The original documents are located in Box 24, folder "1975/05/01 HR4296 Emergency Agriculture Act of 1975 (vetoed) (1)" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

VETOED 5/1/75

Delivered to clerk of the House 5/1/75 (5:32 p.m)

THE WHITE HOUSE

WASHINGTON

ACTION

April 30, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON Jim

SUBJECT: Enrolled Bill H.R. 4296
Emergency Agriculture
Act of 1975

Attached for your approval and signature is a veto message to the Congress returning H.R. 4296, the Emergency Agriculture Act of 1975, which was sponsored by Representative Foley.

Secretary Butz, OMB, NSC, CIEP, Phil Buchen (Lazarus), Bill Seidman, Max Friedersdorf, Bill Baroody, Alan Greenspan and I recommend approval of the veto message which has been cleared by Paul Theis.

RECOMMENDATION

That you sign the veto message at Tab A.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
WASHINGTON, D.C. 20506

April 24, 1975

Mr. J.F.C. Hyde, Jr.
Acting Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Hyde:

This is in reply to your request for our views on H.R. 4296, an enrolled bill to increase target prices and loan levels on certain agricultural commodities. In our judgment, this bill contains several highly objectionable provisions.

The most objectionable feature of the bill is the increase in target prices and loan levels for cotton. The surplus of cotton is already very large, while food stocks are at low levels and need rebuilding to insure against future inflationary price rises. Higher prices for cotton would divert acreage from badly needed food crops, especially soybeans, into cotton.

We also object to the mandatory 80 percent of parity support price for milk. Although the support price is currently at this level, large and potentially burdensome stocks of dairy products are being accumulated. The Secretary of Agriculture should be free to lower the support price to 75 percent as permitted by existing law if stocks continue to accumulate.

The increased target prices and loan rates for grains and the new loan rate for soybeans are unlikely to have much impact in 1975, unless there is a very large crop and weak export demand. However, they would set a very bad precedent for 1976, since it is unlikely that Congress would permit these levels to decrease. In the event of two successive good crops, the impact on the Federal budget and on food prices to consumers could be substantial. We would nevertheless favor some increase in the loan levels for grains based on increases in production costs other than land costs. Such increases in loan levels could serve to encourage maximum production. In the event of two successive good crop years, they might lead to some Government acquisition of stocks, but such stocks might be useful in averting sharp price rises in subsequent years.

We strongly recommend that the President veto H.R. 4296 on the grounds that it would raise the price of food, curtail food production, and contribute to inflation.

Sincerely yours,

Albert Rees

Albert Rees
Director

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

Honorable James T. Lynn
Director, Office of
Management and Budget

April 24, 1975

Dear Mr. Lynn:

This report is submitted on enrolled bill H.R. 4296, "To adjust target prices, loan and purchase levels in the 1975 crops of upland cotton, corn, wheat and soybeans, to provide price support for milk at 80 percentum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes".

The Department recommends that the President veto the bill.

This 1-year "emergency" farm bill will add $1.8 billion to government outlays for the 1975 crop alone, besides forming the basis for much greater costs in future years.

The bill, if approved, will create a greater financial hardship next year--not only on the Federal budget, but also for taxpayers, farmers and consumers through increased costs. The higher target prices in H.R. 4296 will undoubtedly become the base in 1976 and 1977 for the application of the target price escalator clause contained in the Agriculture and Consumer Protection Act of 1973.

The loan and target prices in H.R. 4296 will encourage production for an artificial market, i.e., the government, rather than for the real market, thus reversing the policy direction embodied in the agricultural price support legislation of 1970 and 1973.

A veto message is enclosed.

Sincerely,

J. Phil Campbell

J. Phil Campbell
Under Secretary

Enclosure

OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Robert Linder

- [ ] Take necessary action
- [ ] Approval or signature
- [ ] Comment
- [ ] Prepare reply
- [ ] Discuss with me
- [ ] For your information
- [ ] See remarks below

FROM Jim Frey

DATE 4/30/75

REMARKS

"This should be added to the enrolled bill file on the farm bill, H.R. 4296."

OMB FORM 4
REV AUG 70

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 24, 1975

Dear Mr. Frey:

This is in response to your request for the Council of Economic Advisers' views on H.R. 4296, which adjusts target prices, loan and purchase levels on the 1975 crops of certain agricultural crops and contains additional provisions for the price support of milk. The Council strongly recommends that the President veto this bill. If signed into law it promises to be the first step in a return to the discredited farm programs of the past. It will raise the floor under farm prices, with the potential of raising food prices to consumers and pricing us out of the world market for some agricultural commodities. Moreover, it is not in the best interest of U.S. livestock producers, and will raise budget outlays by an estimated $1.8 billion on the 1976 budget.

Sincerely,

Alan Greenspan

Mr. James Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

APR 28 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 4296, "To adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes."

For the reasons stated in the enclosed veto message, the Department recommends that the enrolled enactment be vetoed by the President.

Sincerely yours,

Richard R. Albrecht
General Counsel

Enclosure

APR 28 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 4296, "To adjust target prices, loan and purchase levels on the 1975 crops of upland cotton, corn, wheat, and soybeans, to provide price support for milk at 80 per centum of parity with quarterly adjustments for the period ending March 31, 1976, and for other purposes."

For the reasons stated in the enclosed veto message, the Department recommends that the enrolled enactment be vetoed by the President.

Sincerely yours,

(Signed) Richard R. Albrecht

General Counsel

Enclosure

VETO MESSAGE

To the House of Representatives:

I am returning H.R. 4296 without my approval. This bill would reverse the significant progress we have made over the past two years in reducing the Federal Government's role in agricultural markets. The bill would result in substantial and unwarranted subsidies, would adversely affect the competitiveness of U.S. farm products in world markets, reduce U.S. exports, worsen the U.S. balance of payments, lead to inflationary budget deficits, cause direct increases in food prices, and lead to future governmental restrictions on food prices.

Even though this bill is for one year, it would likely result in a precedent that would be extremely difficult to reverse and would eventually cause budget costs of several billion dollars per year. Also it would represent another step towards the indexation of incomes in a particular sector of the economy which will frustrate our efforts to curb inflation.

In subsequent years the government may be forced to restrict crop production to avoid even higher government outlays. The lower output would cause higher grain prices, less animal feeding, lower meat production and sharp increases in meat prices.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 4/29/75

TO: Mr. Robert Linder

FROM: James M. Frey

Bob, this should be added to the file on the enrolled farm bill, H.R. 4296.

OMB FORM 38
REV AUG 73

DEPARTMENT OF STATE

Washington, D.C. 20520

APR 28 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C.

Dear Mr. Lynn:

The views of the Department of State have been requested on HR 4296, a bill passed by the Senate and House of Representatives which would substantially increase the present loan and target rates provided to U.S. farmers for 1975 crops of upland cotton, corn, and wheat. It would also specify the support price for milk at a level no less than 80 percent of the parity price for such milk, with quarterly adjustments to ensure that this parity rate is maintained.

The Department of State opposes this legislation, and recommends that the President veto it. While we realize there are many purely domestic considerations which would recommend such a course of action, we believe that U.S. foreign policy considerations dictate opposition. The very substantial increase in the loan rates provided in the bill are likely to create a situation--possibly in the not too distant future--when the price which the U.S. would be required to maintain internally would be considerably above prices prevailing on the international market. In these circumstances, the U.S. would need to resume subsidizing its exports of these commodities, at considerable cost and with the possibility of a further escalation of competition with other exporting nations in providing such subsidies.

It is not in the interest of the United States to return to such a policy of export subsidies unless absolutely necessary, and in fact it is our goal in the current multilateral trade negotiations to work toward development of a code which would eliminate or severely restrict such subsidies. We believe it is important to continue to work toward such a goal because the U.S., as an efficient producer of such commodities, has considerably more to gain than others by their elimination. The proposed bill would head U.S. policy precisely in the opposite direction. These views have already been presented orally to officials of the Office of Management and Budget.

Since it is our understanding that a veto message is substantially complete, no recommended language for such a message is enclosed, but you may draw on these comments as appropriate.

Sincerely,

Robert J. McCloskey

Robert J. McCloskey
Assistant Secretary
for Congressional Affairs

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

APR 29 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 4296 - Farm commodity price supports
Sponsor - Rep. Foley (D) Washington and 24 others

Last Day for Action

May 5, 1975 - Monday

Purpose

Increases target prices and loan and purchase levels on the 1975 crops of cotton, corn, wheat, and soybeans while providing price support for milk at 80 percent of parity with quarterly adjustments through March 31, 1976.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Agriculture	Disapproval (Veto Message attached)
Department of State	Disapproval (Informally)
Department of the Treasury	Disapproval (Informally)
Council of Economic Advisers	Disapproval
Council on Wage and Price Stability	Disapproval

Discussion

Under the current law, farm producers of wheat, feed grains (primarily corn), and cotton are eligible for Federal support in three ways:

-- Producers may borrow funds using these commodities as collateral at the lowest current Treasury interest rate (presently 6.125%). If they desire, they may forfeit this collateral in lieu of repaying the loan. The present loan levels (noted below) for wheat and corn are statutory floors which can be raised administratively, but cannot be lowered or eliminated. However, present law requires that cotton loan levels be set at 90% of the 3-year average world price. In the case of soybeans, the Secretary has administrative discretion to have a loan program and to establish the level for such loans -- soybean loan programs have been in effect for many years, but were terminated for the 1975 crop.

-- If market prices over a specified period of time average below the "target" price, producers receive a payment equal to the difference. These target prices are established in law as noted below.

-- If because of a natural disaster a producer is unable to harvest a normal crop, he is eligible for a payment equal to 1/3 of the target price.

In addition, the statutory floor for the support price of milk is not less than 75 percent of the parity price, although on January 3, 1975, the Administration announced that milk would be supported at 80 percent of the December 1974 parity price through March 31, 1976 ($7.24/cwt).

H.R. 4296 would increase loan and target prices for only the 1975 crop as follows:

		LOAN LEVELS		TARGET PRICES	
		Present	H.R. 4296	Present	H.R. 4296
Wheat	$/bu.	$1.37	$2.50	$2.05	$3.10
Corn	$/bu.	$1.10	$1.87	$1.38	$2.25
Cotton	$/lb.	$0.34	$0.38	$0.38	$0.45
Soybeans	$/bu.	$ -0-	$3.94	$ -0-	$ -0-

The enrolled bill would also provide price support for milk at not less than 80 percent of parity with quarterly adjustments to reflect changes in the index of prices paid by farmers for production items, interest, taxes, and wage rates.

The Department of Agriculture estimates that H.R. 4296 would increase fiscal year 1976 outlays by approximately $1.8 billion:

-- Of this amount $500 million would be in the form of direct payments. Over $300 million would go to cotton producers because cotton prices are already below the current target price.

-- Loans to producers would increase by about $1.3 billion largely because of the increase in the loan rate and the attractive interest rate. Most of these loans would eventually be repaid unless market prices fell to these levels. (This could easily happen in the case of cotton because the bill's new loan levels give cotton a competitive advantage over soybeans in terms of net profit per acre, and thus encourages a shift from soybean to cotton production).

-- There would be some increase, about $30 million, in dairy purchases.

In reporting to the Agriculture Committees in the House and Senate, Agriculture vigorously opposed enactment of H.R. 4296 on the grounds that it would: (a) be far too costly; (b) undesirably substitute government intervention for marketplace incentives as a guide for farm production; (c) inevitably price U.S. farm commodities out of world markets; (d) lead to Federal production controls; and (e) produce higher consumer prices. Agriculture further advised the Congress that enactment would <u>not be in accord</u> with the President's program.

However, in its report on H.R. 4296, the House Agriculture Committee argued that:

> "Because of the tremendous increase in the cost of production of agricultural commodities, the legislation enacted in 1973 no longer affords the protection to the producer that is necessary to insure maximum production. According to Department of Agriculture figures, farm production expenses, at $74.8 billion for 1974 were up $10 billion from 1973. Prices paid for production items, interest, taxes, and wage rates jumped 15 percent

last year. A huge cost increase occurred for fertilizer as prices averaged some 70 percent above 1973. Fuel prices also zoomed upward, resulting in much higher outlays by farmers. Seed prices, reflecting tight supplies, were up one-third. This increase in production expenses offset a gain in gross income and resulted in a drop of $5 billion in realized net farm income from 1973."

H.R. 4296 originally passed in the House by 259-162 and a more costly version passed in the Senate by 57-25. The Conference report was approved in the House by 248-166 and by voice vote in the Senate.

We strongly concur in Agriculture's analysis and veto recommendation. In summary, the unacceptable features of H.R. 4296 are:

-- It contradicts established Administration policy of maximum use of the marketplace.

-- It threatens to add $1.8 billion to budget outlays in 1976.

-- It is certain to be used as the point of departure for longer term legislation which will undermine market-oriented policy and further escalate farm program expenditures in subsequent years.

  - It could hold U.S. prices above world levels and make the U.S. a residual supplier, thereby reducing foreign exchange earnings.

  - It will almost inevitably force the Government once again to impose production controls.

  - It will undoubtedly (because of production controls) result in substantial increases in food costs.

A draft Veto Message, representing a revision of the one submitted by Agriculture, has been prepared by this Office and forwarded separately for your consideration.

James T. Lynn

Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: April 30, 1975 Time: 11:00am

FOR ACTION: Bill Seidman
James Lynn
Alan Greenspan
Mike Duval
NSC/S

cc (for information): Warren Hendriks
Jim Cavanaugh
Robert Hartmann
Jack Marsh
Bill Baroody
Ken Lazarus
Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: April 30 Time: 3:00 pm

SUBJECT:

Revised veto message on H.R. 4296 - Emergency Agricultural Act of 1975

ok

ACTION REQUESTED:

___ For Necessary Action

_x_ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

_x_ For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

ACTION

THE WHITE HOUSE

WASHINGTON

April 30, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON Jim

SUBJECT: Enrolled Bill H.R. 4296
Emergency Agriculture
Act of 1975

Attached for your approval and signature is a veto message to the Congress returning H.R. 4296, the Emergency Agriculture Act of 1975, which was sponsored by Representative Foley.

Secretary Butz, OMB, NSC, CIEP, Phil Buchen (Lazarus), Bill Seidman, Max Friedersdorf, Bill Baroody, Alan Greenspan and I recommend approval of the veto message which has been cleared by Paul Theis.

RECOMMENDATION

That you sign the veto message at Tab A.

TO THE HOUSE OF REPRESENTATIVES:

I am returning without my approval H.R. 4296, referred to as the Emergency Agricultural Act of 1975. Although the aim of this bill is laudable, its results would be costly not only to consumers and taxpayers but to American farmers in the long run. It would damage our international market position which is so essential to American agriculture's long-term interests.

Approval of this bill, therefore, would not be in the public interest.

In the conduct of the Government's fiscal affairs, a line must be drawn against excesses. I drew that line in my address to the Nation on March 29. I promised all Americans that, except where national security interests, energy requirements, or urgent humanitarian needs were involved, I would act to hold our fiscal year 1976 deficit to no more than $60 billion.

New spending programs which the Congress is considering could easily raise the Federal deficit to an intolerable level of $100 billion. This must not happen.

H.R. 4296 is an example of increased non-essential spending. In fiscal year 1976, it could add an estimated $1.8 billion to the Federal deficit. If used as a point of departure for longer-term legislation -- as was strongly indicated during its consideration -- it could lead to an escalation of farm program subsidies in succeeding years.

Approval of this bill would undermine the successful market-oriented farm policy adopted by this Administration and the Congress. It is a step backward toward previously discredited policies.

Prospects for farmers, it is true, are not as bright this year as in the recent past. Farm production costs have been pushed upward by the same inflationary pressures that affect other industries. Demand for certain farm products has simultaneously slackened because of the recession.

Prices paid by farmers are currently 11 percent above year-ago levels. In contrast, the index of prices received by farmers is now 7 percent below levels of a year ago. Fortunately, THE LATEST INDEX, RELEASED WEDNESDAY, SHOWS THAT the 5-month decline in prices received by farmers has been reversed and was 4 percent above a month earlier. ~~This index on April 15 was~~

The Administration recognizes that some farmers have experienced financial difficulties due to this cost-price squeeze. It has taken a number of positive steps to assist farmers. The 1976 wheat acreage allotment was recently increased by 8 million acres to 61.6 million acres. This action provides wheat producers with additional target price and disaster protection.

We have also increased the 1975 crop cotton price support loan rate by 9 cents a pound. And we recently announced an increase in the price support level for milk, which, combined with easing feed prices, should be helpful to dairy producers.

Within the past several days, we have completed negotiations with the European Community to remove the export subsidies on industrial cheese coming here -- a step that ensures that surplus dairy products will not be sold in the U.S. market at cut-rate prices. At the same time, we have worked out arrangements which enable the Europeans to continue selling us high-quality table cheese. This solution has enabled us to keep on mutually agreeable trading terms with our best customers for American farm exports.

The Administration has also taken action to protect our cattle producers against a potential flood of beef imports from abroad. The Department of State is completing negotiations with 12 countries limiting their 1975 exports of beef to this country. These voluntary export restraint agreements are intended to keep imports subject to the Meat Import Law to less than 1,182 million pounds.

~~4 percent above a month earlier~~. If unforeseen price deterioration requires action on my part, I will direct the Secretary of Agriculture to make adjustments in price support loan rates for wheat, corn, soybeans, and other feed grains. But it is our expectation that market prices for grains will remain well above loan rates and target prices in the coming year.

Most farmers have already made their plans and bought their seed. Many are well into their planting season. These plans have obviously been completed without any dependence on the provisions of H.R. 4296.

In the long haul, this bill would lead to constraints on production and result in loss of jobs in food-related industries. It would induce farmers to grow more cotton -- already in surplus -- and less soybeans needed for food. The bill would jeopardize the competitive position of our cotton in world markets.

American farmers have responded magnificently during the past several years to produce food and fiber for this Nation and the world. This has made agriculture our leading source of foreign exchange. This year, despite very trying circumstances, most farmers are again seeking full production. They have my support for a vigorous export policy for their products. I recognize that agricultural exports have been restrained twice in the past two years. We have now eliminated all restrictions on exports and will make every effort not to impose them again. Our farm products must have unfettered access to world markets.

This Administration is determined to act in support of the American farmer and his best interests. It will not act to distort his market. We must hold the budget line if we are all to enjoy the benefits of a prosperous, stable, non-inflationary economy.

For all these reasons, I cannot approve this act.

THE WHITE HOUSE,

The Administration has also taken action to protect our cattle producers against a potential flood of beef imports from abroad. The Department of State is completing negotiations with 12 countries limiting their 1975 exports of beef to this country. These voluntary export restraint agreements are intended to keep imports subject to the Meat Import Law to less than 1,182 million pounds.

If unforeseen price deterioration requires action on my part, I will direct the Secretary of Agriculture to make adjustments in price support loan rates for wheat, corn, soybeans, and other feed grains. But it is our expectation that market prices for grains will remain well above loan rates and target prices in the coming year.

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To- Warren Hendriks
4-29-75
11:15 a.m.

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

APR 29 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 4296 - Farm commodity price supports
Sponsor - Rep. Foley (D) Washington and 24 others

Last Day for Action

May 5, 1975 - Monday

Purpose

Increases target prices and loan and purchase levels on the 1975 crops of cotton, corn, wheat, and soybeans while providing price support for milk at 80 percent of parity with quarterly adjustments through March 31, 1976.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Agriculture	Disapproval (Veto Message attached)
Department of State	Disapproval (Informally)
Department of the Treasury	Disapproval (Informally)
Council of Economic Advisers	Disapproval
Council on Wage and Price Stability	Disapproval

Discussion

Under the current law, farm producers of wheat, feed grains (primarily corn), and cotton are eligible for Federal support in three ways:

-- Producers may borrow funds using these commodities as collateral at the lowest current Treasury interest rate (presently 6.125%). If they desire, they may