

Agriculture by Susan B. Cohen

U.S.-Soviet farm trade at standstill

After losing his fight on the embargo, Haig still wants control of grain exports.

In early June U.S. Department of Agriculture officials conferred with representatives of the Soviet Union in London, the first such conference since President Reagan defied the wishes of his secretary of state and abolished the embargo on grain sales to the Soviet Union. Undersecretary for International Affairs and Commodity Programs Seeley Lodwick happily reported the Soviets to be open and amiable, and Secretary of Agriculture Block expressed his optimism for expanded U.S. sales and a new long-term trade agreement to replace the five-year pact expiring in September.

Nearly two months later nothing further has happened. For the past several weeks it has been reliably rumored in Washington that Block's communication to the Soviets listing suggested dates, possible sites, and a framework for the talks has been embargoed by the State Department.

State has been reviewing the five-year agreement, and wants to delete Article II, a vaguely worded assurance that supplies would not be cut off due to political unrest, and a section which State reads as a prohibition of future embargoes.

At recent testimony before the Senate Finance Subcommittee on International Trade, Block admitted that the administration is feuding over embargo policy. Block himself has endorsed a bill in the Senate that would outlaw the imposition of selective embargoes on food products without legislative

approval. Both Commerce and State have stated their opposition to the measure.

Asked during the hearings to elaborate on the relationship between USDA and the State Department on trade matters, Block said the final decision falls in the hands of the President. But, he insisted, "In no case have I had an issue I felt strongly about that I have not had an adequate opportunity to voice my opinion."

Block's victory over Haig on the hard-fought issue of the grain embargo did not quiet fears that Block would be unable to prevent Haig from seizing control of farm trade policy. These fears came to the surface again in June when the secretary of state convinced President Reagan, over Block's objections, to refuse to sell government stockpiles of surplus butter to the Soviet Union.

Haig used the same argument he had leveled against lifting the embargo: it would "give the wrong signal" to the Soviets. But the buildup of dairy stocks in government warehouses has hurt the industry, giving free-market opponents of the dairy program the chance to attack it.

While State has put the clamps on USDA, the Soviets have proceeded to make agreements with one more new long-term supply partner after another. Since the embargo was lifted, they have not bought one single bushel of grain from the U.S., and Canadian and

Argentine agreements will more than take them through September. As of a week ago, the Canadian Wheat Board had sold more than 2 million tons of wheat and barley to the Soviets under the five-year agreement signed in May.

The most recent development is the conclusion of a new long-term agreement between the Soviets and Brazil. Brazil pledged to sell a minimum of 500,000 tons of soybeans, 400,000 tons of soybean meal, and 40,000 tons of soybean oil annually to the U.S.S.R. from 1982 to 1986. The Soviets in turn will provide 20,000 barrels of crude oil daily to Brazil, or about 3 percent of the Brazilian import requirement.

The agreement also calls for Brazil, to date a corn importer, to ship 2.5 million tons of corn to Russia beginning in 1983. Recall that Brazil's formidable soybean industry was built up by the 1974 U.S. embargo on soybeans exports to Japan—in the face of the embargo Japan went to Brazil with heavy investments in expanded soybean production to assure continued development of its livestock industry.

In its latest report on Soviet grain needs, USDA acknowledges that the Soviets have suffered a serious shortfall and are likely to need upward of 38 million tons of grain over the next year. But, USDA adds, "Whether the Soviets resume their purchasing directly from the U.S., they will very likely meet their 1981-82 import needs." So far the Soviets have kept mum, but USDA officials say their purchases from the U.S. could range all the way from zero to 20 million tons.

What happens now could mean everything to American wheat farmers now harvesting a record crop with nowhere to sell all of it.