The original documents are located in Box C50, folder “Presidential Handwriting, 10/8/1976” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

UNCLASSIFIED FLASH

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FM JIM CAVANAUGH
TO DICK CHENEY ABOARD AIR FORCE ONE
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OCTOBER 8, 1976

MEMORANDUM FOR THE PRESIDENT

ATTENTION: DICK CHENEY

FROM: JIM CAVANAUGH

SUBJECT: CORN SALE TO THE USSR

THE DEPARTMENT OF AGRICULTURE HAS JUST ANNOUNCED THE FOLLOWING SALE TO THE USSR:

1 SALE OF CORN, TOTALLING 200,000 METRIC TONS

EARLIER SALES THIS WEEK:

OCTOBER 6, 1976	2 SALES OF CORN, TOTALLING 700,000 METRIC TONS
	1 SALE OF WHEAT, TOTALLING 178,000 METRIC TONS
OCTOBER 7, 1976	1 SALE OF CORN, TOTALLING 350,000 METRIC TONS

THIS WEEK'S SALES BRING THE TOTAL SALES TO THE USSR THIS YEAR TO 6.55 MILLION METRIC TONS, DISTRIBUTED AS FOLLOWS:

4.00 MILLION TONS OF CORN
2.55 MILLION TONS OF WHEAT

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UNCLASSIFIED FLASH

THE PRESIDENT HAS SEEN...

THE WHITE HOUSE

WASHINGTON

October 8, 1976

MEETING WITH WHEAT GROWERS

Friday, October 8, 1976
8:00 p.m. (45 minutes)
Montego Bay Motor Hotel
Lawton, Oklahoma

From: James Cavanaugh

I. PURPOSE

To meet with Oklahoma, Kansas, Texas and New Mexico wheat growers.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: With the help of Senators Dole, Tower, Bellmon and Bartlett, a meeting has been arranged with a group of wheat growers who are concerned about the depressed condition of the wheat market.

The 1976 wheat crop is now forecast at a record 2,139 million bushels. This crop, coupled with a larger carryover on June 1, provides one of the largest supplies of wheat ever.

Exports probably won't match the 1,175 million bushels shipped in 1975/76 because of a record world wheat crop and a reduced demand for imports. Even with domestic use up substantially because of more wheat used for feed, stocks are expected to build for the third successive year.

In many wheat producing areas, deficit in feed grains, wheat is now priced as a feed and this situation is expected to hold well into the mid-west corn harvest. As a result, wheat feeding in 1976/77 will expand sharply from the low levels of the past three seasons. Also, it appears that some foreign buyers may be booking wheat instead of feed grains. This situation suggests that wheat prices being supported in part by feed markets may have bottomed out. Corn prices, which set a "floor" for wheat, have recently moved up about 20 cents a bushel.

After showing surprisingly early strength, wheat prices have declined sharply. Prices at the farm averaged $3.33 in mid-July but only $2.88 per bushel in September. This week, wheat futures have moved up fifteen or twenty cents from the seasons low and cash prices are also moving up. However, prices are still quite depressed. For example, the cash price for hard winter wheat closed in Kansas City at $2.82 on Thursday, while it was $4.13 a year ago.

The primary concerns of the wheat growers are the Embargo last fall and the low current prices for wheat. (See Embargo Q & A at Tab A)

Substantial pressure exists to increase the loan rate for wheat from $1.50 to $2.00 or even $2.40 per bushel.

However, your Administration is doing a number of things to help wheat growers:

1. Wheat sales to the Soviet Union from the 1976 crop now total 2.5 million metric tons. Total sales of U.S. grain and soybeans to the Soviet Union out of the 1976 crops now stand at about 7.8 million metric tons. U.S. grain sales to the USSR have continued strong this year, thanks to the Long-Term Grain Supply Agreement negotiated last year, despite prospects for a near record Soviet grain crop. (See Q & A at Tab B)

2. USDA announced on October 1 that the Commodity Credit Corporation (CCC) short-term export credit program level for fiscal year 1977 had been increased to $1 billion. This is about $100 million more than in fiscal 1976. Plans call for over 45 percent of the 1977 budget to be used for wheat exports, whereas wheat accounted for only 21 percent of the overall 1976 CCC credit program.

3. USDA announced on October 1 the approval of a $100 million line of credit under the CCC short-term export credit program to finance grain sales to Poland. Poland has become a major buyer of

U.S. grain in recent years, due in part to the availability of CCC credit. The U.S. exported 3.2 million tons of grain(including 750,000 tons of wheat) to Poland in 1975/76. With the drought reducing the Polish grain crop this year, U.S. exports of grain to Poland in 1976/77 are expected to reach 3.5 to 4 million metric tons ($420 to $475 million). Already this year, we have sold Poland 1.2 million tons of grain (including 700,000 tons of wheat).

75/76 – 3.2
76/77 – 3.5 & 4
so far 1.2

4. Reflecting ample U.S. wheat supplies, wheat and flour shipments under the P.L. 480 program are being increased this year. In our fiscal 1977 budget, we have allocated funds to export 3.6 million metric tons of wheat and flour under Title I of P.L. 480. This will be about 1 million tons more than was exported under Title I in fiscal 1976.

Title II 76/650,000
77 800,000

Also, under Title II of P.L. 480, about 800,000 tons of wheat and flour will probably be shipped this year versus only 650,000 tons during fiscal 1976.

B. Participants:

Senator Bellmon
Senator Bartlett

Oklahoma, Texas, Kansas and New Mexico Wheat Growers (list to be supplied)

C. Press Plan: To be announced;

III. TALKING POINTS

1. I am glad that you were able to come to meet with me on such short notice.

2. I certainly appreciate the help from Senators Bellmon, Bartlett, Tower and, of course, Bob Dole in inviting you.

3. I know you are concerned --- as am I --- by the low prices for wheat and certainly want to hear what you think the Federal Government can do to help.

4. First, I would like to tell you some of the things that have already happened.

5. The USDA has increased the CCC short term credit program level for fiscal 1977 to $1 billion and doubled the allocation for wheat.

6. We have approved a $100 million CCC credit line for Poland and expect the Poles to increase their wheat purchases this year.

7. The new Long-Term Supply Agreement with the Soviets is working well and they have already bought 2.5 million tons of wheat (7.8 million tons of grain and soybeans) this year even though they have a very good crop of their own.

8. Under the fiscal 1977 P.L. 480 Title I program, we are allocating funds to export 3.6 million tons of wheat and flour -- up about 1 million tons from last year.

9. Also, we are increasing the P.L. 480 Title II program allocations for wheat from about 150,000 tons to a total of 800,000 tons in 1977.

10. I know you are concerned that prices are too low, but I am encouraged to see them beginning to move up and want the Federal Government to continue to help.

NEW RUSSIAN GRAIN PURCHASE

Q: The Soviets purchased large quantities of grain from the 1975 crop. What can we expect them to do this year?

A: The USSR is expected to import considerably less grain this year than it did a year ago. Our experts predict that the Soviets will harvest well over 200 million metric tons of grain this year--perhaps as much as their previous record of 222 million tons. This compares to a crop of 140 million tons last year. Last year the total sales of U.S. grain to the Soviet Union, from the 1975 U.S. crops, was 16.5 million metric tons. This year - the first year of the grain sales agreement with the Russians -- our sales to the Soviets are expected to total somewhere between 6 and 8 million metric tons. In fact, as of October 7, they had already purchased over 6.3 million tons of U.S. grain.

Now, even when there is a good crop in Russia, the USSR is a guaranteed customer for American grain. The long-term grain agreement we have with the Soviets, signed in October 1975, provides that the USSR will purchase from the United States 6 million tons each year for five years beginning October 6, 1976, and may purchase up to 8 million tons per year without prior approval from the U.S. Government.

BACKGROUND

So far this year, we have sold the Russians about 3.80 million metric tons of corn and 2.55 million tons of wheat under the grain agreement. Also, we have sold the USSR 1.4 million tons of soybeans (not covered by the five-year agreement).

Before the agreement went into effect, on October 1, 1975, we had sold the Soviets 451,000 tons of wheat from the 1976 crop.

And last year total sales of grain to the Soviet Union from our 1975 crop was 16.5 million metric tons, including 4.4 million tons of wheat and 12.1 million tons of corn. Of this total, 9.8 million tons were sold before the "Embargo" and 6.7 million tons after.

PCH
10/7/76

GRAIN EMBARGO

Q: In your acceptance speech at Kansas City you said, "No embargoes." How else might you respond the next time consumers rebel against farm exports? Did you really mean it when you said, "No embargoes?"

A: Short of war or some other national catastrophe, the answer is yes. No embargoes.

Besides, I don't foresee circumstances where consumers will need to rebel against farm exports. We now have a long-range sales agreement with the Soviet Union. It was erratic USSR purchases that caused consumer unrest in the past. Last year's temporary withholding was part of the procedure that led up to the successful completion of the five-year purchase agreement by the Russians. Now that we have turned an erratic buyer into a long-term purchaser, this unrest has vanished.

Actually, the flow of farm products to the Soviet Union didn't miss a day as the result of the temporary withholding. That's because previous Soviet purchase of 9.8 million metric tons of grain were sufficient to keep ships and Russian port facilities running full blast for months. After the long-term agreement was signed, the USSR bought another 6.7 million tons.

Contrast that five-year, long-term agreement, which is good for farmers, with what some in the Congress proposed last year as the solution to the unrest. They wanted to turn all grain export sales over to the government. In short, our farm export policy has paid off. Agricultural exports are now triple what they were during the years of the 1960's.

BACKGROUND

Past Statements

In your acceptance speech at Kansas City you said:

"We will never use the bounty of America's farmers as a pawn in international diplomacy. No embargoes."

On March 5, 1976 at Springfield, Illinois, you said:

"Now that we have developed firm and certain relationships, not only with Japan and with some of the Eastern European countries, the Soviet Union and elsewhere, I would say that the likelihood of any limitation on exports is virtually nil.

"But, I have to be honest and frank with you. I just don't believe in kidding people. I can't say never, under no circumstances. I think any responsible President has to have an option, if he has to face a catastrophe of some kind, but as I said a moment ago, the likelihood is virtually nil of any limitation of exports in 1976."

When the embargo question was raised at your briefing of agricultural editors (members of AAEA) at the White House in April, 1976, you said:

"The chances are nil--but I'm not going to stand here and say 'never', because there are some unbelieveable things that might happen--but I don't think they are within the realm of possibility..."

Many farmers were deeply troubled when, in August 1975, the Secretary called on grain companies to withhold further sales to the Soviet Union until U.S. crop production figures were known. After having been encouraged to plant from fence-to-fence, some farmers felt they had been double crossed--that the Government had gone back on its word. However, in October, when crop estimates showed record harvests for wheat and corn, grain sales to the Soviet Union resumed. Producers were also very resentful over the role George Meany played at the time.

History of Restrictions

The only real embargo was imposed in June, 1973, when the Secretary of Commerce, using the authority set forth in the Export Administration Act of 1969, announced the imposition of an embargo on U.S. soybeans, cottonseeds, and their products, because the U.S. supply of soybeans was not sufficient to meet domestic requirements and reported anticipated exports.

In October, 1974, the Department of Agriculture announced a voluntary prior approval system for export sales of wheat, corn, grain sorghum, soybeans, soybean meal, soybean oil cakes, barley and oats. This ended in March, 1975.

In July, 1975, the Department of Agriculture asked export firms to notify the Department before making grain sales to the Soviet Union.

In August, 1975, the Secretary of Agriculture called on grain companies to withhold further sales to the Soviet Union until the U.S. crop production figures were known. In October, 1975, grain sales to the Soviet Union resumed.

PCL
9/27/76