

Agriculture by Marcia Merry

The new U.S.-U.S.S.R. grain pact

It is part of the Soviets' food buying binge in the West, which is going on, protocol or no.

The Nov. 28 grain trade protocol between the United States and the Soviet Union is just the most formal part of an ongoing food-importing binge by the Soviet Union—with or without the niceties of a treaty. What surrounds the new grain deal is more revealing than the specifics of this particular protocol itself.

The agreement extends for another two years, the terms of the last Long Term Agreement (five years) on grain, which expired Sept. 30, 1988. The new treaty is retroactive to Oct. 1 of this year, and is reported to maintain the same terms. The new treaty expires Dec. 31, 1990.

The Soviets are pledged to buy a total of at least 9 million tons of grain and soybeans each year, but could buy 12 million tons, and perhaps much more. The terms—which were not honored for two years under the expired LTA—specify that the Soviets should order 4 million tons each of corn and wheat, and an additional 33 million tons of grain, or 500,000 tons of soybeans or soybean meal.

In fact, the Soviets have already booked 5.5 million tons of corn and soybeans in the first two months of the trade year (Oct. 1 to Sept. 30, 1989)—even before a protocol was arranged.

Sources close to the trade negotiations for the new treaty, which began over eight months ago, say that the Soviets held up agreeing to a new treaty because they presented a set of demands for economic concessions by the United States, that would have gone very far toward closer integration of the respective economies. One demand was for greater access to U.S. ports and related facilities. Another

was a commitment to increase bilateral trade between the two superpowers.

On the day the grain deal was closed, U.S. officials downplayed the implications of the Soviet economic demands. Alan F. Holmer, U.S. Deputy Trade Representative, present in Moscow Nov. 28, said, "We wanted a pure grain agreement. It took a while before we realized how insistent they were that those provisions be in, and it took a while before they realized how insistent we were that they not be in."

The two-year timing of the current deal is interesting, since it expires almost exactly at the time that the Soviets will be starting their next Five Year National Economic Plan. Soviet "friends" on the U.S. side can now be expected to start lobbying and secret negotiations to have a new five-year Long Term Agreement between Washington and Moscow that will institutionalize the current flow of Western food to the East bloc.

Part of this Soviet lobby in Washington is Daniel Amstutz, a 25-year Cargill executive who served in Cargill's Brussels office, and set up Cargill's TRADAX office in Switzerland. While serving a four year stint as Undersecretary of Agriculture, Amstutz negotiated the 1983 five-year LTA. This year he has served on the negotiating team for the new grain pact, for Trade Ambassador Clayton Yeutter.

With or without a treaty, the Soviets have been ordering food like mad from the West. They may demand at least 55 million tons of grain and soybean products this trade year, because of the miserable condition of their own

agriculture sector, and the looted state of the farm and food industries of the East bloc. The issue of food, and other basics, is behind much of the unrest and demonstrations now occurring almost daily in the Soviet Union and Eastern Europe.

In addition to the orders from the United States, Russia bought a total of 1.75 million tons of soybean pellets from Argentina and Brazil the last week of September, and a record volume of tapioca (for animal feed) from Thailand.

On Nov. 28, the same day as the announcement of the new U.S.-U.S.S.R. grain protocol, the Paris trade house of InterAgra announced a sale of 2 million metric tons of French cereals to Russia. The order is to be delivered in early 1989.

These export commitments are all the more striking because of the severe grain stock shortages that exist in the West. This year's worldwide harvest of total grains is only about 1.532 billion tons, down from 1.682 billion in 1986, and 1.602 billion in 1987. Average worldwide consumption is higher than this, so there is a record draw-down of stocks taking place, yet the Soviet import demands are all being honored, no matter what.

It is expected that within a short time, the USDA will put icing on the Soviet's imported cake by offering discount prices for the remaining 4 million tons of U.S. wheat the Soviets are pledged to buy this trade year. Roger Bolton, spokesman for Clayton Yeutter, denied that there are any subsidy sweeteners in the new pact, and stressed that the same terms prevail as under the last LTA (begun 1983). However, since its enactment in 1985, the Export Enhancement Program has been used to provide the Soviets with millions of tons of cheap grain, at a discount of up to \$44 or more per ton.