.4                  | 8.6                         | 7.0                   | 47.0             |
| Food for Work                 | 16.3                  | 21.0                        | 25.4                  | 62.7             |
| Other <u>2/</u>               | 7.6                   | .9                          | 4.4                   | 12.9             |
| School Feeding                | 95.7                  | 21.1                        | 6.5                   | 123.3            |
| TOTAL                         | 173.4                 | 76.5                        | 52.9                  | 302.8            |
| <u>FY 1972</u>                |                       |                             |                       |                  |
| Emergency                     | 110.6                 | 59.8                        | 8.4                   | 178.8            |
| Maternal and Child<br>Feeding | 28.7                  | 2.9                         | 10.5                  | 42.1             |
| Food for Work                 | 30.3                  | 14.0                        | 20.5                  | 64.8             |
| Other                         | 10.9                  | 1.1                         | 3.5                   | 15.5             |
| School Feeding                | 83.8                  | 15.0                        | 3.7                   | 102.5            |
| TOTAL                         | 264.3                 | 92.8                        | 46.6                  | 403.7            |
| <u>FY 1973</u>                |                       |                             |                       |                  |
| Emergency                     | 36.9                  | 61.1                        | 3.9                   | 101.9            |
| Maternal and Child<br>Feeding | 35.2                  | 2.1                         | 2.5                   | 39.8             |
| Food for Work                 | 25.6                  | 8.2                         | 26.0                  | 59.8             |
| Other                         | 7.1                   | .7                          | 1.6                   | 9.4              |
| School Feeding                | 67.3                  | 8.6                         | 3.2                   | 79.1             |
| TOTAL                         | 172.1                 | 80.7                        | 37.2                  | 290.0            |
| <u>FY 1974</u>                |                       |                             |                       |                  |
| Emergency                     | 27.1                  | 49.8                        | 9.5                   | 86.4             |
| Maternal and Child<br>Feeding | 39.5                  | 3.0                         | 6.1                   | 48.6             |
| Food for Work                 | 29.0                  | 7.4                         | 32.5                  | 68.9             |
| Other                         | 7.2                   | .2                          | 1.8                   | 9.2              |
| School Feeding                | 62.1                  | 2.5                         | 5.2                   | 69.8             |
| TOTAL                         | 164.9                 | 62.9                        | 55.1                  | 282.9            |

\* From PL 480 Annual Reports

- 1/ Emergency category for all years includes refugee and disaster assistance.  
2/ Other category for all years may include other child feeding, livestock feeding and general relief.







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

*File*

March 25, 1975

Memorandum to Mr. Hekman

We have been informed (via a phone call from Norm Ross to Secretary Butz and via subsequent phone conversations between Norm Ross and me) that a Presidential decision has been made to increase the authorized Supplemental Food Program caseload in Detroit from 15,000 to 35,000. This increase is to be implemented as soon as possible and is to be effective only through June 30, 1975. The Supplemental Food Program is scheduled to terminate at all locations June 30, 1975.

I am aware that you have taken tentative steps to implement the increased Detroit caseload. You should now, however, move forward with all possible speed to complete implementation.

Sincerely,

Richard L. Feltner  
Assistant Secretary

cc: Secretary Butz  
Norm Ross✓



*3/25*

THE WHITE HOUSE  
WASHINGTON

March 21, 1975

TO: NORM ROSS

FROM: MIKE DUVAL

For your information \_\_\_\_\_

Comments:

Please have Agriculture look  
at this for fact. I need  
back by 3:00 today.



March 27, 1975

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

Animal Feed Contamination  
in Michigan

Cattle and other animals have been contaminated with a flame retardant, polybrominated biphenyl (PBB), and as a result, HEW and Michigan authorities have had to destroy 11,000 head of cattle. In addition, 5,500 head are about to be destroyed, and another 37,000 head are in jeopardy if Federal authorities tighten down the Food and Drug Administration standards. Such a change by FDA is a distinct possibility because the contamination is very toxic and may cause adverse health effects in humans. The following table contains rough figures but should provide some perspective:

|                          |                       |
|--------------------------|-----------------------|
| Total Michigan milk cows | 423,000               |
| Destroyed or about to be | 16,500 (4% of total)  |
| Will be affected if FDA  |                       |
| changes PPB levels       | 37,000 (9% of total)  |
| Total cows affected with |                       |
| FDA change               | 53,500 (13% of total) |

Cap Weinberger's memo (attached) points out the impact on other animals and the Agriculture Department advises us that the beef cattle industry in Michigan is also affected on about the same orders of magnitude as the dairy cattle.

The impact on these industries in Michigan is extremely serious and would be made far worse if FDA lowers the tolerance levels. In addition, there could be a "panic" action by supermarkets and consumers. There is already some talk of major stores refusing to buy any Michigan milk.

The livestock contamination is limited to the State of Michigan. The contaminated feed was manufactured and distributed in that State. We will track this issue very closely with Cap Weinberger, Agriculture and other departments, and keep you informed.

NEROSS/ee



File

THE WHITE HOUSE

WASHINGTON

INFORMATION

March 21, 1975

MEMORANDUM FOR THE PRESIDENT  
FROM: JIM CANNON  
SUBJECT: ANIMAL FEED CONTAMINATION IN MICHIGAN

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under quarantine and ready to be destroyed and buried. The Michigan Department of Agriculture is aware of 286 herds numbering 37,000 head of cattle which have PBB levels within the present levels permitted by FDA. These 286 herds represent only those herds that the Michigan Department of Agriculture is aware of. How many more herds there might be is unknown.

In November of 1974, FDA lowered the PBB tolerance to 0.3 parts per million (PPM) in meat and milk fat, and 0.05 PPM in whole eggs. That is, eggs, meat, milk, etc. cannot be sold if PBB is found at or above that level. The source animals cannot therefore be kept alive because of the cost of feeding. To date, about 18,000 cows, 1.5 million chickens, 3,500 pigs, 1,200 sheep, 3,000 pheasants, and 4.5 million eggs have been destroyed, according to Michigan newspaper reports and our own figures.

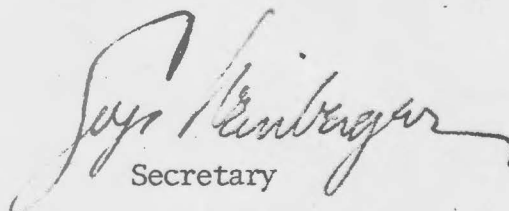
About 11.5 million dollars have been paid out in insurance claims, and no more coverage is available.

PBB levels are being reported in humans who have eaten PBB-containing food. The toxicological significance of these levels is uncertain, but the findings are very bothersome. PBBs are very toxic.

The question of a further lowering of the tolerance must be faced. We are now in the process of determining how low we could go with a verifiable method of analysis. It is beginning to look as if we could go to 0.05 PPM in meat and milk fat, and 0.01 in whole eggs. This could very well destroy the industry in Michigan.

There are now reports of cows sick at levels lower than our tolerance. Several reports are now in papers that humans with PBB in their blood are experiencing symptoms similar to PCB poisoning. To date, the Michigan Department of Public Health has not been able to confirm any adverse health effects in farm families exposed to PBB contamination, though members of those families have positive PBB blood levels.

We are presently determining whether the risk to human health requires lowering the FDA tolerance level, and how much. A decision will have to be reached in several days. I will keep you informed.

  
Secretary





THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

March 18, 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Animal Feed Contamination in Michigan; the FDA's  
Responsibilities

R<sub>2</sub>  
In October of 1973, adverse effects in cattle were observed in several dairy herds in the State of Michigan. At that time the cattle refused to eat manufactured feed; milk production decreased; there was a loss in body weight; and the cattle developed abnormal hoof growth with lameness. Cattle and swine aborted, and farmers reported the inability to breed heifers after they consumed feed manufactured by Farm Bureau Services. A herd of some 100 head of cattle sent to slaughter during this period exhibited enlarged livers.

Initially thought to be contaminated with lead or an insecticide, the manufactured feed was later found to be contaminated with a flame retardant, polybrominated biphenyl (PBB).

Investigation of the suspected feed revealed that one of the ingredients is a feed supplement, magnesium oxide, which had been purchased by the feed manufacturer from the Michigan Chemical Company. Additional investigation revealed that the Michigan Chemical Company manufactured two products very similar in physical appearance. One product, the magnesium oxide, is sold under the label Nutrimaster, while the other product, the PBB is sold under the label Firemaster. At the time that the problems first developed, both of these products were bagged in 50 lb. brown paper bags with either the name Firemaster or Nutrimaster stencilled across the top of the bag. When the bags were torn open the label was removed. No other name or identification appeared on the bags.

Some 318 tons of feed were manufactured using what was supposed to be the Nutrimaster. When problems appeared with this run of dairy feed, the company recalled some of it and mixed it with a new production run. This new run was then widely distributed throughout the State of Michigan. The problem of contaminated herds, which to that time had a somewhat limited distribution, is now several-fold in magnitude. At the present time, the Michigan Department of Agriculture reports that 11,000 head of cattle have been destroyed and buried. There are some 5,500 head of cattle presently





THE WHITE HOUSE  
WASHINGTON

March 21, 1975

MEMORANDUM FOR: MIKE DUVAL  
FROM: NORM ROSS

The attached letter from Secretary Weinberger is an accurate one although there are some points to take into consideration.

- The letter makes no mention of beef cattle being affected by PBB but they are, which makes this problem worse. If the tolerance is lowered beef cattle must also be destroyed.
- The fifth paragraph on page two mentions that the dairy industry would be destroyed and we would also like to add that the livestock industry would be destroyed as well.





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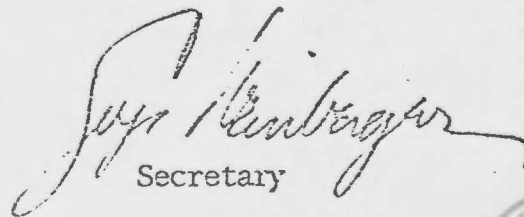
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We are presently determining whether the risk to human health requires lowering the FDA tolerance level, and how much. A decision will have to be reached in several days. I will keep you informed.

  
Secretary



March 27, 1975

MEMORANDUM FOR:

WARREN HENDRIKS

FROM:

NORM ROSS

Per our discussion, the following paragraph is provided.

I have a member of my staff who serves as an Assistant Director in the area of agriculture. He works on a daily basis with the Secretary of Agriculture and other Departments and agencies, in the development and coordination of agricultural policy. He is responsible for keeping the President and me informed on all matters affecting agriculture.

I share your concerns that it is important for the President to be kept current on all activities concerning agriculture. Your interest in this matter is much appreciated.

NEROSS/ee

*This was typed in response to a number of letters  
Jim Cannon received from several people on  
a food & fiber issue here at the W.H.*

