

Grain trade agreement reviewed

WASHINGTON — The recently concluded long-term grain agreement with the Soviet Union, which became effective upon signature on October 20, 1975, provides a framework for the trading of U.S. wheat and corn to be shipped to the U.S.S.R. during the 5-year period from October 1, 1976, through September 30, 1981. The agreement requires the Soviet Union to purchase from the United States each year of the agreement a minimum of 6 million metric tons of wheat and corn in approximately equal

amounts. This quantity may be reduced by the United States in any year when the United States Department of Agriculture estimate of the total U.S. grain supply falls below 225 million metric tons.

So long as the total grain supply is estimated at 225 million tons or more, the U.S.S.R. has the option to purchase each year of the agreement an additional 2 million tons of U.S. wheat and corn without consultations with the U.S. Government. If the U.S.S.R. wants to purchase more or the United States wishes to sell more than 8 million tons of U.S. wheat and corn in any year during the life of the agreement, this can be done after consultations between the two governments.

The Department of Agriculture believes the long-term grain agreement with the U.S.S.R. is basically a good agreement.

It is a good agreement for American farmers because it firmly establishes the

U.S.S.R. as a long-term market for American grain. It does this in a manner which preserves the market-oriented farm policy which has evolved here in the United States during the past several years.

The agreement is good for American consumers in that it provides a known framework for the trading of U.S. grain to the U.S.S.R. during the coming 5 years. It provides a means by which the general public knows what to expect in the trading of U.S. grain to the U.S.S.R.

The agreement is good for the Soviet Union in that it brings the U.S.S.R. into the list of customary buyers of American grain. The Soviets will no longer be at the end of the line. They will get the same considerations as other customary buyers of American grain so long as they observe the rules laid down in the agreement.

The principal balancing feature in the agreement is the commitment by the Soviet Union to purchase a minimum quantity of U.S. grain from the United States each year in exchange for the United States to begin treating the U.S.S.R. the same as other regular and traditional buyers of American grain.

The in-and-out nature of Soviet grain purchases has been a major disquieting influence in world markets since 1972. The United States decided to negotiate a one-of-a-kind agreement with the Soviet Union because the Soviets present a unique situation to us as the world's largest grain exporter.

The U.S.S.R. is a large country — almost 2½ times the physical size of the United States and with 30 million more people. The Soviets usually use more grain than we do — by at least 20 million tons — and more grain than any other country in the world except the People's Republic of China. The U.S.S.R. is a wealthy country in terms of natural resources — a country with the purchasing power to enter at will the world market for grain.

Moreover, these actions are based on administrative decisions — not market prices. The U.S.S.R. has a centrally-planned economy in which the central government basically determines the annual consumption of grain in any given year. It concentrates all of its buying power in a single state-sponsored buying agency. The upshot is a tremendous force that can be brought to bear on the world market, outside the multilateral trading system that we depend on in the West to balance demand against supply.

Another unique element in the Soviet market is that the Soviets do not make available information on crop conditions and commodity stocks as most other trading nations do. We are gradually improving our estimates of U.S.S.R. crop size and import needs. We continue to work with the

Soviets under the 1973 Agreement for Cooperation in the Field of Agriculture in an effort to obtain more data of this kind. Still, information on the huge U.S.S.R. market is far from adequate in comparison with information available on markets in the Western World.

Thus we come to a unique agreement to deal with a unique situation. We do not seek this type of agreement with any other importing country and would in fact oppose such a proposal. It is true that we have understandings now with Japan, Poland and other countries. However, these are not specific in their obligations but provide general assurances on both sides.

In addition to the smoothing out of Soviet grain purchases in the short term, it is hoped that the U.S. — U.S.S.R. grain agreement will help encourage an expansion in Soviet grain storage capacity. This will have an evening effect on U.S.S.R. purchases over the longer term, as the Soviets draw from stocks in poor years and add to stocks in good years. We have reason to believe that the U.S.S.R. is planning for some 40 million tons of additional storage in the years ahead.


These developments all look toward a more orderly trading system. They do not interfere in any way with

multilateral discussions of the proposal for an international network of reserve stocks. This proposal, aimed at providing the world with a higher degree of food security, is being considered at present in the Preparatory Group of the International Wheat Council.

Progress has been slow, and there is a great deal of work to be done before we can expect any degree of consensus on the food security question. The Soviet Union, along with the United States, has been an active participant in these discussions.

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