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Folder Title:
White House - GOP Leadership Meetings

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From the desk of
GEORGE BUSH

personal

JK

File : Feb 6
Leadership meeting
with RN

Need file –
1 leadership meet
2. Cabinet meet

THE WHITE HOUSE

UNTHINKABLE ALTERNATIVE

~~A~~

1) Hot hand pow's

2) internationally - what it means to commitments

" can't build a for policy on a broken commitment "

issue US go to aid small country - protect it vs. "impose will" on SVN.

that's what Nolte understood -

THE WHITE HOUSE

Lincoln –
" serve in prison
number of days you
spent out of country"

Pres. "put note ahead
of those others"

RR – hopes that could have
pulled it off before

THE WHITE HOUSE

KEY

TAXES - held

PRICES - down

JOBS - up

To get it "responsible budget"

***

THE WHITE HOUSE

normal 6% – we now hold 3.5%

IMPOUNDMENT

~~(Griffin ... ...)~~ yesday

'Nother page on this

RN withhold less

3.3% withholding

59 7.5–8.7%

6.7 LBJ

72

range 6% normal over

* *

THE WHITE HOUSE

Research

Lincoln
Day

4 yr record response
to social needs.

increase aid to elderly.
education
hunger -
blind
cancer

Dramatize

THE WHITE HOUSE

Reform

Hit

No longer deduct int.
on mortgage !!

"No Easy way out"

① some good in these
programs.

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Griffin put it in record year.

Exec. Privelege

we've done it 3 times

in 4 years.

JFK – 6 times in less than 3 years

RN – 3 times in 4 yrs.

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** Education

Thru spec. rev.
sharing offset

catig. grants for
education

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Educ. get it

1. to students —
less to elitist instit.

2. prof. educators want
it to institution — we
want it to students
to people

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defense
Big dough to
Big schools — to
subsidize attacks on
defense."

Faculty members
sabotage grants — ROTC
thrown out —

THE WHITE HOUSE

Ash briefing

p. 50 budget
shows cuts.

USE GRAPHS
TO HIGHLIGHT MORE
CONCERN BY THIS
ADMIN. FOOD STAMPS 400-500%
HUMAN NEEDS
Eldery - 300% - up.

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RN —

Housing — need

real new look"

Old not working

THE WHITE HOUSE

PEACE

Pres. Met with

Col. Nolte family —

5 children

82 yr. old father —

talk like heartland of U.S.

a) essay on why his father died — 17 yr. old

b)

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1. peace with dishonor

2. lose credibility and trust -

3. pres. discuss amnest

we "morally right" -

we can't help it - what

happens to Nolte -

Lincoln wanted to give

amnesty - to South -

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strong issue —

peace

new structure of peace

PRC

USSR.

problem ME.

Euro

SE Asia — not

blow again —

550,000 Americans 4 years ago

now its over

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Budget

RN

1. Know it's difficult

2. Not ~~know~~ new thing

3. No tax pledge
to be kept.

4. If economy gassed
up will have real
razor-edge balance

Photocopy - Preservation

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5. Reform argument

6. If confiscated all money from over 50,000

Depletion etc

7. Treasury one page on reform

THE WHITE HOUSE

WASHINGTON

Older Americans Comprehensive Service
  Amendments
Research on Aging Act
Labor, HEW, and Related Agencies
  Appropriations Act
Public Works and EDA Act Amendments
Amendments to Mining and Mineral Policy Act
Airport Development Acceleration Act
Floor Control Act
Upgrading of Deputy U. S. Marshals
National Cemetaries Act
Veterans Health Care Expansion Act
Rehabilitation Act

Total 7 bill.
over 3 years.

FOR IMMEDIATE RELEASE OCTOBER 30, 1972

Office of the White House Press Secretary

THE WHITE HOUSE

MEMORANDUM OF DISAPPROVAL

I have announced today the signing of H.R. 1 -- a bill which represents a tremendous forward step in improving the income position and health services for older Americans. Two other bills concerning the elderly have also come to me for signature -- the Older Americans Comprehensive Service Amendments of 1972 (H.R. 15657) and the Research on Aging Act of 1972 (H.R. 14424). Although I support some of the goals of these two bills, careful review has persuaded me that neither bill provides the best means of achieving these goals. Both authorize unbudgeted and excessive expenditures and would also require duplications or fragmentations of effort which would actually impair our efforts to serve older Americans more effectively. I have decided therefore to withhold my approval from these two pieces of legislation.

Older Americans Comprehensive Service Amendments of 1972 (H.R. 15657)

Last March, I submitted to the Congress a plan for strengthening and expanding service delivery programs under the Older Americans Act. This program would begin the development of more comprehensive and better coordinated systems for delivering services at the local level. In addition, I submitted a proposal to broaden the highly successful Foster Grandparents Program. The Administration will continue its vigorous pursuit of both these objectives.

However, the Congress added to the bill containing these provisions a range of narrow, categorical service programs which would seriously interfere with our effort to develop coordinated services for older persons. This is particularly the case with two categorical manpower programs which were added on the floor of the Senate and were considered without regard to manpower programs already serving older persons. Furthermore, this bill would authorize new funding of more than $2 billion between now and fiscal year 1975 -- far beyond what can be used effectively and responsibly.

I cannot responsibly approve H.R. 15657.

Research on Aging Act of 1972 (H.R. 14424)

In my Special Message to the Congress on Older Americans last March, I also emphasized the need to develop a comprehensive, coordinated program of aging research -- one which includes disciplines ranging from biomedical research to transportation systems analysis, from psychology and sociology to management science and economics. The Secretary of Health, Education and Welfare has since appointed a new Technical Advisory Committee for Aging Research to develop a plan for bringing together all the resources available to the Federal Government in the aging research field.

H.R. 14424, however, would set up an entirely separate aging research institute that would duplicate these activities. This bill would create additional administrative costs without enhancing the conduct of biomedical research for the aging. In fact, it could even fragment existing research efforts. This bill also contains a new grant program for mental health facilities for the aging which duplicates the more general and flexible authorities contained in the Community Mental Health Centers Act.

(MORE)

(OVER)

In sum, I feel that both research and mental health programs for the aging should be carried out in the broader context of research on life-span processes and comprehensive mental health treatment programs now underway.

H.R. 14424 would not enhance and could inhibit Federal efforts to respond to the needs of the elderly, and I cannot give it my approval.

FOR IMMEDIATE RELEASE October 27, 1972

Office of the White House Press Secretary

THE WHITE HOUSE

MEMORANDUM OF DISAPPROVAL

I have promised the American people that I will do everything in my power to avoid the need for a tax increase next year. Today, I take another important step in the fulfillment of that sincere pledge.

This effort really began last January, when I submitted the Federal Budget for fiscal year 1973 to the Congress. As I explained at the time, that budget was carefully prepared so that all justified Federal programs could be provided without any need for higher taxes -- and without causing higher prices.

When it became clear that the Congress was exceeding the budget in many bills, I proposed that a spending ceiling of $250 billion be adopted as insurance against a 1973 tax increase.

The Congress rejected that spending ceiling. Instead, it approved spending far in excess of my no-new-taxes budget.

Some of these bills have presented very difficult decisions about whether to sign or to veto. A number of them have attractive features, or would serve very worthwhile purposes -- and of course I have received strong advice that to veto them just a few days before the Presidential election would be politically very damaging.

However, in this memorandum are nine measures which I cannot sign without breaking my promise to the American people that I will do all in my power to avoid the necessity of a tax increase next year.

I made that promise in good faith, and I believe in keeping the promises I make -- and in making only those promises that I am confident I can keep.

If I were to sign these measures into law, I would, in effect, be making promises that could not be kept -- since the funds required to finance the promised services are not available, and would not be available without the higher taxes I have promised to resist.

I believe that political leaders must lay the facts on the line, to talk straight to the people and to deliver on the promises they make to the people.

Although the choices are not easy, I am withholding my approval from 9 Congressional spending programs that would breach the budget by $750 million in fiscal year 1973 and by nearly $2 billion in fiscal year 1974.

Each of these measures by itself might seem justifiable, or even highly desirable. But the hard fact is that they cannot be considered by themselves; each has to be considered in the broader context of the total budget -- in terms of how that total weighs on the taxpayers, and how it affects the struggle to curb rising prices.

more

(OVER)

I am withholding my approval from the following bills:

Labor - HEW and Related Agencies Appropriation Act (H.R. 16654) --

This is the second time I have vetoed inflated appropriations this year for the Department of Health, Education and Welfare. This amounts to a textbook example of the seeming inability or unwillingness of the Congress to follow a prudent and responsible spending policy. In my budget for fiscal year 1973, I requested that the Congress provide an increase of $2.1 billion over fiscal 1972 funds for the HEW programs contained in this bill. On top of that generous increase -- which would have provided substantial expansion while recognizing competing priorities in other program areas -- the Congress amassed a budget-breaking additional increase of $1.8 billion. I vetoed this in August because it was clearly excessive and unwarranted.

The bill now before me contains the same face amount as the measure I previously vetoed. In a partial concession to that veto, however, H.R. 16654 contains authority for the over-spending to be held to $535 million -- a result that would still amount to pressure for higher taxes.

This Administration is second to none in its demonstrated concern and clear accomplishments in health, education and manpower matters. My budget represented a balanced and rational approach to the funding of many high priority domestic programs in a time of tight budget resources, while continuing this Administration's shift of priorities and funds toward the human resources activities of the Government.

H.R. 16654 is as unwarranted as the version I vetoed last August.

Public Works and Economic Development Act Amendments of 1972 (H.R. 16071) --

This bill would unnecessarily add vast new authorizations for Federal programs which have been shown to be ineffective in creating jobs or stimulating timely economic development. Public works projects have notoriously long lead times -- so by the time this spending became fully effective, the need for such stimulation would be passed and the stimulation would be inflationary.

The bill would stimulate increased bureaucracy in the regional commissions by using them as a funding rather than a planning and coordinating level of Government.

It would also provide assistance to workers and firms affected by Federal environmental actions. These provisions would be highly inequitable and almost impossible to administer. The unemployment benefits provision would fragment and undermine our basic Federal-State unemployment insurance system and its costs would be essentially uncontrollable. The proposed pollution control facilities loan program has only vague and unspecified objectives.

Amendments to the Mining and Mineral Policy Act (S. 635) --

This bill would authorize the Secretary of the Interior to provide matching categorical grants to establish and support a mineral research and training institute in each of the 50 States and Puerto Rico, as well as grants for related research and demonstration projects. It would

more

fragment our research effort and destroy its priorities. Such an inflexible program would preclude us from taking advantage of the best research talents of the Nation -- wherever they may be. The Federal Government's ongoing programs of similar and related kinds of research, currently funded at about $40 million annually, have provided a flexible and efficient means of meeting minerals problems of the highest national priority and can readily be adapted to continue to do so.

Airport Development Acceleration Act (S. 3755) --

This bill would increase Federal expenditures and raise percentage participation in categorical grant programs with specific and limited purposes. I believe this would be inconsistent with sound fiscal policy. Airport development funds have been almost quadrupled since 1970 under this Administration.

Flood Control Act of 1972 (S. 4018) --

This measure would authorize federal projects which would ultimately cost hundreds of millions of dollars. It contains projects never approved or recommended by the executive branch. In addition, it contains a number of objectionable features such as authorizing ill-defined and potentially costly new programs, and limiting my authority to establish criteria and standards to measure the feasibility of water resources projects in determining which ones to recommend for Congressional authorization. However, a number of projects in this bill are in my judgment justified and I will recommend legislation to authorize their construction early in the next Congress.

Upgrading of Deputy U.S. Marshals (H.R. 13895) --

This would raise the pay of some 1,500 deputy marshals by as much as 38 percent, through wholesale across-the-board upgrading. There is no justification for this highly preferential treatment, which discriminates against all other Government employees who perform work of comparable difficulty and responsibility and whose pay is now the same as that of deputy marshals.

National Cemeteries Act of 1972 (H.R. 12674) --

This bill would block the orderly system of surplus land disposal established by general law and Executive order, by requiring an unusual Congressional approval procedure before any VA land holdings larger than 100 acres could be sold.

These property transfer restrictions would undermine the executive branch's Government-wide system of property management and surplus property disposal which is designed to assure the best and fullest use of Federal property. It would impede the Legacy of Parks program and the procedures for disposing of surplus Federal property under the Federal Property and Administrative Services Act and Executive Order 11508.

Also, the bill deals inconsistently with the serious problem of burial benefits for the Nation's veterans and war dead. It commissions a study of this problem at the same time it preempts the results of such a study by authorizing new burial benefits which would annually add $55 million to the Federal budget beginning next year. The Administrator of Veterans Affairs already is at work on such a study, which will identify the alternatives for improving burial and cemetery benefits. In the interim, it would be unwise to commit additional Federal resources as proposed by this bill.

more

Veterans Health Care Expansion Act of 1972 (H.R. 10880)

The liberalizing features of this bill would unnecessarily add hundreds of millions of dollars to the Federal budget. It would open the VA hospital system to non-veterans and would expand the type of direct medical services available from VA. By providing direct medical services to veterans' dependents, the bill runs counter to this Administration's national health strategy which would provide national financing mechanisms for health care and sharply reduce the Federal Government's role in the direct provision of services.

The bill also purports to set mandatory minimums on the number of patients treated in VA hospitals. In testimony on this bill, the Veterans Administration strongly objected to this provision on the grounds that it was totally unnecessary and could result in inefficient medical treatment and wasteful administrative practices. The tragic result would be a lower quality of medical care to all patients.

While I strongly support the VA health care system and will continue to encourage its improvement in the future, I cannot approve a bad bill.

Rehabilitation Act of 1972 (H.R. 8395)--

This measure would seriously jeopardize the goals of the vocational rehabilitation program and is another example of Congressional fiscal irresponsibility. Its provisions would divert this program from its basic vocational objectives into activities that have no vocational element whatsoever or are essentially medical in character. In addition, it would proliferate a host of narrow categorical programs which duplicate and overlap existing authorities and programs. Such provisions serve only to dilute the resources of the vocational rehabilitation program and impair its continued valuable achievements in restoring deserving American citizens to meaningful employment.

H.R. 8395 also would create organizational rigidities in the vocational rehabilitation program which would undermine the ability of the Secretary of HEW to manage the program effectively. The bill also would establish numerous committees and independent commissions which are unnecessary, would waste the taxpayers' dollars, and would complicate and confuse the direction of this program. Finally, the bill would authorize funding far in excess of the budget request and far beyond what can be made available and used effectively.

RICHARD NIXON

THE WHITE HOUSE,

October 27, 1972.

From the desk of
GEORGE BUSH

JK

File

~~Desk~~

Leadership

~~Cab.~~ Meet

March 20

leadership THE WHITE HOUSE March 20

1) Monetary Crisis -

2) progress on expansion side

* 1) strong growth in employment
(up. 2.5 mill from yr ago)

* 2) unemployment reduced

3) economy expanding strongly

strong expansion of economy
generates some kind of
pressures on prices

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2

<u>Rise of Food Prices</u>

Confident that <u>rise</u> is near an end - Gov't action to increase supplies is beginning to work.

THE WHITE HOUSE

<u>RN</u>

Easy answer - "put on controls" - might work for 90 days -

But if farmers hold back growth ...... gets worse

'Fighting it - several ways'

1) control now marketing + processing.

2)

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(7)

import more - have to look responsibly at it - must bring it more - (recognize tough politics)

Food critically important this year - cuz labor settlements come up - "labor-mgmt agreed on 2.5%" -

Phase II - Phase III not that different.

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5

~~Brennan~~ -

RB 10% for 1st 1 1/2 yrs

but long run in line. ???

RN 1) If easy way (freeze ...) we'd do it. shut off imports - tough.

Dunlop -

Our rate of inflation

is about 1/2 of other

economies - Jap, Fr, Italy 6-7%

ours: 3.7%

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(6)

Dr. Dunlop

Don't believe Phase III weak.

Don't feel need impose controls.

A. Wage side.

i key negotiations at time when food increasing

ii climate Mngmnt - Labor is better than ever. (must be a better way than "strike")

shutdowns let foreigners get markets here.

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7

Dunlop (cont.)
Pres. appointed
"Labor - Mngmnt Advisory Committee
is important -

R.R. figure = 10.5 %
Mngmnt pick up "pension"
union then say - this is wage
increase.

Dunlop office says 5.7 %
Cost of Living Council

Photocopy - Preservation

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6

Teamsters —

Encouraging what Frank is doing —

Frank getting locals in line so "one upsmanship" of past avoided.

Used to be Chicago locals tried to upstage National

(9)

Dunlop office — carefully monitor all settlements —

Dunlop — PRICE Side

1. retail side are under mandatory controls.

2. concerned with productivity — wages are under control in ~~food~~ area

3. stockpiling sales — another tool

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~~Rents~~

10

RN: Oil - p.r. right thing to do -
energy - wrong thing to do.

veto ~~of~~ gas bill wrong.

RN: Gas prices must rise -

RENTS -
increases highly concentrated
(DC - N.O.)
generally not bad.

11

Legislative picture

1) History of Rent Controls
~~and~~ adverse to Housing

2) Raw Ag. Products - Food Prices
machinery there ~~for~~ mo.
to move - but at this
time poor econ. policy
to control -
Expand Supply is better answer.

3) pre-notification area -

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(12)

Lumber

Admin program

1) recognize need more supply

more ~~forest~~ output.

↓ 72 11.8 billion board ft

73 10.2 " " "

due to environmentalists -

" " forest service -

lower output - higher price

2) internat'l trade -

some want embargo to Japan

Admin opposes embargo -

"negotiate" (Japan bot 2.8 bill)

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13

3) possible re-imposition certain controls on prices.

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(14)

Ash

Vocat. Rehab –

going from 400 to 650 mill
per yr.

Bill 3 deficiencies

1. irresponsible – adds $1 billion
in 2 years above generous amounts in budget
– thus tax increase

– on inflation

2. Some of titles don't
even meet objectives

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2a) some is medical

a) kidney machines
nothing to do voc rehab

some is therapeutic —
non-rehab purposes

3) can't be managed
removes all authority and
accountability ~~from~~ HEW.
sets up separate
commissioner (no accountability)

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16

Ash com

3 (cont.) → many narrow categorical grants - activities -

→ lots of committees, commissions, councils,

Budget for '74 has more for some of these purposes.

Laugrebe substitute is acceptable

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Notes from GOP leadership meeting - Friday, Jan. 26, 1973

1. Call Nelson Rockefeller

1. Budget up 18 billion - 268
   actual deficit - 12 billion

2. Add to budget ($268) then ask for tax increase

1. Close to full employment

2. Incomers Policy - wage price system leads to more inflation - people simply relax - Schulz says "irrefutable"

Attorney General - "impountment" - no judicial decisions

Presidents have always impounded

LBJ - Highway trust funds
3. will not be subject for Supreme Court
   cause essentially "political"

'48 Truman - on a 70 wing vs. 48 wing air force - congress wanted him to spend - veto - override - he still impounded

Argument

1. debt limit - must live in it
   Pres. can't - tax
2. What's he expected to do.

1. congress controls tax power

   congress controls debt ceiling

"What's he expected to do?"

1970's

60 to 131

a) defense levelled off

how much will $1 billion pay for

   64 - 219,000 mm
   74 - 100,000 mm

Soviets buying more houseware - we put more on men

Youth - all volunteer army - draft

Food stamps and food - assisting way way up

1 billion '69
now 4 billion '73

quadruple civil rights program

impound a bad word

refuse to spend

cut

RN cut budgets back to 250

"restraint"

spenders for tax increase
spenders for price increase

Civil Rights activities

assistance	<u>70</u>	<u>74</u>
	1-1	3-2

enforcement up

veterans

outlays for crime reduction

grants to states and local governments "up"

RN - peace and prosperity

peace time budget - more human resources than for defense

un savings
un wages
un taxes - all at risk

inevitably - more unemployment if reckless fiscal policy

new dividends of for. policy - USSR - Japan - new deal

March 20, 1973

FOOD PRICES

In the studies which this Committee has made of food prices since it was established on January 11, 1973, three facts have come sharply into focus:

First, the problem of rising food prices is serious and demands a concerted counter-attack by consumers and government alike. Food prices are rising faster than at any time in the past two decades.

Second, the Federal Government is now doing everything within its power to bring this problem under control. The government acted even before inflation hit the supermarket shelf, and it has taken a number of steps since then.

Third, despite the current seriousness of the problem today, we can reasonably expect an improvement in food prices within a few months. The heart of our problem today is a shortage of food supplies to meet rapidly increasing consumer demands. We cannot end this shortage overnight. Because of the strong actions taken by the government and the actions of the free marketplace, however, food prices should increase at a much slower rate in the second half of 1973. It is quite possible, in fact, that the rate of increase by the end of 1973 will be near zero.

The rising demands for food which we have experienced, particularly those for red meats, were generated by a vigorous expansion in consumer incomes during 1972 and early 1973. The food price problem has resulted, in part, from the basic health of our economy.

---

*A Report prepared by the Cost of Living Council Committee on Food (March 20, 1973).

One additional element has been an increase in demand from other countries, such as the Soviet Union, which have suffered from poor harvests.

Unfortunately, this rising demand at home and abroad has been accompanied by a falling supply of food on our farms, particularly in the second half of 1972. The consequence has been a sharp upsurge in the prices of raw farm products, an upsurge which has now hit the retail markets.

During the remainder of 1973, food supplies should expand significantly, although most of the expansion will occur in the second half of the year. Once additional supplies reach the market, farm prices should move down quickly and we should have a flattening out in retail prices.

A word of caution about weather is necessary in making any predictions about food supplies. The outlook presented here is based on normal weather; unusually favorable weather would improve the outlook, but unfavorable weather would worsen it.

In this report, we shall try to explain the basis for the expectations we have expressed above. We shall review in particular detail the reasons for the current acceleration in food prices, the Cost of Living Council's three-part program to solve the problem, and finally the basis for our optimistic outlook for food prices and supplies for the remainder of 1973.

* * *

<u>Committee on Food of the Cost of Living Council</u>

George P. Shultz, (Chairman), Secretary of the Treasury

Herbert Stein, (Vice Chairman), Chairman of the Council of Economic Advisers

John T. Dunlop, Director of the Cost of Living Council

Earl L. Butz, Secretary of Agriculture

Roy L. Ash, Director of the Office of Management and Budget

Claude S. Brinegar, Secretary of Transportation

Causes Behind the Problem

Food prices, like the prices of almost everything else rose sharply in the late 1960's and through early 1970. Beginning in mid-1970, food prices began increasing at a much slower pace because of a sharp increase in supplies that continued through 1971 and the establishment of the Economic Stabilization Program late that year. Food supplies in 1972, particularly supplies of meats, fruits and vegetables, were smaller and consumer demand grew as the economy expanded vigorously. As a result, food prices increased at a faster rate while prices of many other goods and services rose less than in 1971. Tight supplies combined with strong demand are continuing in 1973.

Several critical developments have converged to cause an upsurge in food prices since mid-1972.

1. Strong Consumer Demand. Consumer purchasing power was advancing throughout 1972. By the fourth quarter disposable income was 9 percent higher than the same quarter of 1971. Even after discounting the effect of price increases, there was still a 6 percent increase in real income. Large increases are continuing in early 1973. Higher hourly earnings (up 6.2 percent); increased employment (up 2-1/2 million), larger social security payments, $3.5 billion in food assistance programs, greater public assistance, and larger Federal tax refunds are all working to increase buying power for consumers. As a result, the demand for foods and especially meat has continued to grow. Incomes will continue to grow as the economy moves closer to full employment, though such increases will moderate as the economy approaches that goal.

The decline in unemployment and the optimistic business outlook have also helped to put consumers in a spending mood. Part of this increased spending is being directed to food purchases.

2. Expanded Exports. In addition to buoyant demand at home, there has been an unexpected expansion in our export markets. Poor weather caused smaller grain crops than usual in Eastern Europe, the USSR, India, China, Australia and Argentina. The world crop of cereals in 1972 dropped more than 4 percent from 1971. Since mid-1972, U.S. exports of feed grains and wheat have been running about three-fourths higher than a year earlier. Other industrialized countries have increased their demand for livestock products and the feed materials to produce them. Peru placed a ban on fishing which cut back on supplies of fishmeal and caused unusually heavy demand for protein supplements (used in livestock & poultry feed) produced in the United States.

The adjustments in the value of the dollar relative to other currencies also helped to expand U.S. farm exports, and made imported foods more expensive. All these factors are contributing to all-time record U.S. exports. They will top $11 billion this fiscal year -- up nearly 40 percent from fiscal year 1972.

World production of grains should increase in 1973 and Peru recently removed its ban on fishing. U.S. exports are expected to decline from the current year. These developments will relieve pressures on our production and marketing system and contribute to receding wholesale food prices in the second half of the year.

3. Reduced Food Supplies in 1972. A key to today's food price problem was last year's decline in domestic food production, a decline which is continuing in early 1973. This has been caused by a series of factors. Red meat production fell 2 percent in 1972 as declines in hog production more than offset a small increase in beef. Earlier depressed prices for eggs and broilers and rising feed prices have contributed to levels of production which are now running well below a year ago. Weather also played an important part in reducing food supplies. Freezes, unseasonable weather, and Hurricane Agnes all damaged fruit and vegetable crops in many parts of the country. And bad weather during the fall interfered with the harvest and ruined a part of feed grain and soybean crops.

Food Prices: An International Problem

The same forces that have caused an escalation of food prices in this country have created problems abroad. Rising food prices are an international problem. Indeed, the latest statistics available report larger increases in food prices for other industrialized countries than for the United States. In one respect, rising food prices are a more cirtical problem abroad because consumers in every other major country spend a larger share of their income on food than U.S. consumers.

INTERNATIONAL COMPARISON OF FOOD
CONSUMER PRICE CHANGES FOR FOOD: December 1971 to December 1972

Country	Percent Change
Canada	7.7
United States	4.8
Japan	4.9
France	8.7
Germany	8.0
Italy*	8.4
United Kingdom*	7.9

SOURCE: OECD Economic Indicators, February 1973.

A Program to Stop Food Price Escalation

The Administration is giving the problem of rising food prices top priority in its anti-inflation efforts. Comprehensive steps have been taken in the past 3 months to moderate pressures on food prices this year.

First, price controls have been retained on food processors, wholesalers, retailers and food service organizations including large restaurant chains. These controls ensure that middlemen cannot increase their rate of profit when prices rise and that when farm prices recede, the benefits will reach the consumer promptly.

Second, to make certain that food supplies and prices receive top priority, new advisory and decision-making machinery has been established. The Cost of Living Council Committee on Food and a Food Advisory Committee are considering a broad range of steps that Government and the private sector can take to ensure an adequate supply of food at reasonable prices. Actions taken to expand supplies are being closely monitored each week to see that they are fully implemented and new initiatives are being examined on a regular basis. A new Food Industry Wage and Salary Committee is addressing the particular problems of collective bargaining in the food industry.

Third, positive actions already have been taken to augment the immediate and intermediate-run supply of food. Expanding food supplies to keep pace with growing demand is an absolutely essential ingredient in solving the food price problem. Actions to date include the following measures:

*November 1971 to November 1972.

1. The Government is selling its grain stocks with the objective of literally emptying its grain bins. Since December 1, 230 million bushels of Government-owned grains equivalent to about 3 percent of 1972 production have been sold. All government loans on farm-stored grains are scheduled for termination. Some of these loans go back to 1968 crops. Calling these loans will ensure that the equivalent of about 15 percent of 1972 production will be released into commercial market channels in coming months.

2. The record volume of grains being transported has caused transportation congestion and shortages of boxcars and hopper cars. The Department of Transportation has established a control center to identify and resolve such bottlenecks. Expediting teams are being sent into acute problem areas to help resolve problems on the spot.

3. Meat import quotas were suspended in June, 1972 and, partly as a result, imports increased 15 percent in 1972. So far in 1973, imports are up 20 percent compared with the same period a year earlier. Import quotas on nonfat dry milk were raised in January of 1973 and, on March 8, the President asked the Tariff Commission to investigate the possibility of raising cheese import quotas 50 percent this year.

4. All direct export subsidies on agricultural products have been discontinued.

5. The rice acreage allotment has been increased 10 percent to encourage increased production.

6. The price support for milk is being held to the minimum permitted by law -- 75 percent of parity. The Congress, however, is now considering legislation that would raise the minimum to 85 percent of parity. The Administration opposes this legislation. It would have an immediate unfavorable impact on the prices of milk and dairy products.

7. Most importantly, our farm programs have been substantially adjusted this year to encourage greater production of grains and soybeans. In 1972, 60 million acres (about 15 percent of the Nation's cropland) were "set-aside" from productive use. Because of the new provisions this year, well over one-half of the acreage "set-aside" in 1972 will be available for productive use. Moreover, the Department of Agriculture will permit farmers to "set-aside" acres for year-around grazing and forage production in return for a 30 percent reduction in payments. This measure should encourage expanded livestock supplies in the future. In short, nearly all of the Nation's cropland can be put to productive use in 1973.

The Food Price Outlook in 1973

The more favorable outlook for food prices in the second half of 1973 rests on a pattern of expanding food supplies through the year. Farm prices should fall below current levels after mid-year and should be no higher at the end of the year than at the beginning. Retail food prices typically adjust less dramatically than farm prices, and there is a delay before drops in farm prices are reflected at retail. Retail food prices should begin to level off after mid-year and the rate of increase may be near zero by the end of the year.

Food Supplies Expand in 1973

Adjustments in farm programs and favorable farm prices are encouraging farmers to expand food production. The latest reports indicate greater domestic production of all major groups of food commodities except dairy and poultry products. The Administration has taken steps to increase cheese imports which would help offset lagging dairy production.

PRODUCTION OF FOOD COMMODITIES

Item	Change from Year Earlier	
	1972	Estimated 1973
	- percent -	
Commodity group		
Meat	-2	+2
Dairy products	+2	-1
Poultry and eggs	+3	-1
Food grains	-5	+13
Vegetables	0	+1
Fruits and nuts	-10	+12

Although overall food supplies will be larger this year than last, most of the increases will come later in the year. During the first part of the year, supplies of most animal products are running below the same period of 1972. But we expect this picture to change dramatically by the fourth quarter.

ESTIMATED PRODUCTION OF ANIMAL PRODUCTS,
FIRST AND FOURTH QUARTERS OF 1973

Item	Change From a Year Earlier	
	1st Quarter	4th Quarter
	-- percent --	
Commodity		
Beef	+2.5	+2.5
Pork	-3.5	+5.5
Broilers	-1.5	+3.5
Eggs	-4.5	-1.0
Milk	-1.0	+1.0

Meat Supplies. The number of cattle coming to market in recent weeks has been up only moderately from last year. However, there were 8 percent more cattle on feed at latest count (March 1) and beef production is expected to increase slightly in the next few months. Additional increases in beef supplies will continue to take place throughout the remainder of the year. Beef cattle producers are expanding their herds and more beef will be available for consumers in 1974 and 1975.

The hog production cycle is turning around which will expand meat supplies in the second half of the year. Hog producers are raising a 7 percent larger pig crop in the December - May period than they were a year ago. As a result, the price of hogs should decline significantly through the year.

Other Food Supplies

Poultry production is expected to increase 5 to 10 percent in the next few months, but supplies will remain smaller than in 1972 until late in the year. Production is expected to continue upward throughout the year because of more favorable feed prices later this year. As a result, broiler prices probably will fall substantially between now and the end of the year. A similar pattern is expected for eggs.

Production of fruits this summer is expected to be well above the weather-damaged crops of 1972. However, according to preliminary information vegetable production is expected to expand very little in 1973. Reasons and possible remedies for this situation are now under intensive study by the CLC Committee on Food and by the Department of Agriculture.

Farmers Will Produce More Grains & Soybeans

This Administration's actions to expand the production of wheat, feed grains and soybeans will help bring feed prices down to more normal levels by fall. The latest planting intentions survey (released on March 15th) indicates that farmers plan to plant nearly 6 percent more acreage to feed grains, and 14 percent more acreage to soybeans in 1973. Wheat acreage will be up about 6 percent this year. Current forecasts call for sharply higher production of these basic commodities.

Feed Grains ------ up 5 to 10 percent

Soybeans --------- up 15 to 18 percent

Wheat ------------ up 12 to 14 percent

Prices of feedstuffs play a major part in the production of livestock, poultry and milk. Over the past 12 months prices of manufactured animal feed have risen 60 percent and this has contributed to some of the current production cutbacks. With expanding supplies, feed prices should fall sharply by fall and encourage more production of broilers, eggs and milk later in 1973.

Beyond 1973

Much of the price-restraining benefits of bumper crops this year will not be felt by consumers until early 1974. The big crops in prospect for 1973 will reassure livestock producers of ample feed supplies next year and give them needed confidence for planning to increase meat supplies in 1974. Today's actions are, therefore, part of a larger effort to achieve sustained food price stability.

A second part of this effort is to modernize basic farm legislation. The Administration will support new farm legislation (which would affect 1974 and subsequent crops) calling for substantially less government involvement in farmers' decision making. The new proposal would unhook income support payments from the outmoded parity concept and would substitute whole-farm cropland bases for the antiquated individual crop allotments. This proposal would result in lower prices and reduced government payments and is designed to become effective over a four-year period. Farmers would receive more of their income from expanded output rather than from holding back on production.

Finally, the Cost of Living Council is addressing the long-term problem of costs in the food industry. The National Commission on Productivity has identified some eighty different ways to improve productivity and reduce costs. These measures are being studied and put into action wherever feasible so that the gains from more efficient farm production will not be eaten up by inefficiency in processing and distribution.

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PRODUCTION OF LIVESTOCK PRODUCTS, 1973

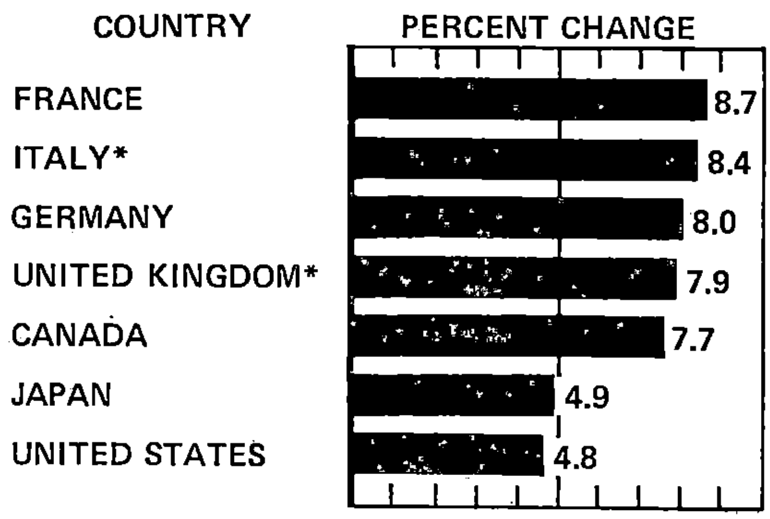
ITEM	CHANGE FROM A YEAR EARLIER	
	1st QUARTER	4th QUARTER
COMMODITY		
BEEF	+2.5%	+2.5%
PORK	−3.5%	+5.5%
BROILERS	−1.5%	+3.5%
EGGS	−4.5%	−1.0%
MILK	−1.0%	+1.0%

PRODUCTION OF FOOD COMMODITIES

ITEM	CHANGE FROM A YEAR EARLIER	
	1972	ESTIMATED 1973
COMMODITY GROUP		
MEAT	−2%	+2%
DAIRY PRODUCTS	+2%	−1%
POULTRY & EGGS	+3%	−1%
FOOD GRAINS	−5%	+13%
VEGETABLES	0	+1%
FRUITS & NUTS	−10%	+12%

INTERNATIONAL COMPARISON OF FOOD

CONSUMER PRICE CHANGES FOR FOOD:
DECEMBER 1971 TO DECEMBER 1972



*November 1971 to November 1972

Source: OECD Economic Indicators, February 1973