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GRAIN EMBARGOES

THE WHITE HOUSE ~~THE PRESIDENT HAS SEEN~~.....

WASHINGTON

September 17, 1976

MEMORANDUM FOR: DICK CHENEY
FROM: JIM CAVANAUGH
SUBJECT: Grain Embargoes

Attached is the public record of the President on grain embargoes, including his comments and statements at press conferences as well as a selected group of news clips. Agnes Waldron pulled this together and I think did an excellent job.

ISSUE: Farm Policy

Administration Position

The Administration supports farm policies that lead to fair returns to farmers from market-oriented production and assures consumers plentiful supplies of food and fiber.

The President said on August 18, 1975:

"Be assured -- and I say this with emphasis -- this Administration's national farm policy is and will continue to be one of full production. It is good for everybody. It is a policy of fair prices and darn good income for farmers through commercial sales of their products on a worldwide basis."

Presidential Documents
Vol. 11, No. 34, pg. 866

In contrast, for nearly 40 years American agriculture was dominated by government production controls --- cutbacks and curtailment of growth in the agricultural plant -- all in the name of stability. The farmer was "stabilized" with an income only about two-thirds of the income level of his urban neighbors. And most of the help from government price-support and acreage diversion went to those whose incomes were already above the average, rather than to the smaller farmer.

However, we now have a policy that offers maximum incentive to those who produce food. The combination of market orientation and unrestricted production permits farmers to use their resources fully.

The American farmer has now been freed from dependence on Federal Treasury payments not to produce. Under the high price support structure of earlier years, the government -- instead of the marketplace -- was the highest bidder for farmers' crops. In 1969 farmers received 27 percent of their realized net income from government payments. Now, they receive only about 2 percent, principally disaster and conservation program payments.

While per-bushel/per-bale payments have been discontinued, provision have been retained in farm legislation for government loans on the major crops; for payments to farmers if prices fall sharply, and for standby acreage diversion. Loan rates on major U.S. farm commodities have been set at levels which provide government financing for farmers who cannot get it from private sources, but which preclude widespread government acquisition and permit

these commodities to compete in domestic and world markets. While government retains a backup role in agriculture, it is no longer cast in the leading role of farm manager. Farmers are now producing at record or near record levels with high farm income because government has finally moved out of the farmer's way.

In the past few years, the American farmer has shown what he can do without government controls. He produces enough to feed more than 215 million Americans, plus millions more overseas. The government has not curbed the production of wheat or feed grains since 1973, or cotton since 1972. Sixty million acres, previously held idle, have been released, and 38 million acres have been brought back into production. Total acreage planted for major crops has climbed from about 291 million acres in 1969 to an estimated 335 million acres planted by farmers for 1976.

What we are really talking about is food security, both here and abroad. The best food security arises from a policy which encourages profits in agriculture; a policy that gives farmers the economic incentive to maintain and increase production; and a policy that permits farmers and the trade -- instead of government -- to carry food reserves. The facts speak for themselves;

- Realized net income from farming averaged \$26.8 billion from 1973 through 1975. This compares with an average of \$12.1 billion in the 1960's.
- Responding to signals from the marketplace instead of from government planners., U.S. farmers are growing more grain than ever before. In 1975 they produced 5.8 billion bushels of corn and 2.1 billion bushels of wheat.
- Privately-held wheat stocks on July 1, 1976 totaled an estimated 540 million bushels, exceeding the previous high on July 1, 1975 by more than 200 million bushels. On July 1, 1976, the government owned no stocks of wheat or corn and held only 17 million bushels of wheat and 59 million bushels of corn under loan.

Coupled with significant improvements in farm income and changes in production is a pronounced turnaround in the rural demographic profile. The average age of U.S. farmers -- which was long thought to be too high while going higher -- is now going down.

In 1970 only 14.6 percent of all farmers were under 35 years of age. At the start of this year, 20.8 percent were below that age level.

Another trend that has been virtually halted in the decline in U.S. farm population. The mass exodus of nearly 30 million people from farms since the beginning of World War II has been called the greatest migration of its kind in history. It seems to be nearly over. The business of farming has again become economically attractive. Rural communities are thriving. This has given younger people a greater incentive to remain on farms and to choose careers in agriculture. Between 1970 and 1974 the average annual decline in farm population was only 1.2 percent. Such a low rate has not been observed since the end of World War II when returning veterans poured back onto farms.

The rate of decline of the number of farms has also slowed significantly. The total decline in the number of farms over the last four years is less than the decline in 1968 alone.

In the 1970's, under the impetus of a market oriented policy, U.S. farm exports have continued year after year to surpass all previous annual export totals. U.S. farm exports have jumped from \$6.7 billion in 1970 to over \$22 billion this fiscal year. Consumers as well as farmers benefit from these exports, which strengthen the dollar in relation to foreign currencies, making overseas purchases, including petroleum, easier to afford. The United States is in the farm export business to stay.

In discussing the importance of exports, the President said on January 5, 1976:

"I want to remind those who would minimize our national strength that over one-half of the grain moving across international boundaries throughout the world is grown by you, the American farmer, and we are proud of your efforts and your results . . . It is imperative that you maintain the freedom to market crops and to find customers wherever you can. Strong agricultural exports are basic to America's farm policy and the freedom of every farmer to manage his own farm.

"You should be rewarded . . . for producing each year much more than we consume at home. You must -- and I emphasize must -- export two-thirds of each year's wheat crop or cut back production. You must export 50 percent of our soybeans or cut back production. You must be able to export more than 55 percent of your rice crop or cut back production. You must be able to export 40 percent of your cotton or cut back production. You must export at least one-fourth of your feed grain or cut back production.

". . . This agreement is in the interest of both the American farmer and the American consumer. It prevents the Soviets from disrupting our markets. As we have seen over the years, disruptive and unpredictable purchases lead to such problems as Congressional demands for export control and the refusal of unions to handle grain shipments. We have now assured American grain producers that at planting time they will have a much more reliable indication of how large an export market there will be at harvest time, and that is good for all of us.

"This American livestock producer will have a better idea of his feed supply. The American consumer will know that grain will be moving overseas in a regular flow and be assured there will be adequate food at home.

"We have transformed occasional and erratic customers into regular customers. We have averted an outcry every year that the Russians are coming to make secret purchases in our markets. The private marketing system has been preserved. Record exports are moving right now. . ."

Presidential Documents
Vol. 12, No. 2, Pg. 23

Administration Actions

Agricultural Policy Making. On March 5, 1976, President Ford created a new Agricultural Policy Committee with Secretary Butz as chairman. This Committee replaced two prior committees and consolidated and streamlined domestic and international food policy making under a single group.

General Farm Policies. The Administration supports farm policies which foster a market-oriented agriculture to return basic management responsibilities to farmers as they produce for domestic and export markets.

The Administration supports the Agriculture and Consumer Protection Act of 1973, which extended and amended the Agricultural Act of 1970 to assure consumers plentiful supplies of food and fiber at reasonable costs by allowing for a more market-oriented production.

There have been no acreage restrictions for cotton since 1972 and none for wheat or feed grains since 1973. This has been done to insure adequate supplies to meet both domestic and export demands while avoiding significant inflationary pressures on food prices. The Administration started a similar program for rice in 1976 as a result of new rice legislation signed by the President in January 1976.

and negotiation of a long-term agreement on grain sales to the Soviets. On October 20, 1975, the President announced an agreement with the Soviet Union on grain purchases and resumption of grain sale negotiations. This agreement, which relates to five crop years, commencing October 1, 1976, and running to September 30, 1981, is designed to benefit American farmers and consumers by providing a framework for regular sales of wheat and corn. Under this agreement, the Soviet Union is committed to purchase a minimum of six million metric tons of corn and wheat annually at market prices. This assures the American farmer that the Soviet Union will be a regular grain buyer and calmed consumer unrest over erratic soviet purchases.

On August 12, 1975, Secretary Butz and Japan's Agriculture Minister announced an informal agreement whereby the Japanese are expected to purchase approximately 3 million tons of wheat, 3 million tons of soybeans, and 8 million tons of feedgrains in each of the following three years at market prices.

The Trade Act of 1974 provides the President with the negotiating tools needed to seek further liberalization of world trade. The first general round of Multilateral Trade Negotiations is underway in Geneva with a major goal being a freer trade system which could benefit American agriculture through increased exports of farm products. The Administration holds the position that trade concessions should be negotiated for industrial and agricultural goods simultaneously.

In early 1976 the President took a position against restraints on trade in asparagus and again in early September he took a similar position on trade in honey.

Palm Oil Policy. On July 29, 1976, the USDA announced that henceforth the United States would oppose financing by the World Bank and similar international agencies for the expansion of palm oil production in other nations for export.

Food Grain Reserves. On September 1, 1975, Secretary of State Kissinger outlined to the UN General Assembly the U.S. proposal for an international food grain reserve that would allocate responsibility for holding reserves based on wealth, production and trade; provide quantitative triggers for the release and acquisition of reserves; give assured access to supplies to nations which fully participate; and grant special assistance to developing countries.

Milk. On March 26, 1976, the President signed a proclamation that stops the evasion of import quotas in nonfat dry milk. The proclamation establishes a zero import quota on mixtures of nonfat dry milk and other ingredients.

Secretary Butz on January 3 and October 1, 1975 and again on April 1, 1976, announced increases in the support price for milk which provided 80 percent of parity at those times. This was done to encourage dairy farmers to increase production and continue dairy farming in the face of higher input costs.

On January 30, 1976, President Ford vetoed S.J. Res. 121, which provided for milk price supports at 85 percent of parity with quarterly adjustments in the support levels. The President stated that the higher supports would saddle taxpayers with additional spending, would stimulate excessive production of milk and lead to larger surpluses and would increase consumer prices. This veto was sustained on February 4 in the Senate. The President has directed the Secretary of Agriculture to review dairy price supports quarterly.

Wheat. The Secretary of Agriculture on April 10, 1976, increased the wheat crop allotment to 61.6 million acres for 1976 from 53.3 million acres in 1975. This measure gives farmers additional income and disaster protection without disrupting production for commercial markets.

Sugar. President Ford issued a proclamation on the Establishment of Tariffs and Quotas of Certain Sugars, Syrups and Molasses on November 18, 1974, increasing the sugar import quota effective January 1, 1975, to 7 million short tons in order to encourage the import of additional sugar for domestic consumption and thus moderate sugar prices.

In the beginning of August 1976 the interagency task force on sugar reconvened to investigate causes of sugar price decline and prospects for domestic sugar producers.

Coffee. The Administration supported the International Coffee Agreement negotiated in the winter of 1975/76 and ratified by the Senate in the summer of 1976.

Fuel and Fertilizer Supplies. Fuel and fertilizer monitoring activities were instituted by USDA in the Spring of 1973 so that scarce supplies could be reallocated and maximum food production maintained during a period of scarce input supplies. An Interagency Fertilizer Task Force continues to monitor fertilizer exports, plant capacity, and inventories. Fertilizer prices are down sharply from 1974-75 levels.

Beef and Cotton Promotion. The President signed the Beef Research and Information Act in May 1976 and the Cotton Promotion Act in July 1976 to facilitate producers' efforts to pool their resources for marketing and research activities.

PCL
9/15/76

ISSUE: Rural Development

Administration Position

Rural development means making rural America a better place to live and to work. To achieve this, rural areas must provide:

- Improved conditions for economic development (including a prosperous agriculture and increased non-farm jobs opportunities);
- opportunities for human resource development (including better community, health and education resources and programs);
- more adequate community facilities and improved physical environment; and
- and equitable distribution of these benefits among the population.

Early in the 1970's the long outmigration of millions of rural and smalltown people to urban centers reversed. Rural areas are now growing at a faster rate than metropolitan areas. Nonmetropolitan non-farm job opportunities are increasing at a rate twice as fast as job opportunities in city areas. The principal forces generating changes in rural areas during the last half of the 1970's will continue to be local community leadership and the free enterprise system. Governmental financial and technical assistance can supplement, but cannot substitute for, those two factors. Federal assistance will not be available in sufficient quantities to determine the course of development in rural areas. Nor can Federal officials effectively coordinate developmental processes. State and local governments and leadership must provide the primary coordination and direction for community development.

Administration Actions

The Administration policies for a market-oriented agriculture to meet domestic and export food needs have contributed significantly to the welfare of rural people. Under these policies, since passage of the 1973 Farm Bill, average net farm income has more than doubled over the level of the 1960's. This has had a major multiplier impact on rural businesses and employment.

The Administration favors efforts by FmHA to supplement credit available from the private sector and wants to assure that resources will be provided for a balance of growth between rural and urban sectors of American society. In this regard, the Administration is supporting enactment of H.R. 14641, a

bill which substantially increases the Farmers Home Administration loan limits for farm operating and ownership loans, and expands eligibility to include family farm partnerships and corporations.

On July 12, 1976, the President signed the Department of Agriculture Appropriation Bill for fiscal year 1977, which increases farm ownership and other agriculture assistance loans by \$150 million over this year, and signed PL 94-305, which makes it clear that the SBA shall provide financial assistance to small agricultural enterprises which cannot obtain financial assistance on reasonable terms from non-Federal sources. This latter action makes the SBA business loan and disaster loan programs available to help farmers to finance growth and modernization, to rehabilitate property damaged by natural disasters and to comply with certain health, safety and environmental statutes and regulations.

In addition to major new programs instituted to assist community development and to stimulate business and industrial growth in rural America, the Administration has greatly expanded existing Department of Agriculture programs to provide housing, electricity, community facilities and other benefits to rural citizens.

In addition to its regular REA loans to help rural areas meet electric and telephone service needs, the Administration has implemented the REA loan guarantee program to assure financing for construction of power generation facilities in rural areas. During fiscal year 1975, the commitment level for guaranteed electric loan was \$1.2 billion.

The Administration's housing policy for small towns and rural areas, as well as for urban and suburban neighborhoods, is to facilitate the development of housing in the private market. Direct Federal assistance is also provided for low-income families to enable them to obtain decent housing and suitable living environments. Three major Federal agencies--the Farmers Home Administration in the USDA, HUD, and the VA--administer housing programs which assist rural families of modest means gain access to ownership or rental of adequate housing. Although HUD is often depicted as an "urban" oriented agency 20-25 percent of its subsidized housing assistance is earmarked for non-metropolitan areas by law. In furtherance of this mission, the President recently signed the USDA Appropriations Bill for fiscal year 1977, which provides for over \$3.7 billion in housing loans and grants--an increase of \$500 million from the fiscal 1976 appropriated level.

Our total Farmers Home Administration and Rural Electrification loan and grant programs were an estimated \$8 billion in 1976 versus \$1.9 billion 1969. Those FmHA and REA programs break out this way: Agricultural credit programs in 1976 were an estimated \$1.8 billion, more than twice as large as the \$710 million in 1969. Housing loans were over \$2.5 billion versus \$498 million in 1969; Community programs, \$767 million vs. \$189 million; Business and Industrial programs, \$350 million vs. none; Rural Electrification programs, \$2.6 billion vs. \$470 million.

In 1975, the Administration allocated \$9.65 million to the Rural Highway Public Transportation Demonstration Program as a new grant program under the Federal-Aid Highway Act of 1973 to improve the quality and effectiveness of public transportation in rural areas. Under this two year demonstration program the full amount was obligated for 1976 and 1977 programs along with \$15 million of FY 1976 funds.

The Administration has proposed a comprehensive Rural Transportation Assistance Program in a highway bill that would consolidate several existing programs and give State and local governments increased program flexibility.

The President has also made two important transportation regulatory reform proposals which will be very helpful to rural areas: (1) The Administration's proposed Aviation Act of 1975 will yield major benefits to the nation's air travelers. It will be especially important to small communities who have suffered a continuous erosion in the availability of air service, largely because of the presently overly restrictive regulatory system; and (2) the proposed Motor Carrier Reform Act will improve service to small communities by relaxing regulatory restrictions on entry and pricing which currently make small community freight unattractive to some carriers.

The Department of Agriculture has established a program to provide one-stop Agricultural Service Centers to improve delivery of agricultural conservation and community development programs for rural areas. As of July 30, 1976, over 1119 centers have been designated and about 456 were operational.

Several other departments and agencies of the Federal government devoted major resources to rural development. These include the Department of Commerce, the Department of Health, Education and Welfare, the Department of Housing and Urban Development

and the Small Business Administration. Among other Administration programs which make significant contributions to growth and the quality of life in the rural sector are programs flowing from the Housing and Community Development Act, the National Health Planning and Resource Development Act, and the Comprehensive Employment and Training Act. On the whole, the Administration has substantially expanded the scope and the funding levels of federal programs providing rural development assistance.

PCL
9/1/576

AGRICULTURE

"Over one-half of the grain moving across international boundaries throughout the world is grown by you, the American farmer, and we are proud of your efforts and your results... It is imperative that you maintain the freedom to market crops and to find customers wherever you can. Strong agricultural exports are basic to America's farm policy and the freedom of every farmer to manage his own farm..."

- President Gerald R. Ford
January 5, 1976

The two years of President Ford's Administration have been among the best years in the history of agriculture.

Combining a new market-oriented, full-protection food policy with expanded markets and a leveling trend in production costs, producers have increased net farm income from an average of \$24 billion in 1972-73 to a \$26 billion average during the past two years.

Freed of production controls on wheat, feed grains, and cotton, growers have put over 57 million "set-aside" acres back to work. Peaceful world conditions coupled with growing demand have enabled U. S. farmers to expand their exports in 1976 to an expected \$22 billion -- an all-time high. By comparison, farm exports in 1972 were at \$8 billion.

The President's inflation efforts, which have lowered the rate of annual inflation from twelve percent in the 1973-74 period to roughly six percent today, have also stabilized the long upward surge in farm production expenses. These efforts slowed retail food prices rises to three to four percent in 1976 compared to a fourteen and one-half percent rise in the 1973-early 1974 period.

The President also launched, in 1974, a far-reaching effort to relieve emergency global foods needs and to provide developing nations with economic, trade, credit and other self-help assistance. He asked all nations to join in a global food and energy strategy at the 1974 World Food Conference. In the last year, he consummated a five-year grain sales agreement with Russia that will benefit both American producers and American consumers. In addition, the Administration set up a system to continuously monitor export sales of farm commodities following global shortfalls in grain production.

Under the leadership of President Ford and Secretary Butz, the Administration has also:

- Taken steps to assure that global grain reserves will be held in private hands and by consuming nations.
- Made it clear that farm embargoes would be a thing of the past.
- Launched a strong effort to reduce Federal estate taxes to enable farmers to keep their farms in the family.
- Cleaned up abuses in grain export inspections.
- Supported bonding of livestock packers so farmers will receive payment for livestock in case of packer bankruptcy.
- Negotiated voluntary import quotas on beef.
- Announced in July, 1976 a "School Lunch" beef purchasing program that will help alleviate unprofitable conditions faced by beef producers.
- Provided emergency relief to numerous rural areas affected by drought, flood and other adverse weather conditions.
- Increased Commodity Credit Corporation loan rates (in February, 1976) for corn from \$1.10 to \$1.25 and for wheat from \$1.37 to \$1.50, while reinstating a soybean loan program with a loan rate of \$2.50 per bushel.

President Ford also stopped evasion of non-fat dried milk import quotas, increased the support price of milk three times during the past two years to bring it to 80 percent of parity, and embarked upon a massive effort to relieve farmers and others of unnecessary, costly and unwise regulation and red tape flowing from Federal departments and agencies.

As a result of actions by the Ford Administration net farm assets increased from \$313 billion in 1973 to \$427 billion in 1975. During the last two years the decline in the number of operating farms has been reversed, and the farm population has been stabilized. In short, progress on the farm front has been solid and substantial.

THE PRESIDENT HAS SEEN.....

SUMMARY

ISSUE: Grain Exports

Administration Position

On January 5, 1976, the President said:

"I want to remind those who would minimize our national strength that over one-half of the grain moving across international boundaries throughout the world is grown by you, the American farmer, and we are proud of your efforts and your results . . . It is imperative that you maintain the freedom to market crops and to find customers wherever you can. Strong agricultural exports are basic to America's farm policy and the freedom of every farmer to manage his own farm.

"You should be rewarded . . . for producing each year much more than we consume at home. You must -- and I emphasize must -- export two-thirds of each year's wheat crop or cut back production. You must export 50 percent of our soybeans or cut back production. You must be able to export more than 55 percent of your rice crop or cut back production. You must be able to export 40 percent of your cotton or cut back production. You must export at least one-fourth of your feed grain or cut back production.

"In short, you must export to keep farming profitable in America. You must export if we are to keep a favorable balance of United States international trade. You must export if you are to prosper and the world is to eat. This is the farm policy that is bringing new life to our rural countryside.

"Food, as all of you know, is now our number one source of foreign exchange. Farm exports last year totaled nearly \$22 billion. Our favorable \$12 billion balance in international agricultural trade offsets deficits in nonagricultural trade. It strengthens the American dollar abroad. This helps to pay for the petroleum and other imports that are vitally essential to maintain America's high standard of living . . .

"Last summer, the Soviets suffered another extremely short crop. They, again, turned to the United States' farmers for supplement grain supplies. A temporary hold on new sales to the Soviets was made only after they had become our largest foreign customer by purchasing 9.8 million metric tons of grain -- 375 million bushels. There was, as you know, deep concern at that time about our own corn crop. Although the wheat harvest was nearly completed by July, our feed grain crop was still somewhat uncertain . . . Pressures in the Congress were increasing to halt all private grain sales and put agricultural exports in the hands of a Government management and control board. I did not, and do not, want the Government running your business 365 days a year, year in and year out."

"It was a unique situation that required corrective action and long term solution. A temporary hold on the new sales permitted us to work out a five-year agreement with the Russians. Since then, in the open market we have made substantial new sales to the Soviet Union and to Poland. . . .

"This new agreement now assures that the Russians will purchase at least 6 million metric tons of U.S. corn and wheat each year for the next five years. . . . In addition to the annual Russian purchase commitment of 228 million bushels of wheat and corn, this agreement provides an option to purchase an additional 76 million bushels annually. All purchases will be at market prices through the private sector. If the Russians wish to purchase more than 304 million bushels in any year, it is possible under the agreement. There is no arbitrary and inflexible ceiling.

". . . This agreement is in the interest of both the American farmer and the American consumer. It prevents the Soviets from disrupting our markets. As we have seen over the years, disruptive and unpredictable purchases lead to such problems as Congressional demands for export control and the refusal of unions to handle grain shipments. We have now assured American grain producers that at planting time they will have a much more reliable indication of how large an export market there will be at harvest time, and that is good for all of us.

"The American livestock producer will have a better idea of his feed supply. The American consumer will know that grain will be moving overseas in a regular flow and be assured there will be adequate food at home.

"We have transformed occasional and erratic customers into regular customers. We have averted an outcry every year that the Russians are coming to make secret purchases in our markets. The private marketing system has been preserved. Record exports are moving right now. . . ."

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Vol. 12, No. 2, Pg. 23

Administration Actions

The Administration supports farm policies which foster a market-oriented agriculture to return basic management responsibilities to farmers as they produce for domestic and export markets.

The Administration has supported a policy of no acreage restrictions for wheat, feedgrains and cotton starting with crop year 1974. This has been done to insure adequate supplies to meet both domestic and export demands while avoiding significant inflationary pressures on food prices. The Administration will start a similar program for rice in 1976.

President Ford vetoed the Emergency Agricultural Act of 1975 (Farm Bill) on May 1, 1975, because of provisions that would jeopardize the U.S. competitive advantage in world markets and lead to government-held surpluses.

The USDA implemented an export monitoring system as required by the Agriculture and Consumer Protection Act of 1973 in September 1973. In view of the weather-induced shortfall in U.S. grain and soybean production, Secretary Butz announced in October 1974 a voluntary export prior approval system as a means of developing current information on export demand. On March 6, 1975, the USDA announced the termination of the voluntary approval system, but retained the weekly export monitoring system and daily reporting for large sales of grain.

On July 24, 1975, the Department asked grain exporters to notify the USDA before negotiating further grain sales to the Soviet Union pending clarification of the U.S. grain crop situation and negotiation of a long-term agreement on grain sales to the Soviets. On October 20, 1975, the President announced an agreement with the Soviet Union on grain purchases and resumption of grain sale negotiations. This agreement, which relates to five crop years, commencing October 1, 1976, and running to September 30, 1981, is designed to benefit American farmers and consumers by providing a framework for regular sales of wheat and corn. Under this agreement, the Soviet Union is committed to purchase a minimum of six million metric tons of corn and wheat annually at market prices. This assures the American farmer that the Soviet Union will be a regular grain buyer.

On August 12, 1975, Secretary Butz and Japan's Agriculture Minister announced an informal agreement whereby the Japanese are expected to purchase approximately 3 million tons of wheat, 3 million tons of soybeans, and 8 million tons of feedgrains in each of the following three years at market prices.

On September 1, 1975, Secretary of State Kissinger outlined to the UN General Assembly the U.S. proposal for an international food grain reserve that would allocate responsibility for holding reserves based on wealth, production and trade; provide quantitative triggers for the release and acquisition of reserves; give assured access to supplies to nations which fully participate; and grant special assistance to developing countries.

The Trade Act of 1974 provides the President with the negotiating tools needed to seek further liberalization of world trade. The first general round of Multilateral Trade Negotiations is underway in Geneva with a major goal being a freer trade system which could benefit American agriculture through increased exports of farm products. The Administration holds the position that trade concessions should be negotiated for industrial and agricultural goods simultaneously.

On March 5, 1976, President Ford created a new Agricultural Policy Committee with Secretary Butz as chairman. This Committee replaced two prior committees and consolidated and streamlined domestic and international food policy making under a single group.

PCL
5/24/76

ISSUE: US-Soviet Relations

Administration Position

The President said on March 5, 1976, at Bradley University, "Let me say very specifically that we are going to forget the use of the word detente. I said that back in August of 1975, when I spoke to the American Legion in Minneapolis, Minnesota.

"The word is inconsequential. What happens in the negotiations between the United States and the Soviet Union, what happens in the negotiations between the People's Republic of China and the United States -- those are the things that are of consequence.

"Now, this Administration believes that we have an obligation not to go back to the cold war where confrontation in effect took place literally every day of the year. We have an obligation to try and meet every problem individually, specifically, every issue as it comes up in an effort to negotiate rather than to confront, whether it is with the Soviet Union or the People's Republic of China.

"We can do this effectively if we have the strength militarily and otherwise to have a two-way street. Now, the United States, despite what some critics have said, has not under any circumstances gotten the short end of the deal. We are good Yankee traders, and we have done darn well by the United States.

"Now, let's take the grain sales to the Soviet Union. I know some candidates for the Presidency have said that we ought to not make any sales, that we ought to buy all the grain from the farmers and store them in Government-owned warehouses, put that heavy lid over the price structure of our agriculture at a cost, as it was some ten years ago, of \$1 billion a day, about \$400 million a year.

"That is what it costs to store grain when we were not selling it overseas. I just don't think we should make our farm export problem the pawn of the international politics. By strong, effective negotiations we came out with a good agricultural deal with the Soviet Union.

"If we get a SALT II agreement that will keep a lid on strategic arms in the next seven to ten years, it will be to the benefit of the United States.

"Let me ask this very simple question: Is it better to have a mutual limit of 2,400 launchers and 1,320 MIRV missiles -- isn't that better than having 4,000 or 5,000 launchers or 2,000 or 4,000 MIRV missiles?

"Isn't that better for all of us? It really would be better if we could go below 2,400 and 1,320 as long as we had rough equivalents between the two super-powers.

"If we had an open thermonuclear arms race, that is not in the best interest of the United States or the world as a whole. We have an obligation to have rough equivalency that will deter aggression, either by us or by them and permit us to do some things that are needed and necessary for the world as a whole, as well as for the United States.

"Any of these people that challenges us in these kinds of day-to-day negotiations, issue by issue, problem by problem, have not been in the ball game. They have lots of rhetoric, but I don't think they understand the problems."

Presidential Documents
Vol. 12, No. 11, p. 350

From the outset of his Administration, the President has stressed his commitment to work for improved relations with the Soviet Union. The effort to achieve a more constructive relationship with the USSR expresses the continuing desire of the vast majority of the American people for easing international tensions and reducing the chances of war while at the same time safeguarding our vital interests and our security.

The President has stated that the United States is the strongest nation on earth. Our military might is unmatched. Our economic and technological strength dwarf any other. Our heritage as a democracy of free people is envied by hundreds of millions around the world. In virtually every aspect of human endeavor, we are the most advanced country anywhere.

At the same time, the Soviet Union is a growing superpower. Because the United States and the Soviets are political opponent and military rivals, the US-Soviet relationship in this nuclear age has the most profound implications for global survival. When the President uses the term "peace through strength" to discuss our approach to the US-Soviet relationship, it is not because there has been a change in U.S. policy -- it is because he wants that policy to be clearly understood.

From the U.S. position of strength, it is the President's policy to assure the security of the United States. In U.S. dealings with the Soviet Union, it is the President's policy to move beyond an era of constant confrontations and crises, to prevent

This is a policy involving mutual restraint, mutual respect and mutual benefit. There is no give-away, no one-way street. We pursue this policy because it is in our national interest to do so.

Administration Actions

In November 1974 at Vladivostok the President and General Secretary Brezhnev agreed on the general framework for a new strategic arms agreement that will set firm and equal limits on the strategic forces of both sides through 1985. The United States and the Soviet Union are currently engaged in negotiations to translate the Vladivostok accord into a formal ten-year agreement.

-- We have taken historic and positive steps to limit strategic arms, steps that safeguard our vital interests while for the first time, promising to cap the growth of Soviet and American nuclear weapons at equal levels. Through mutual agreement, we have avoided a very costly and strategically futile ABM race -- in our current negotiations we are seeking to avoid a very costly and strategically futile offensive arms race. This is in our interests; our security is fully safeguarded in this process.

-- We have successfully negotiated the Threshold Test Ban and Peaceful Nuclear Explosives Treaties which impose a 150 kiloton limit on, and govern the conduct of all underground nuclear explosives.

-- In trade, we have reached agreements on grain, assuring income to American farmers and the enormously productive U.S. agricultural sector, earning foreign exchange for our economy and protecting American consumers from fluctuations in grain prices due to Soviet actions in the international grain market. We remain vigilant to ensure that US-Soviet trade does not affect our national security interests. Our country benefits -- in jobs and dollars -- from the sale of goods to the USSR. This is not a give-away; it is in our interests.

-- The President has made high-level contacts, including meetings at the summit, a more normal practice. These discussions have increased the prospects for solutions to problems in our interest; they have lessened the risk of US-Soviet differences escalating to the flash-point.

The suspicions and rivalries of more than a generation cannot be swept away in a short time. Our political rivalry and military competition with the Soviet Union will continue. As the recent past has shown, our policy requires us simultaneously and with equal vigor to resist expansionist drive and to shape a more constructive relationship. There is no responsible alternative.

NSC
8/9/76

However, energy-related loans would remain stalled. Attorney General William Saxbe notified President Nixon March 21 that the procedures followed by the bank in the past were legal and could be resumed.

[7] The Export-Import Bank announced May 21 it had approved a \$180 million bank credit, at 6% interest, to help finance a \$2 billion Soviet natural gas and fertilizer complex. The largest single such loan to date, it brought Eximbank credits to the Soviet Union to nearly \$470 million. A consortium of private banks, headed by the Bank of America, would provide a matching loan at a "blended" interest rate of 7.8%. Worked out by Armand Hammer, chairman of the Occidental Petroleum Corp., the project called for the import by the U.S. of Soviet fertilizers in exchange for superphosphoric acid from the U.S.

[8] A bill putting restrictions on U.S. government credit to the Soviet Union was cleared by Congress Dec. 19 for the President. The bill would extend the lending authority of the Export-Import Bank for four years at a \$25 billion level. It set a \$300 million ceiling on credit to the Soviet Union, which the President could raise if he found it in the national interest, subject to Congressional approval. The bill also barred any Eximbank credit for production, transport or distribution of energy from the Soviet Union. A \$40 million ceiling was set on loans or guarantees for exploration of energy in the Soviet Union. Both the Soviet Union and the U.S. State Department expressed displeasure at the adoption of the restrictions. State Department officials said Soviet Ambassador Anatoly Dobrynin had told Kissinger Dec. 18 that Moscow regarded the credit limitation as a failure of the U.S. to live up to its side of detente.

[9] Trade pacts. Efforts by a group of Congressmen, among them Sen. Henry M. Jackson (D, Wash.), led to a trade bill offering the Soviet Union most-favored-nation status in return for easing restrictions on Jewish emigration. There was opposition to linking trade with emigration from the Administration. At a Naval Academy commencement speech June 5, President Nixon said, "We cannot gear our foreign policy to the transformation of other societies."

[10] A key official in the Ford Administration reported Sept. 7 that Moscow and Washington had reached agreement on the emigration issue, with the U.S.S.R. agreeing to permit at least 60,000 Jews and other Soviet citizens to emigrate each year, a 70% increase over 1973's record emigration figures. President Ford and Soviet Foreign Minister Gromyko held talks in Washington Sept. 20-21. Ford had met with Sen. Jackson Sept. 20 before seeing Gromyko. Jackson later told reporters that "the Russians have come 180 degrees" with respect to concessions on the issue. He noted that the disagreement over the Administration's trade bill was no longer between Moscow and the U.S. Congress, but, rather, between the Administration and Congress with the difficulty centering on the legislative form and language provisions for U.S. review. A formal compromise between the nations' positions was detailed in an exchange of letters Oct. 18 between Kissinger and Jackson. Although there was no specific guarantee in the number of emigrants to be allowed, a White House statement Oct. 21 said, "It will be our assumption that... the rate of emigration... would begin to rise promptly from the 1973 level." In his letter to Jackson, Kissinger listed the "criteria and practices [which] will henceforth govern emigration from the U.S.S.R.," according to Soviet assurances. They barred punitive actions against would-be emigrants such as job dismissal or demotion, emigration taxes and "unreasonable or unlawful impediments" to emigration.

[11] Although Jackson and some U.S. Jewish sources had suggested that the backlog of Soviet Jewish emigration applications totaled as many as 130,000, Jewish activists in Moscow estimated the backlog at about 80,000. Jewish sources were divided on whether applications to emigrate would mount in view of the

apparent Soviet concessions. Emigration of ethnic Germans was expected to reach roughly 6,000 in 1974 and by some estimates could rise to 20,000 in 1975, according to the Oct. 20 report. Other Soviet ethnic minorities had also shown interest in emigrating. (The emigration of Soviet Jews to Israel dropped by almost 50% in 1974, according to official figures released Dec. 20 by the Inter-governmental Committee on European Migration. The committee said 16,537 Soviet Jews had migrated to Israel since Jan. 1; the total for 1973 was 32,500.)

[12] A comprehensive foreign trade bill was passed by the U.S. Congress Dec. 20, despite strong Soviet denials that the Kremlin had pledged freer emigration of Jews as a condition for trade benefits. [See below] The Senate passed the bill by a 72-4 vote; the House passed it by a 323-36 vote. In its final version, the bill gave the President the authority to eliminate tariffs of 5% or lower, and to reduce by three-fifths tariffs above 5%. The President could negotiate elimination of non-tariff barriers, on an industry-by-industry basis, subject to Congressional approval. Tariffs could be eliminated on goods from developing nations, with exceptions for Communist countries (but not Rumania and Yugoslavia), any country restricting supplies to the U.S. in a cartel-like operation and countries discriminating against the U.S. on trade or refusing compensation for confiscations. Exemptions also were provided for certain goods, such as shoes, electronics and watches. The bill called for relief to industries hurt by imports unless the President found it not in the national interest, but Congress could overrule him. A major provision of the bill would grant trade concessions to the Soviet Union if Soviet emigration curbs were eased, especially against Jews. Congress left the Soviet provision intact despite Soviet disavowal Dec. 18 of any commitment on its part on the issue.

[13] The Soviet Union Dec. 18 disavowed the compromise agreement on the extension of U.S. trade benefits in exchange for freer Soviet emigration which had been set forward in a series of letters revealed by Jackson Oct. 18. The denial, revealed prior to agreement on the bill by a House-Senate conference committee that night, was brushed aside by congressmen as a "face-saving" gesture. The statement distributed by the official Soviet press agency Tass asserted that "leading circles" in the U.S.S.R. "flatly reject as unacceptable" any attempts to attach conditions to the extension of trade benefits or to otherwise "interfere in the internal affairs" of the Soviet Union. Accompanying the statement, Tass also circulated a letter, dated Oct. 26, from Foreign Minister Gromyko to Kissinger, in which Gromyko rejected the content of the letter exchange documented by Jackson as presenting "a distorted picture of our position."

[14] Soviet grain purchases. Officials of two major U.S. grain exporting firms agreed Oct. 5 to cancel Soviet orders for corn and wheat valued at \$500 million after meeting at the White House with President Ford, Treasury Secretary William E. Simon and Agriculture Secretary Earl L. Butz. In a statement issued later that day, the White House said that at the meeting with representatives of Continental Grain Co. and Cook Industries Inc., Ford had "expressed his strong concern about the potential domestic impact that such sales could have at a time when the U.S. is experiencing a disappointing harvest of feed grains." The Senate Permanent Investigations Subcommittee had issued a final report July 28 of its study of the controversial sale of massive supplies of U.S. grain to the Soviet Union in 1972. Butz and two former assistant secretaries, Clarence Palmby and Carroll Brunthaver, were singled out for responsibility for what the subcommittee termed a "\$300 million error in judgment" that had resulted in depleted U.S. grain reserves, farm product shortages, higher food prices and the current crisis in the livestock industry. The panel, which was chaired by Sen. Jackson, was critical of the Administration's handling of the grain sale. "The Russians

and the large [U.S.] grain [exporting] companies reaped the major benefits," Jackson said. Subsidies costing \$300 million were paid to the six exporting firms serving as middlemen in the deal. These payments were "unjustified," according to the committee, which added that the government's Commodity Exchange Authority was "derelict in its oversight responsibility" when it mishandled an investigation into possible market manipulation by the exporting companies. The General Accounting Office had concluded Feb. 13 that there was no evidence that the exporting firms had reaped excessive profits from the Soviet deal or profited from inside information. Three of the companies lost money on the sale, according to the GAO. However, the exporting companies eventually profited from the sale, the GAO said, because the Soviet transaction pushed up domestic grain prices and subsequently, federal subsidies paid to exporters.

[15] Simon announced Oct. 19 that the Soviet Union would be allowed to purchase up to 1.2 million metric tons of U.S. wheat and 1 million tons of corn, valued at an estimated \$380 million, through June 30, 1975. The Soviets had agreed not to make any "further purchases in the U.S. market crop this year," Simon added. According to arrangements for the new grain sale negotiated by Simon during an Oct 13-16 visit to Moscow, the Soviet Union also agreed that shipments would be made in phased intervals to further minimize the disruptive effects of the purchase on the U.S. market.

Dissidents

[16] Andrei Sakharov. In excerpts from the introduction to a forthcoming collection of Andrei Sakharov's writings, published by the *New York Times* March 5, the nuclear physicist called on "all international organizations concerned... to abandon their policy of non-intervention in the internal affairs of the socialist countries as regards defending human rights and to manifest the utmost persistence." He specifically cited 1.7 million Soviet prisoners suffering under "malnutrition, pitiless formalism, and repressions."

[17] During the year Sakharov and other protestors appealed to prominent figures on behalf of a number of imprisoned dissidents, among whom was biologist Vladimir Bukovsky, who was reported in fragile health in the punishment cells of a labor camp where he was serving five years of a 12-year sentence for anti-Soviet activities. It was reported June 14 that Bukovsky had been moved from the camp to a prison near Moscow. Sakharov began a hunger strike June 29 to protest "the illegal and brutal repression of political prisoners," specifically citing the Bukovsky case. Sakharov said he was taking the step to reinforce his appeal, made in a letter earlier in the week, to President Nixon and Soviet leader Brezhnev, to deal with the issue of human rights. Sakharov said July 4 he had abandoned the hunger strike for medical reasons. Sakharov, his wife and four other persons signed an appeal to the West on behalf of mathematician Leonid Plyushch, who was reported near death after being incarcerated for over a year, it had been reported Feb. 9. Sakharov charged drugs were used on Plyushch which had removed his ability to read, write or exercise. Over 500 French mathematicians signed an appeal Feb. 7 for Plyushch and fellow mathematician Yuri Shikhanovich, also being held in a mental hospital. Shikhanovich was reported released July 18.

[18] Moscow cut off the TV broadcasts of three major U.S. networks July 2 as American correspondents, in the Soviet Union for Nixon's visit, tried to send filmed reports on Soviet dissident activities. Two of the broadcasts included interviews with Sakharov. Despite several attempts to broadcast explanations of the interruptions as well as the reports themselves, the networks were each time blacked out within seconds.

[19] Other dissidents. Viktor Nekrasov, 62, awarded the Stalin prize in 1947 for

REMARKS OF THE PRESIDENT
AND QUESTION AND ANSWER SESSION
AT THE
VAIL SYMPOSIUM

August 15, 1975

QUESTION: Mr. President, in the face of the growing pressures to increase our food production, what type of trade-offs do you foresee between coal and energy development and agriculture, particularly as they are competing for land and water?

THE PRESIDENT: We are, of course, trying to expand our overall land available for food production because the United States, fortunately, is the bread-basket of the world.

We have this as one of our great assets, not only from the point of view of helping people in less well-off countries; from a humanitarian point of view, but also for the implementation of our national policies on the international scene.

We want our farmers to have the availability to produce as much as they can because it is in our national interest.

If there is a need also for some of this available land for the development of coal, we will have to be cognizant of the competing needs. I can't make a decision here today on how many acres are going to be reserved for agriculture and how many will be made available for coal production.

It is like the question we are faced with right now on whether we should or shouldn't sell additional grain to the Soviet Union. We have to be cognizant, and very properly so, of the prices received by the American farmers.

After all, last fall we urged the American farmer to produce everything he possible could in wheat, corn, et cetera and, in return, we impliedly promised that he would get a fair return on his land, his equipment and his efforts.

Vail Symposium
August 15, 1975

On the other hand, we can't be lacking in attention or cognizance because the impact of further grain sales to the Soviet Union will affect the Consumer Price Index.

So, it is one of those narrow balanced decisions where you have to take potentially competing interests and try to be fair and equitable to all.

In the case of coal -- energy, in this case, vis-a-vis farmland -- we have to again use our best judgment. We aren't going to tear land up and just turn it over to coal. On the other hand, we do have, I am sure, sufficient coal land in the West that can be utilized for coal production under proper environmental restrictions and still not seriously undercut our food supply in this country.

I can't give you a percentage figure, but I can assure you we are not lagging in cognizance of the problem and will use our very best judgment.

REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION

August 20, 1975 Vail, Colorado

QUESTION: Mr. President, we know that you realize the problem, but I would like to emphasize one thing that when the present Administration, your Administration, asked us to increase production, all of that production has to be exported because we were producing more than we needed, and we would just like to emphasize that we must have access to these world markets.

THE PRESIDENT: I am sure you know that we have sold so far about 9.8 million tons to the Soviet Union. They have had a serious crop failure. The extent of that crop failure is not known precisely at this time, but I think most knowledgeable people recognize that they undoubtedly will be in the market for additional sales.

How much that will be, no one knows at this time, but if we act, I think, reasonably and rationally in this situation, the extra production, the full production that the farmer was asked to undertake earlier this year and late last year in the winter wheat crop, I am sure that the price of wheat, the price of corn, will be a good price and will return a good net income to the American farmer.

I think most of you know, I am sure better than I, that in the last month there has been -- maybe a month and a half -- there has been an increase in the price of wheat from around \$3 to around \$4 a bushel.

The price of corn has gone from roughly \$2.50 a bushel up to about \$3 a bushel. These price increases under the market conditions I think are fully justified. I don't think we want to have the kind of total disturbance in the market that took place in some of the years past.

It is better for the farmer, I think, to have a solid income, a good net income, and we are going to make sure that that takes place.

Vail, Colorado
August 20, 1975

- 2 -

QUESTION: Mr. President, as I am sure you know, producers are very much concerned about the recent action of the longshoremen. In the first six months of this year, the price of wheat went down about one-third to us. The price of bread did not go down and, in fact, may have increased.

My question to you now is, can you tell us any very recent development in the longshoremen's action to not load our grain?

THE PRESIDENT: It is my judgment that the best way to solve that problem is to lower our voices and to try and work out a negotiated settlement.

I expect to be in communication with the Secretary of Labor, who is in contact with the people in the labor movement, but it seems to me rather than to accelerate the confrontation, it is better if we more or less lower our voices and try to negotiate a settlement.

I think it is obvious that if everybody talks loudly, it makes it more difficult for us to get an answer. People get frozen into positions.

I think the differences are soluble, and I am working on it today to try and bring the parties together so we can talk in a rational, reasonable way in trying to protect the interests not only of the farmer, but American labor, the consumer and the country as a whole.

If we just lower our voices a bit, I think we can solve the problem so we will ship the grain, the farmer will get his product on the world market, where it ought to be, and the consumers' interests will likewise be protected.

QUESTION: Mr. President, it is a real pleasure to have you with us. I will thank you for making most of my speech, and you did a real good job. You sure did.

He knows something about it, and that is just great.

THE PRESIDENT: You know a lot more about it than I do. I am learning though.

Vail, Colorado

August 20, 1975

QUESTION: Well, I think you just did great. He was quoting facts and figures that we have been talking about here the last few days.

As you know, Mr. President, two out of every three bushels of wheat we produced this year must find a home overseas if our wheat farmers are to have the solid income that you speak about.

And I was so glad to hear your remarks, but our farmers, our wheat farmers are really concerned that the gate is not wide open now, and we just hope that it can be opened, the export gate can be opened wide soon because they are concerned.

We can export 1.2 billion bushels of wheat and still have more wheat than we had last year, in fact, enough for all of our domestic food uses for another year in 1975.

Thank you, sir.

THE PRESIDENT: As I indicated, production is up about 19 percent, and 90 percent of the total wheat crop of winter and spring wheat is in already, and the rest will be in the next month or so.

Wheat is one of the very important products we want to sell overseas. Corn is another one. The corn crop -- it won't be as firm by September as the wheat crop will be, but at least we will have a better fix on where we are. I am convinced that when we get those facts together and get the parties down to seeing what we can do, we want the grain shipped overseas.

As I said in my speech in Des Moines the other day, last year the total American agricultural shipment overseas was about \$22 billion. We shipped in other agricultural commodities--as I recall, about \$10 billion. So we had a net surplus of roughly \$12 billion.

If we had not had that surplus in our balance of trade from our tremendous agricultural production, this country would be in serious straits right now, particularly with the impact of the foreign oil that has risen in price very substantially, so we need this overseas sale of American agriculture. And we are going to find a way to make it certain.

Vail, Colorado
August 20, 1975

But I think if we all just cool it a bit, it will be in the best interests of everybody until we can sit down and refine the issues. In the first place, the issues of the consumer, from the point of view of one part of our society.

The maritime industry feels they have been shortchanged because instead of getting a third of the grain shipments, as they were promised, they have ended up with about 21 percent or less. And we are in the process right now of negotiating with the Soviet Union to try and get a better freight rate for American bottoms. This is another aspect of the problem.

It is my recollection that on Monday of this week, the Department of Commerce people met with the Soviet negotiators trying to get a better price, better freight rate -- if that is the right term -- so that more American bottoms can be involved in the shipment of American agriculture to the Soviet Union, so there are many, many pieces of this very complicated problem.

And I can assure you that I and this Administration are on top of it, and we have good people working on it. But if we just cool it a little bit for the time being, then I am confident we can find some answers.

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

The purchase by the Soviet Union of wheat and feed grains in the United States has been highly erratic over the years. The following table shows these purchases for recent years, including purchases to date for the 1975-76 season:

<u>Years</u>	<u>Feed Grains</u> (in millions of metric tons)	<u>Wheat</u>	<u>Total</u>
1971-72	2.8	0.0	2.8
1972-73	4.2	9.5	13.7
1973-74	3.4	2.7	6.1
1974-75	.8	1.0	1.8
1975-76 (to date)	5.8	4.4	10.2

The considerable variation in large bulk purchases by a single state trading company contrasts with the more steady purchases of these grains by such customers as commercial enterprises in Japan and Western Europe. Because these purchases are highly variable and uncertain, American farmers have not been able to count on this market in their planting intentions to the extent they have on other foreign purchasers. Moreover, highly volatile and unpredictable purchases emerging after the crop planting tend to contribute to price instability.

It would contribute materially to the interests of the American farmer, workers in the transportation industries and American consumers, as well as be in the interests of our customers abroad, if we could develop a longer-term and more certain purchase understanding with the Soviet Union, providing among other features for certain minimum purchases.

It will take some time to explore the possibilities of a long-term agreement. The country must have a new procedure for the sale of feed grains and wheat to such a large state purchaser as the Soviet Union. I am sending representatives to the Soviet Union at once. I am also establishing a Food Committee of the Economic Policy Board/National Security Council in my office to monitor these developments.

(MORE)

September 9, 1975

- 2 -

We have already sold a volume of wheat and feed grains which will take four to six months to ship at maximum rates of transportation operations. Accordingly, there is no immediate necessity to decide about further future sales at this time, and I am extending the present moratorium on sales to the Soviet Union until mid-October when additional information on world supplies and demands is available. This extended period should provide the opportunity to negotiate for a long-term agreement with the Soviet Union.

Under these circumstances, I am requesting the longshoremen to resume voluntarily the shipping of American grain while these discussions go forward, and the matter can be reassessed in the middle of October.

It will be necessary to complete the negotiations over shipping rates in order to make it possible for American ships to carry wheat and to assure that at least one-third of the tonnage is carried in American ships, as provided by the agreement with the Soviet Union which expires on December 31, 1975, which is also under renegotiation.

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INTERVIEW OF THE PRESIDENT
BY
SID DAVIS
WESTINGHOUSE BROADCASTING WASHINGTON
BUREAU CHIEF
STAN BORMAN
BELVA DAVIS
JENNY CRIMM
AND
LYNN JOINER
KPIX-TV

San Francisco, Calif.
Sept. 22, 1975

QUESTION: Mr. Ford, to get on the topic of energy for a second, it is obvious that Russia needs our wheat and we need oil. You have been quoted as saying that it is conceivable and quite possible that America would negotiate with the Soviets for oil in exchange for wheat.

Getting out of the possible, the conceivable realm, is it going to become a reality?

THE PRESIDENT: We have made very substantial, encouraging, optimistic progress in negotiation with the Soviet Union for the Soviet Union on a five-year agreement to buy substantial amounts of American grain, a set amount as a minimum and potentially more on an option basis.

This would help to equalize the purchases over a period of time instead of the wide fluctuations where one year they buy very little, the next year they buy a tremendous amount.

We think that a firm, long-term wheat or grain agreement with the Soviet Union is good for the American agriculture, for the farmers, for the consumers.

It also will increase the, I think, effectiveness of detente between the Soviet Union and the United States.

San Francisco
Sept. 22, 1975

We hope to have an answer on this problem within the very near future and I might add that, if it is signed, we will also get an additional benefit and this important here in the Bay area, the West Coast, in that we will get a better freight rate for American ships in the delivery or the shipment of American grain to Soviet ports, which would mean that about 35 American ships would come out of lay-up and go into the trade and provide more jobs for American seamen.

So it is a complicated but very intriguing and, I think, important negotiation. I am optimistic that it will work out.

QUESTION: Yes, but are you going to push for the oil since we need that so desperately? Are you going to push for that?

THE PRESIDENT: That is another aspect and there are discussions and there are potential negotiations going on between the United States and the Soviet Union, linking to some extent but not directly, grain and oil.

This is a much more complicated subject. We have plenty of oil today and an agreement with the Soviet Union for oil would be sort of a good insurance policy in case there was an oil embargo from the Middle East.

If Russia has oil that it wants to sell, and we need some, which I think would be good insurance, I think it makes sense to try and get both a grain deal and an oil deal.

ADDRESS OF THE PRESIDENT
TO THE
JOINT SESSION OF CONGRESS

THE HOUSE CHAMBER

October 8, 1974

America is the world's champion producer of food. Food prices and petroleum prices in the United States are primary inflationary factors.

America today partially depends on foreign sources for petroleum, but we can grow more than enough food for ourselves.

To halt higher food prices, we must produce more food, and I call upon every farmer to produce the full capacity. And I say to you and to the farmers, they have done a magnificent job in the past, and we should be eternally grateful.

This Government, however, will do all in its power to assure him, that farmer, he can sell his entire yield at reasonable prices. Accordingly, I ask the Congress to remove all remaining acreage limitations on rice, peanuts, and cotton.

I also assure America's farmer here and now that I will allocate all the fuel and ask authority to allocate all the fertilizer they need to do this essential job.

Agricultural marketing orders and other Federal regulations are being reviewed to eliminate or modify those responsible for inflated prices.

I have directed our new Council on Wage and Price Stability to find and to expose all restrictive practices, public or private, which raise food prices. The Administration will also monitor food production, margins, pricing, and exports.

We can and we shall have an adequate supply at home, and through cooperation, meet the needs of our trading partners abroad.

Over this past weekend we initiated a voluntary program to monitor grain exports. The Economic Policy Board will be responsible for determining the policy under this program.

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PRESS CONFERENCE NO. 17

of the

PRESIDENT OF THE UNITED STATES

Chicago, Illinois

11:30 A.M. CDT

July 12, 1975

Saturday

QUESTION: Mr. President, the United States is apparently prepared to approve negotiations of a multi-term wheat and grain sale with the Soviet Union. Other countries are facing drought and may ask for sales, too.

My questions are: How much can we sell without dipping in too much into our harvest this year, and won't this increase costs of bread and food later this year to our consumers?

THE PRESIDENT: First, we should thank the farmers of this country for their tremendous productivity. We are fortunate in America to be the breadbasket of the world. Our farmers do a tremendous job in the production of food for us and for the world as a whole.

We are anticipating the largest corn crop, the largest wheat crop in the history of the United States, but there are some uncertainties.

We hope that there will be a sale to the Soviet Union. It will be helpful to the American farmer and will be a reward for his productivity. We hope that there will be ample supplies of corn, and wheat, and feed grains so that we can help other nations around the world through our Food For Peace program.

And if there is this sizeable crop in the variety of areas, it will mean that we can expand our Food For Peace program and act in a humanitarian way to the less fortunate.

I have no idea at this point what the amount will be of the sale to the Soviet Union, if it does materialize.

But I think the fact that we can make one is a blessing, and I hope we do make one, but I want to assure you, as I do the American consumer, that we are alert to the danger of too big a sale or too much shipment overseas because the American consumer has a stake in this problem as well.

Press Conference
Chicago, Illinois
July 12, 1975

So we have to find a careful line to tread, of selling all we can, but protecting the rights of the American consumer and utilizing the productivity of the American farmer to help our balance of payments, to improve our humanitarian efforts overseas and to indirectly help us in our relations with other countries.

QUESTION: But a sale of any substantial size would mean some increase in a loaf of bread here, wouldn't it?

THE PRESIDENT: I don't think I am in a position-- or anyone else is in a position--to define what a substantial sale is. A big sale with big wheat and feed grain and corn production would have a minimal effect on consumer prices in the United States.

I can only assure you and the American people that we are watching all aspects of this problem, and we will keep alert to any pitfalls or dangers that might result.

REMARKS OF THE PRESIDENT
AT A
GOP FUND-RAISING DINNER

Chicago, Illinois

September 30, 1975

I speak at this point concerning agriculture, farm prices. We recognize that agriculture is a great industry. It participates very significantly in making our economy strong or weak. Of course, we feel a great debt of gratitude in this country to the 6 percent of our people who produce so much food and so much fiber for all of us and literally millions around the world.

Last year, just about this time, the American farmers responded to my call for full production, literally from one fence to another, and every plot of ground that they could find -- full production.

This year, they have harvested a record wheat crop, and they expect a record corn crop by the end of the harvest year.

Obviously, American farmers want -- and they have every good reason to expect -- to sell all they produce, either at home or abroad, and I intend to see to it that they do in a free market and at fair prices.

Profitable and steady grain trading relations have been built with buyers in Europe, Japan and elsewhere, and we can count in advance on regular and significant purchases by those foreign customers.

There is a new element. With the Soviet Union a relatively new customer, we do not yet -- and I underline yet -- have that assurance. Soviet grain purchases have fluctuated greatly in the last five years, and let me illustrate the peaks and valleys that we have had in this relationship.

In 1971-1972, the Russians bought 182 million bushels of grain from the United States. In 1972 and 1973, the figure soared to 524 million bushels. In 1973-1974 it dropped to 252 million bushels and then fell sharply, precipitously to 74 million bushels in 1974 and 1975.

During this crop year, the Russians have already bought 399 million bushels and are anxious to buy much more.

Chicago, Illinois
Sept. 30, 1975

Now, these wide fluctuations disrupt our markets and make it much more difficult for our farmers to plan properly. Furthermore, these peaks and valleys, these wide fluctuations, have an undesirable impact on our overall economy.

To achieve a better result for the farmer, the consumer, yes, our economy as a whole, I am giving, personally, priority attention to an agreement with the Soviet Union that will put agriculture trade on a far more certain and a far more predictable basis, and agreements along the lines of the one which we are now concluding with Poland to assure grain sales over the next five years at levels considerably higher than in the past and with far less deviations and fluctuations.

I am confident that in a relatively short period of time we will reach an agreement with the Soviet Union to facilitate the sale of this year's bumper crop with firm assurances of similar sales of considerable magnitude in future years.

This, in my judgment, will meet all of our needs at home and keep food prices at a fair and reasonable level, but more importantly, it will give to us as a Nation the opportunity to use our great resource -- agriculture -- for humanitarian purposes, for other national interests.

REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
AT THE
NEBRASKA/IOWA WHITE HOUSE CONFERENCE
ON DOMESTIC AFFAIRS AND THE ECONOMY

October 1, 1975 Omaha, Nebraska

Let me assure you the victory will not be achieved at the expense of America's farmers. Nor will farmers suffer on the international grain markets from actions of my Administration.

I know there has been some criticism by some for a temporary halt to grain sales to the Soviet Union. If I might, I would like to bring you up to date.

Last year, in a visit to Lincoln, Nebraska, I urged farmers of this State, as well as farmers throughout the country, to plant full crops.

I advocated a policy of agricultural production across the board, full production for the entire Nation.

I am here to tell you that your crops will be sold and at fair market prices. But, just as important, we must get the farmer off that roller coaster of up and down purchases which has been the Russian pattern for the last five years.

The United States enjoys fruitful and relatively predictable grain trading relations with Japan and many European countries. Farmers under those arrangements know approximately how much will be sold and can plan for it. Stable trade helps the farmer as well as the consumer. That is precisely why we are in the process of negotiating a long-term agreement involving agriculture with the Soviet Union, and agreements along the lines we are now concluding with Poland. We must and we will bring stability, predictability to the planning process of the American farmer.

Let me illustrate: Soviet grain purchases from the United States have fluctuated considerably in the last five years, from a low of about 74 million bushels in one crop season to a high of 524 million bushels in another.

October 1, 1975

Omaha, Nebraska (Q. & A. at W. H. Conference)

So far this season the Soviet Union has purchased 399 million bushels and I can say to you that Russian sales will be increased beyond that figure, and I think it will be a good figure.

Under the agreements that we seek, fixed minimum grain purchases each season by the Soviets will be established for a five-year period at the going market price. More importantly, these agreements will be in the long-term best interest of the farmer as well as the consumer. Having said that, let me turn to another subject.

Interview with Local Media

October 1, 1975

Omaha, Nebraska

QUESTION: Mr. President, I have been talking with some grain farmers who are very upset because your Administration has urged full production, your Secretary of Agriculture talks about a free market, and yet, when push comes to shove, they feel that they are being blocked by the grain embargo.

THE PRESIDENT: We have to look at that problem in the long-range and still be very cognizant of the short-term difficulties. What we want are stable, substantial markets abroad. We have one with Japan. We are in the process of negotiating one with Poland. We have others that are in being with European countries.

But, the big potential market on a long-range basis for substantial annual sales is with the Soviet Union, and we are very close. I believe that we will end up with at least a five-year program that will mean firm, sizeable sales -- five million tons or more per year -- with a possibility of more sales and all at free market prices in the marketplace in the United States.

The problem in the past has been in the last five years. One year we sold to the Soviet Union 74 million bushels of grain. Another year we sold 550 million bushels. This year, so far, we have sold 320 million bushels.

These wide fluctuations, peaks and valleys, they aren't good for the farmer. They aren't good for the country, so we are trying to stabilize a huge market on a firm basis over a period of time, and if my good farmer friends will just be a little patient, I think we will do something they will be very happy with.

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
AT THE
MID-APPALACHIA WHITE HOUSE CONFERENCE
ON DOMESTIC AND ECONOMIC AFFAIRS

October 7, 1975
Nashville, Tennessee

THE PRESIDENT: Yes, sir.

QUESTION: Mr. President, I am James Putnam, a farmer and President of the Tennessee Farm Bureau Federation. I have a short statement and then the question.

Farmers were asked early this year to go all out for full agricultural production in 1975 with the promise by this Administration that farmers would have access to markets at home and abroad. They have responded with record, or near record, grain crops.

In view of recent action taken by the Government concerning the sale and shipment of grain to Russia and other countries, can we, as farmers and farm organizations, have faith in this Administration to make sure these markets are available to farmers?

THE PRESIDENT: The answer is strongly yes. There has been a temporary suspension for a very good reason. The farmers did go all out. They have produced a record crop of wheat at 2,100,000,000 bushels. They have produced a record corn crop, although we don't have the final figures of about 5,800,000,000 bushels. They have done, in the area of soybeans, also, an exceptional record and a record crop.

Now, we have long-term purchase agreements with Japan and with other countries. We have had some very wide fluctuations in the purchase of grain, corn, wheat and soybeans from the Soviet Union. One year, as I recall, it was around 55 million bushels, the next year it went up to 599 million bushels, and the next year it dropped down to 75 million bushels. The peaks and valleys have caused serious disruptions in our markets in the United States.

Oct. 7, 1975

Now, what we have done, the Soviet Union has purchased 10.3 million metric tons of grain so far. They have a serious shortage. There were rumors that they were going to come into the market at a very substantial figure. At the same time, we felt, and still feel, that a five year purchase agreement with the Soviet Union agreeing to buy a minimum figure of a substantial amount every year with an option to buy another sizeable number of tons is a better program than having these peaks and valleys and these wide fluctuations and variations.

Our negotiators are in Moscow now, they are seeking to achieve a permanent or a five-year program, as I have described it. If that is agreed to, there will be a removal of the temporary suspension of sales and I am certain that the Soviet Union will come in and buy additional grain in this crop year which will be very, very helpful and will coincide with the promise I made, and in the mean time, we will have gotten an assured market from a sizeable purchaser for the next five years. It is a negotiation which is in the best interest of the farmer and in the best interest of the American consumer, and when the announcement is made -- and I think it will come reasonably soon -- I think farmers as well as consumers will be pleased. And we might be able to combine it, if I could add as a postscript, a deal that will give us some Soviet oil as a part of the overall deal which is good insurance against Mideast oil decisions.

QUESTION: Mr. President, I am Mrs. Harry B. Caldwell from North Carolina. I am representing the North Carolina State Grange and the State Granges in this region.

Last fall, and last winter, you called on the farmers of America for all-out production, and you indicated that they would have the assurance that you would give them full support in receiving reasonable prices for the things that they produced.

Just recently -- I believe it was last week -- Secretary Earl Butz, in a meeting in Chicago, again called on the American farmers to go all-out in producing the food and fiber needed for our Nation and to help meet the needs of the world in 1976.

Now, farmers are born optimists. They really want to produce, but they need the assurance that they will receive costs of production, plus a reasonable profit.

Oct. 7, 1975
Nashville, Tenn.

My question is going to be in three parts, all of them related.

How do you propose that farmers will receive fair and reasonable prices if they produce the abundance called for by the Government?

They are related. Do you want to answer that one now?

THE PRESIDENT: I would be very glad to.

I indicated earlier that we did ask for full production, and the farmers responded in corn, wheat, soybeans. I indicated we have a temporary suspension, but only for the purpose of getting an assured market of a substantial amount over a five-year period.

I think it is fair to point out that since the suspension, which is in effect now for about five weeks, the price of wheat on the market has gone up from around \$3.75 a bushel to \$4.05 a bushel, so even with the suspension of sales to the Soviet Union, there has not been any drop in the wheat market.

I believe that is likewise true in the corn market because everybody knows that the Soviet Union is going to come back into the market this year and in addition, we will get a five-year agreement with an assured market of a substantial amount.

PRESS CONFERENCE NO. 20

of the

PRESIDENT OF THE UNITED STATES
Detroit, Michigan

4:15 P.M. EDT
October 10, 1975
Friday

QUESTION: Mr. President, I am wondering why you removed the embargo on the Poles and not the Russians? You said the crop report, after all, was excellent, but you said you have to go ahead now with the Russian grain deal, you have to have negotiations on that.

The farmers would like to go ahead and get this money now and worry about a long-term, five-year grain deal later. Why don't you just go ahead and remove the embargo now?

THE PRESIDENT: It is very important to negotiate, and you can negotiate from strength, I think, if we make certain, make positive, that we get a long-term agreement which is in our best interest in return for additional sales to the Soviet Union on the crops that they want to buy in 1975.

It is a very simple explanation. We have the grain, we want a five-year or longer term, and we want a good arrangement. I think we are coming very close. We are working very hard at it, and I think we are probably going to have some results.

But, it is just a matter of good, old Yankee trader actions, and Yankee traders did pretty well for a long time in this country. I just think we ought to handle it that way rather than be too soft or not tough negotiators.

(Press Conference, Oct. 10, 1975)

QUESTION: Mr. President, in view of the apparent success of the negotiations with the Soviet Union involving their oil and our grain, are you contemplating or planning similar discussions with the People's Republic of China on their oil reserves and their grain either here or when you go to Peking?

THE PRESIDENT: The agenda for the prospective trip to the People's Republic has not yet been established. Secretary Kissinger is leaving for the People's Republic within the next week or ten days, as I recall. Until he comes back with the agenda, I don't think I am in a position to say what it might be.

I caution you--you used one word, Saul, that I think it is going to work but you were a little overly optimistic in relationship to grain and oil. All I can say is I am optimistic but we are dealing with some tough traders and I don't want to create the impression that it is all signed on the dotted line because we have some things we want to get and they, in return, want some things that they want and until the ink is dry on it, we're not going to make any announcement.

STATEMENT BY THE PRESIDENT

October 20, 1975

The American people -- our many grain farming communities, our workers, our farmers, and our consumers -- will benefit from the agreement signed in Moscow today providing for regular and orderly sales of wheat and corn to the Soviet Union during the next five years. Under this agreement, the Soviet Union has committed to purchase six million metric tons of grain per year representing \$1 billion in annual export earnings. Accordingly, I am today terminating the temporary suspension of sales of grain to the Soviet Union.

The benefits to the American economy are that we have:

- obtained a stable, long-term foreign market.
- assured a more stable flow of payments from abroad.
- assured the American farmer that the Soviet Union will be a regular buyer for grain at market prices.
- increased incentives for full production by the farmer.
- facilitated the hiring of labor, the purchase of new farming machinery, and the general stimulation of agriculture and business.
- neutralized a great destabilizing factor in recent years.
- provided jobs for American transportation workers and seamen.

The United States during this harvest season can rejoice over the best crop in years.

The favorable economic implications are obvious. We have obtained Soviet commitment that additional purchase of grain in the current crop year will not be so large as to disrupt the U. S. market. I have directed the Department of Agriculture to continue to monitor closely export sales and the Economic Policy Board/National Security Council Food Committee to follow closely grain market price trends and related matters.

The long-term agreement signed in Moscow today promotes American economic stability. It represents a positive step in our relations with the Soviet Union. In this constructive spirit, the two governments have also committed themselves to begin detailed negotiations on mutually beneficial terms for a five year agreement for the purchase of Soviet oil. Negotiations will start this month.

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GRAIN AND OIL TRADE AGREEMENTS WITH THE USSR

The President today announced the signing of an agreement on purchases by the Soviet Union of U.S. grain. The grain agreement relates to five crop years, commencing October 1, 1976 and running to September 30, 1981. A letter of intent was also signed to conclude an agreement on sales of USSR crude petroleum and products to the United States.

BACKGROUND

On September 9, the President announced he would send representatives to the Soviet Union to explore reaching a long-term agreement on sales of grain. Negotiations have been conducted in Moscow by Under Secretary of State for Economic Affairs, Charles W. Robinson, assisted by officials of the Department of Agriculture, the Federal Energy Administration, and the Department of State. On October 9, the President indicated that discussions involving the purchase by the United States of Soviet oil were going on at the same time as the grain negotiations.

Largely as a result of climate variation, USSR production and trade in grain currently are two of the most unstable elements in the world grain economy. During the past decade, the USSR accounted for 80 percent of the annual fluctuation in world trade in wheat. Changes in yearly production of wheat in the USSR accounted for 60 percent of the annual fluctuations in world wheat production while annual fluctuations in total USSR grain production accounted for 30 percent of annual changes in overall world grain production.

Variation in Soviet imports of grain has been particularly marked in this decade. In the 1971-72 crop year, total imports by the Soviet Union were eight million tons, of which 2.9 million tons were from the United States. In the following year, total imports were 21 million tons, of which 13.7 were from the United States.

The estimated total supply for the United States for the current crop year is 263.5 million metric tons consisting of 21.4 million tons in stocks and 242.1 million tons in new production.

HIGHLIGHTS OF GRAIN AGREEMENT

1. Commits the Soviet Union to purchase a minimum of six million metric tons of wheat and corn annually.
2. Permits the USSR to purchase an additional two million tons annually without Government to Government consultation.
3. The U.S. Government agrees to facilitate Soviet purchases under the agreement and not to exercise its authority to control shipments of these amounts, except that it may reduce the quantity to be sold in any one crop year if the estimated total U.S. grain supply is less than 225 million tons in that crop year.

Fact Sheet
October 20, 1975

The agreement also provides for consultations by the two Governments in advance of purchases in excess of eight million tons of wheat and corn in any one crop year. Shipment of grain under the agreement is to be in accord with the US-USSR Maritime Agreement.

The Soviets have assured us that their additional purchases of grain in the current crop year will not be in a volume which could disrupt the U.S. market.

Benefits of Grain Agreement

This agreement regularizes Soviet purchases from the United States. In doing so, it provides a number of benefits:

- Assures U.S. farmers a market in the USSR for six million tons of wheat and corn a year for the next five years.
- The additional assured demand will assist farmers in making their planting decisions.
- Reduces fluctuations in world markets by smoothing out Soviet purchases of U.S. grain.
- Protects U.S. livestock producers and consumers and other foreign customers from large purchases of U.S. grain by the USSR without prior consultation.
- Provides \$4 to \$5 billion in potential foreign exchange earnings (at prevailing prices) for the U.S. over the next five years.

HIGHLIGHTS OF MARITIME AGREEMENT

U.S. Government representatives concluded negotiations in mid-September on the establishment of a freight rate for U.S.-flag ships participating in the carriage of Soviet grain.

Terms of the agreement include:

- A minimum U.S. Gulf/Soviet Black Sea grain freight rate of \$16.00 through December 31, 1976. This minimum rate is significantly in excess of the current market price.
- An index system for determining monthly grain freight rates with a Black Sea freight rates in relation to the index trade (Gulf/Belgium-Holland). This relationship was increased from 1.5 to 1 to approximately 3 to 1.

Fact Sheet
October 20, 1975

- A credit/debit system which in a low market provides for the payment by the Soviets of a freight rate which is higher than the market rate and sufficient to allow a significant number of U.S.-flag vessels to participate in the trade; and in a strong market provides for an offset. When the credit is eliminated, the rates received by U.S.-flag carriers will be determined under the new index system.
- A higher minimum demurrage rate for U.S.-flag vessels.

Since the implementation of the new freight rate on September 22, 1975, 23 U.S.-flag tankers have been fixed to carry approximately 873,500 tons of U.S. grain to the Soviet Union during the month of October and additional fixtures have been made for November.

OIL AGREEMENT

The letter of intent on crude oil and refined products contemplates annual sales by the USSR of up to ten million metric tons (equivalent to about 200,000 barrels per day). Prices are to be agreed upon.

Under the contemplated agreement, the United States would have an option to purchase crude oil and products. The prices for this oil will be mutually agreed at levels which will satisfy the interests of both countries.

The USSR is the world's largest oil producer. Soviet production currently averages about 9.5 million barrels per day. Soviet exports are about 2.3 million barrels of oil per day, including some 1.4 million barrels to Eastern Europe and approximately 750,000 barrels a day to Western Europe. The USSR also imports a small quantity of oil, about 100,000 barrels a day, largely from Iraq.

The 200,000 barrels a day we could purchase from the Soviets under this agreement is relatively small when compared to our current daily consumption of nearly 17 million barrels and imports of some 6.5 million barrels per day. It would, however, represent a further diversification of the sources of U.S. oil imports.

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THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AND QUESTION AND ANSWER SESSION
AT THE RECEPTION
FOR THE
RADIO AND TELEVISION
NEWS DIRECTORS ASSOCIATION
THE STATE FLOOR

January 30, 1976

QUESTION: The House was told today by an Under Secretary of State that there never really was a grain embargo. I think the farmers in Iowa and other Midwestern States don't agree with that statement. He said he did recognize that there were problems in using agri-power in the world diplomacy. If that is so, how would you solve those problems?

THE PRESIDENT: Well, the Soviet Union, about through the first six months of last year, had purchased roughly 9 million tons of grain including corn, wheat and so forth. They then came in and wanted to buy a substantial amount more and they eventually bought another 4 million tons, as I recollect. At that time, there was some concern about the production of the corn crop, the wheat crop was not all in and the net result was we sat down with the Soviet Union and worked out the grain deal on a five-year basis that provides a certain market of 6 million tons every year and up to 8 million tons, with an escape hatch over the 8 million tons, and we authorized them to purchase another 6 million tons in this 12-month period.

You may have noticed this morning that there is a solid rumor, as I understand it, that the Soviet Union has come in and bought some additional corn, a fairly sizable purchase. I think this is probably going to be done not only in this case, but others. I am not saying there was an embargo -- there was a hiatus period while we were negotiating a further sale this year and a five-year agreement overall.

THE WHITE HOUSE
REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
AT THE FARM FORUM

Springfield, Illinois

March 5, 1976

I am firmly opposed to subsidized imports. I don't want our American farmers competing against the treasuries of foreign Governments. Let's talk for a minute about agricultural exports in the record of this Administration.

We exported a record \$21 billion 600 million in agricultural products last year. Nearly \$2 billion of that came from Illinois. That just did not happen. We worked at it. You know what those exports mean to your farms, to your ability to plant and produce, to your income and to your family's well being.

It is good for you, it is good for Illinois, and it is good for the country generally. But, let's look at another accomplishment. We are selling the Soviet Union \$2 billion, or more I should add, in farm products from the 1975 crop. That is a record, a record compiled during this Administration, and it is only the beginning of continued exports to the Soviet Union.

Let me add, farm exports will not be a pawn of international politics. We want our agricultural production to promote trade and help keep the peace. We want to keep your boys on the farms and send your bushels overseas and at good terms of trade.

I oppose policies which would keep your bushels at home and send your boys overseas. Last fall, as you know, we exercised a temporary restraint on grain sales to the Soviet Union. Today, I would like to review that situation for you.

March 5, 1976
Springfield, Illinois

At that time, we had already sold the Russians about ten million tons of grain. Facilities to transport the grain and the Russian capability to handle incoming shipments were already committed at capacity for months to come.

If we had sold the Russians one more bushel of corn or wheat at that time, it could not have moved for months. We were then in the midst of negotiations with the Soviet Government on long-term sales of our wheat and corn.

Although we welcome the Russians as customers, I don't think they should come into our market only when it suits them. I insisted on a long-term grain sales agreement with the Soviet Union. That is why there was a temporary halt in sales while we put the finishing touches on that agreement.

As soon as we got the agreement that we wanted, I ordered the temporary halt lifted. Since then, the Russians have come to us for another three million tons. As we have said before, we remain ready to sell them more this year if they want it.

That is where we stand on farm exports, but better yet, because of the agreement we concluded, you are going to have a regular customer, a regular market in Russia for no less than six million tons of corn and wheat each year and maybe much more from 1976 through 1980. That is a good deal for the American farmer and for the nation.

Let me emphasize, however, this is only a part of our policy of strengthening our agricultural export trade. Farm exports thus far in the 1970s will total two and one half times more than in the same period in the 1960s.

In addition to the \$2 billion in sales to the Soviet Union, this fiscal year, we expect to sell \$6 billion 800 million to Western European nations; \$3 billion 200 million to Japan alone and \$1 billion 200 million to Eastern Europe.

I think we can all be proud of that record.

THE WHITE HOUSE
REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
WITH THE
OHIO FARM BUREAU
THE ROSE GARDEN

March 15, 1976

QUESTION: Could I ask you to speak one more time about the -- our president in Europe said we are being thought about as an unstable supplier of grain. I think you said a word about that. But this concern about keeping exports open seems to be there as well as here.

THE PRESIDENT: I know that some in agriculture have raised questions about the embargo that we imposed for several months in 1975. But it was done solely for the purpose of getting a five-year firm agreement for a minimum sale of six million bushels (tons) a year to the Soviet Union with an opportunity for them to buy more.

Now I am convinced that that was in the long-range interest of agriculture. I can assure you to this extent: I see no prospects for any reimposition of any embargo. In fact, I told some Illinois farmers 10 days ago or 2 weeks ago the changes were literally nil. As long as we produce and have the capability of selling as we have, I see not using agriculture -- and this is the important thing -- not using our farm exports as a pawn in international politics, period.

Use of Food To Aid U.S. Interests Hit

By Dan Morgan
Washington Post Staff Writer

A confidential State Department proposal to spend the major share of this fiscal year's food aid money in countries where the United States has a vital political or security interest is being questioned at the top level of government by advocates of aid for countries threatened by starvation and hunger.

Policy makers who have conferred several times in the last few days have been unable to resolve the split between the "political" and "humanitarian" factions. As a result, President Ford will be asked to make the final decision, probably Tuesday, on which countries receive the aid for the next six months. This decision has been put off for months while authorities awaited more definitive data on American crops and the state of the economy.

Officials are now certain that the overall value of the program will be increased in excess of the \$891 million proposed by President Nixon in April. Mr. Ford pledged increases at the United Nations in October. However, agencies are still far apart on whether the increase should be a token or a substantial one. Thus as many as four options may be presented to the President.

Various documents — including a State Department options paper labeled "confidential" — were made available to The Washington Post by officials who said they were making them public in a last-ditch effort to shift the fiscal 1975 Food for Peace program's emphasis to humanitarian needs.

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D, A6, Col. 4.

State Department Thursday, attended by some 40 officials of eight agencies, representatives of the Office of Management and Budget argued for a program of slightly more than \$1.2 billion, concluding that no country where an immediate need exists, sources reported.

OMB Director Roy L. Ash said yesterday that an option tabled by OMB differed from the ones advanced by the State Department. He said that, in this case, OMB was playing its "classical role" in seeing to it that "all options and arguments pro and con are put before the President."

Ash said that the interagency study has broad political, economic and social ramifications.

"We realize that there are more than two lines of approach," he said. "In order to make a balanced presentation, it's essential that if other agencies don't put forth all the policy directions, then OMB feels its job is to present them."

OMB officials said last week their agency had received

many letters from Americans calling for an increase in humanitarian assistance.

Representatives of the State Department and the National Security Council—both of which are headed by Secretary of State Henry A. Kissinger—were reported to have argued for a sizable food aid program for such regions as Chile, South Korea, the Middle East and Indonesia.

Ash, Kissinger and Agriculture Secretary Earl L. Butte are due to meet with Press Secretary Spiro T. Agnew for a final decision-making session this week. Butte's position is unclear. While some of his associates describe him as a "closet humanitarian," who would lean toward greater priority to aiding our countries, others say his political position is weak and that he cannot be expected to lobby hard for any point of view.

Officials of the humanitarian relief who gave their version of the Thursday meeting of the interagency Staff Committee on food aid complained that the National Security Council "has a way of coming to these meetings and telling

us what it's going to do for food for Peace program is going to be.

One source quoted NSC representative Deputy Under Secretary Denis K. Hillman as saying that because people don't want it is a pretty weak reason.

Hillman confirmed yesterday that he made a remark of that nature, but he said he was expressing a personal opinion. He said it was clear that the United States had an obligation to help "stamp out the scourge of 'voluntary starvation'" but he said the point he was trying to make was that food aid can only be a stopgap measure and is not a fundamental solution to the world food problem.

One official said that while a decision to ship vast quantities of food to hungry nations would avoid criticism, "we can be accused of cowardice" by taking the easy way out. The official said it was uncertain whether the food would ever reach hungry people.

The original State Department memorandum listed three spending options: low, medium and high. The alterna-

on what \$1,500 (the food for Peace program) is going to be.

The total tonnage of wheat and other grains to be allocated under the three proposals was 2.7 million tons, 4 million and 4.8 million tons. The third proposal would provide the 4.8 million tons of food programmed in the proposal that President Nixon sent to Congress in April.

All three alternatives accounted for a substantial amount of countries where the United States has a vital political or security interest.

For instance, in the middle-level plan, Cambodia, Vietnam, Chile, South Korea, Indonesia, Pakistan, Egypt, Jordan, Syria and Israel were listed for low-interest, long-term credits to buy food totaling \$412 million, out of a total program of \$1.1 billion.

The same middle option allocated \$154 million in credits to the hunger-stricken nations of India, Bangladesh and Sri Lanka as well as \$23 million in food inventories. These donations go directly to needy people, such as school children, mothers, workers on development projects and refugees.

The high-option program adds more than \$100 million in credits to the Asian subcontinent countries and it also increases the size of credits for food buying to Chile and South Korea.

According to the memorandum, the medium option "provides for small political programs with Guinea and Morocco," as well as for aid to Haiti, which is on the U.N. list of 32 nations most seriously affected by global inflation, particularly expensive food, fuel and fertilizer imports.

It also would "enable us to meet the Egypt and Syria political requirements," the memorandum reads.

The memo says that the high option "in effect makes the Asian subcontinent the first priority in food aid," adding that "the humanitarian rationale is strong; there is domestic support for such emphasis."

One participant at Thursday's interagency meeting charged, however, that State's main aim was to give Kissinger the broadest possible leeway to use food for diplomatic and economic purposes.

The critic cited a proposal to allocate \$15 million in credit to Jamaica, with which negotiations are now under way on the future of U.S. bauxite holdings. Jamaica was removed recently from the U.N. list of neediest nations.

Another official said that a number of agencies question credits to Israel because "there's a feeling that Israel is already getting a lot of aid from the United States in other forms."

A State Department official conceded that security and political considerations do have a high priority in State's position, but he asserted that humanitarian aid also does.

Another official conceded that the State Department will have to take account of all kinds of political and economic considerations when it decides how much aid to give. He said that the State Department will have to take account of all kinds of political and economic considerations when it decides how much aid to give. He said that the State Department will have to take account of all kinds of political and economic considerations when it decides how much aid to give.

1.2% 4/22/75 WP
Grain Sales Boost Food Cost 1.5%

By Dan Morgan

Washington Post Staff Writer

The Department of Agriculture yesterday predicted that recent American grain sales to the Soviet Union, now totaling 10.2 million metric tons, would raise food prices at home by no more than 1.5 per cent this year.

But a senior official, Director of Economics Don

Paarlberg, told a news conference that the impact could be greater if the Soviet Union seeks more grain later, as is expected.

The assurances were the highlight of a vigorous effort at the department to absolve the grain deals of blame for last month's food inflation and to persuade consumers that the exports are only one of many factors

in higher food costs in the months ahead.

The Labor Department's consumer price index for the month of July showed a 2.9 per cent rise in food prices above the previous month. And the Agriculture Department yesterday announced that it thought food prices in 1975 would average 9 per cent above last year. Earlier it had predicted a 6 to 8 per cent increase.

"Let's don't panic," Agriculture Secretary Earl L. Butz said. "We have record food supplies, and our policy of plenty is paying off."

Along with the revised estimates of food inflation at home, the department also issued a prediction of worldwide food output which was gloomier than a month ago and which projected a much stronger demand from abroad for American farm products.

U.S. grain exports are now projected at a record 77 million metric tons, up from the 68.6 million tons foreseen a month ago. A metric ton contains 2,200 pounds.

Butz said yesterday that he had decided to authorize farmers to plant an unlimited amount of wheat, feed-grains, soybeans and upland cotton next year.

For most of the 1950s and 1960s, when farm prices were low, the government ordered farmers not to cultivate some of their acreage to prevent enormous surpluses from building up.

For grains, that practice ended in 1974, when worldwide shortages developed and prices soared.

The price impact of the Soviet sales has stirred political controversy since the first sales were announced in July.

Assistant Secretary of Agriculture Richard Bell said it appears that the Soviet Union has bought or contracted for 16.5 million metric tons from abroad, well short of that country's estimated needs of 25 million tons.

The department earlier had carried figures showing the U.S. share at 9.8 million tons, but Bell said 400,000 more tons had been sold before the July announcements.

Statements issued yesterday in response to news of a rise in the consumer price index indicated the sensitivity of the Soviet grain shipments.

AFL-CIO President George Meany said that "staggering" increases already have hit grain prices as a result of the Soviet deals. Administration officials conceded that the Soviet sales spurred a speculative boost in the price of grain traded on commodity exchanges for future delivery. But they countered that the prices were still well below the peaks of 1974.

Rep. Brock Adams (D-Wash.), chairman of the House Budget Committee, said his committee's analysis indicates that the current sales will have no adverse impact on the economy if they are kept small.

Administration officials said the sales could have had no impact at all on the July consumer price index, because data for that was gathered too early.

Agriculture Department economists concede that the sales to the Soviet Union will be one factor in the faster rate of food price inflation to the end of the year, but not the main one. They said that as the economy continues its recovery, middlemen in the food distribution chain will pass on higher transportation, energy, packaging and labor costs to consumers.

Wheat exports are seen as a minor contributor to food price inflation because bread is not a big factor in home budgets, and wheat is only a small component of the cost of bread.

The way most consumers feel the impact of exports is in higher animal feed prices, such as corn, caused by strong foreign demand. When these prices go too high, farmers reduce their poultry, dairy, hog and cattle. Then the supply of animal products shrinks and prices for them increase.

So far, Soviet purchases here have been about evenly divided between corn and wheat.

Of the total 1.5 per cent food price increase resulting from the sales to the Soviet Union, some will come this year and the rest will carry over into 1976, the Agriculture Department predicted.

Officials stressed that beef, pork and poultry are expensive now because farmers reduced their livestock many months ago, long before the Soviets bought the grain.

In a related development, the Ford administration scheduled a meeting for Tuesday with maritime union leaders, to seek a settlement of a dispute threatening to block the shipments. The unions announced that they won't load grain to the Soviet Union until it is certain that consumers won't suffer.

VOL. CXXV ... NO. 10/21/75

U. S. AND RUSSIA AGREE ON 5 YEARS OF GRAIN EXPORTS

1.2
Russians to Buy 6 Million to
8 Million Tons Each Year,
Beginning Next Oct. 1

MORATORIUM IS LIFTED

Letter of Intent Signed on Oil Purchase From Moscow With Price Unresolved

By WILLIAM ROBBINS
Special to The New York Times

WASHINGTON, Oct. 20—The White House announced today a five-year agreement with the Soviet Union, effective next Oct. 1, under which the Russians would buy six to eight million tons of American grain a year.

At the same time, President Ford lifted a two-month moratorium on further grain sales to the Russians this year. Representatives of United States companies are in Moscow even now seeking to close additional deals, according to trade sources.

The White House also disclosed a letter of intent, signed today in Moscow, to conclude an agreement to buy up to 200,000 barrels a day of Russian oil and petroleum products.

It was clear that a price for the Russian oil was continuing to hold up agreement. The United States had sought a discount to put pressure on the Arab producing countries and the Russians have reportedly continued to refuse such concessions.

Objective Accomplished

Frank Zarb, administrator of the Federal Energy Administration, said the price remained among the "major" features to be worked out and that the United States would insist on "favorable" rates.

President Ford, in a statement, praised the conclusion of the grain agreement, asserting:

"The long-term agreement signed in Moscow today promotes American economic stability. It represents a positive step in our relations with the Soviet Union."

The grain agreement accomplishes an objective of the United States, which sought to minimize the impact on consumer prices of erratic Russian buying on the world grain markets while realizing the foreign-exchange benefits of further exports to the Soviet Union.

Massive sales of grain to the Soviet Union in 1972, at a time of limited world supplies, have been called a cause of much of this country's subsequent food inflation.

A similar impact was widely feared when the Soviet Union this summer suffered one of its chronic droughts and a resulting shortfall in crop production and then began making large

purchases from United States companies.

Partly because of such fears, American longshoremen imposed a boycott on grain shipments to the Soviet Union, an action that was ended only with an announcement by President Ford that a long-term agreement like that signed today would be sought.

In his statement, President Ford noted that the Soviet commitment to buy a minimum of six million tons of grain would represent \$1-billion a year in export earnings.

8-Million Ton Commitment

Under the terms of the agreement, the United States is committed to supply the Russians up to eight million tons a year unless the total United States grain crop should fall below 225 million tons. American production has not fallen that low in the last 15 years, not even during the drought of 1974.

If the Russians should want more than eight million tons in any year, they would be obligated to consult with the United States representatives before closing further deals with American companies.

In a briefing at the White House, Secretary of Agriculture Earl L. Butz said the agreement would have a stabilizing effect on the American economy. He said it would allow farmers to plan for full production and to make investments more confidently in machinery and labor.

He asserted that the result would be the lowest possible production cost per unit of output and a resulting beneficial impact on consumer prices.

Price Effect Called 'Negligible'

In lifting the moratorium on further sales this year, the United States has obtained a commitment from the Russians that they will consult before buying more than seven million additional tons, the Agriculture Secretary said.

Mr. Butz said that amount was well within the United States capacity after allowing for both domestic needs and commitments to regular export customers. He said the possible effect on United States consumer prices would be "negligible."

The Soviet Union quickly

bought, in a series of deals with American-based companies, a total of 9.8 million tons of grain last July after the effect of a drought became apparent. Along with earlier deals, that brought Russian purchases of grain in the United States to a total of 10.3 million tons.

The Department of Agricul-

ture imposed its moratorium on further sales late in July. Following the longshoremen's boycott, President Ford in early September dispatched Charles W. Robinson, Under Secretary of State for Economic Affairs, to Moscow, to seek the agreement that was concluded today. Meanwhile, in addition to

about four million tons purchased from other countries in July, Russian traders have been buying all the grain obtainable outside the United States.

It is believed that Russians have obtained as much as eight million tons from all sources since the moratorium was imposed.

According to Government

sources, the basic grain agreement was reached early and easily in the negotiations, but a conclusion was delayed by United States efforts to link it with an oil deal.

The letter of intent commits the two countries to begin negotiations on the deal "promptly" to work out the details. President Ford said the negotiations would begin this month.

1.2
**U.S., Russia set
grain-oil sales**

CT. 10-21-75

WASHINGTON [AP]—The United States and the Soviet Union have reached terms for long-range sale of American grain to the Russians and a Soviet commitment to supply some oil to this country, it was learned Monday.

The grain deal, completed by Undersecretary of State Charles Robinson in his third round of talks in Moscow, is designed to stabilize Russian purchases from the United States over the next several years.

In Bismarck, N.D., Rep. Mark Andrews (R., N.D.) said the grain agreement was for five years "cash on the barrel head" and would call for 6 million to 8 million metric tons to be purchased from the U.S. this year and future yearly purchases of 8 million to 10 million tons.

Andrews said the agreement involves mostly wheat and corn.

ALTHO THE GRAIN deal is for cash, Andrews said, when final details are worked out the Soviets probably will have to send the U.S. petroleum or per-

Two disastrous harvests apparently have convinced Soviet leaders that their nation will have trouble feeding itself for some time to come, according to Tribune Moscow correspondent James O. Jackson. It was after this realization that the Soviet leadership agreed to a long-term contract to buy U.S. grain. Page 15

haps liquefied gas. Andrews did not say how much.

In Washington, it was learned the deal was for about 5 million tons of wheat and other grains annually.

Periodic purchases by Moscow, sometimes of enormous volumes, have unsettled prices in the U.S.

This year a poor Russian harvest has led to purchases of 9 million metric tons of grain from American exporters. According to some economists, this proba-

Continued on page 15, col. 4

U.S. and Russia agree on grain-oil deal

Continued from page one

bly will result in a jump of U.S. consumer prices over the next few months.

However, past grain sales to the Soviet Union posed no threat to American supplies. As of Sept. 10, U.S. firms had sold the Russians 4.5 million metric tons of wheat and 4.7 million metric tons of corn. That represents 7 per cent of the 1975 wheat supply—production and stockpiles—and 3 per cent of the 1975 corn supply.

IT ALSO REPRESENTS 33 per cent of the wheat carryover, the amount left after domestic use and regular exports, and 28 per cent of the anticipated corn

carryover. The sales leave the U.S. with expected carryover of 9.1 million metric tons of wheat and 12.3 million metric tons of corn.

In contrast, in 1972, the United States sold the Soviets 99 per cent of the wheat carryover and 34 per cent of the corn carryover. American wheat stockpiles were depleted at a time when drought and famine in the developing countries increased demand for grain.

Much of any increase in prices because of the more recent sales would be attributable to fear prompted by recollection of what happened in 1972. Combined with the effects of rising energy costs and government price controls that disrupted production cycles, the de-

pletion of stockpiles caused food prices to jump almost 30 per cent in two years.

THE SOVIETS WERE hoping for a crop of 215 million metric tons this year, compared to a consumption need of about 200 million metric tons. However, latest American estimates are a harvest of some 170 million metric tons. A metric ton is equivalent to 2,205 pounds.

It was learned an announcement of the deal will specify a stated Soviet intention to sell some oil to the United States. However, knowledgeable U.S. officials said there would be no undercutting of cartel prices set by the 13-nation Organization of Petroleum Exporting Countries [OPEC].

Accord On Grain Assessed

1.2
By Dan Morgan

Washington Post Staff
10/22/75

A senior Agriculture Department official said yesterday that the new Soviet-American grain agreement could permit Moscow to buy as much as 10 million tons of grain a year here without clearing it with the government.

The assessment, by Assistant Secretary of Agriculture Richard E. Bell, came as a number of farm organization leaders criticized the agreement signed Monday between the two countries as government interference in the marketing of American crops. However, some labor and consumer groups praised the agreement.

Bell said the Soviets would be able to buy up to 8 million tons of corn and wheat in normal years without approval from Washington.

The agreement commits the Russians to buy 6 million tons annually starting October 1, 1976, with provisions for buying 2 million tons more when United States supplies exceed 225 million tons. Bell said the possibility was "remote" that available American grain would fall below that volume.

In addition, Bell said, the Russians could buy several million tons more of grain sorghum, barley and soybeans without approval from Washington, since those commodities are not covered by the agreement.

National Farmers Organization President Oren Lee Staley yesterday blasted the grain pact, calling it "government dictatorship with a vengeance."

William J. Kuhfuss, president of the American Farm Bureau Federation, said the agreement establishes "an apparent trend toward government domination of international trade in agricultural commodities."

The AFL-CIO, which pressed Mr. Ford to seek the long-term agreement, said through a spokesman that the deal could increase prices to American consumers but that the increase would be less than if unregulated Soviet purchases were permitted.

Bell said the pact established a "permanent market" in the Soviet Union for American farm products worth \$1 billion a year.

He said that even after total Soviet purchases of grain abroad to date, totaling 23.9 million metric tons, Moscow may still need to buy 6 million to 7 million tons more through next September.

Bell said new estimates of the Soviet crop situation in the food-growing Ukraine and Kazakhstan regions indicate the total Russian grain crop will be "no more than 160 million tons" — the poorest harvest in years and 50 million tons less than planned.

"It could be a very difficult winter," he said.

Regarding the month-long negotiations that ended Monday in Moscow, Bell said the Soviets had agreed informally to space out purchases through the year to avoid disrupting markets here.

But he added, "I didn't think it was made as clear as it should have been." Bell said the Soviet negotiators had refused to agree to provisions that would reduce their buying flexibility. As a result, the American side did not come up with a "hard" agreement for staggered Soviet purchases.

Bell indicated that the toughest negotiating point was an "escape clause" which the Americans wanted and got. It allows Washington to keep Moscow from buying its minimum 6 million tons if U.S. supplies should be less than 225 million tons.

Snag Develops on Shipping Rates

1.2
12/6/75
leaf

Soviet Grain Deal Put in Doubt

By Marilyn Berger
Washington Post Staff Writer

The Kremlin has backed down on an agreement to pay premium rates for shipping of some American grain, throwing into doubt future deliveries to the Soviet Union, which is suffering from a disastrously poor harvest.

American officials were perplexed by a Soviet demand that the grain be carried at market rates—less than \$10 a metric ton—instead of the agreed \$16. Under the grain agreement concluded in September, American flag ships were to carry a third of all the shipments at the premium rate.

The grain deal was contingent on the conclusion of a

new six-year maritime agreement. The current three-year maritime accord ends this month.

Talks on a new pact were deadlocked as the — senior U.S. negotiator, Robert Blackwell, assistant secretary of commerce for maritime affairs, left Moscow yesterday. Soviet negotiators are expected in Washington before the end of the year.

Reuter reported that Thomas Gleason, President of the International Longshoreman's Association, threatened to block U.S. grain shipments if Moscow reneged on the freight rates agreed to last September. The union lifted a boycott against loading grain bound for the

Soviet Union when the new five-year grain agreement was signed.

"If they break that agreement, Gleason said, "I will do everything in my power to fight it and see they do not get any more U.S. grain."

Analysts of Soviet affairs suggested that Moscow was taking a hard line, despite the reports released this week about low yields in this year's harvest, because the Soviets do not like to negotiate from a position in which they appear to have a grossly inferior hand.

The analysts said Moscow does have alternatives to huge American grain purchases. They could slaughter their

livestock, "degrade" bread by putting less protein in it, and, in the word of one analyst, "suffer—they have a great capacity for that."

It was also noted that ships have been waiting for a month to unload grain at the ports of Leningrad and Riga, so the Soviets can afford to wait.

Soviet officials are also well aware that American farmers are eager to sell their grain. It could come down to a choice for the Ford administration between the farmers and the maritime unions. Soviet officials, it was suggested, might think they can rely on Agriculture Secretary Earl Butz to "deliver" for his constituency, the farmers.

1.2
12/19/75
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Soviets Accept Grain Fee

By Peter Osnos

Washington Post Foreign Service

MOSCOW, Dec. 18—The Soviet Union and the United States reached agreement today on a maritime pact that includes continued Soviet payment of a premium rate for the shipping of some American grain to Russia—removing a possible obstacle to substantial grain purchases by Moscow in the United States.

Earlier this month, the Soviet-American talks were suspended when Moscow insisted that the grain be carried at market rates—\$10 a ton—rather than \$16 a ton as agreed in separate negotiations in September.

Apparently, the Soviets changed their minds. Assistant Secretary of Commerce Robert Blackwell arrived here unexpectedly yesterday to resume the bargaining and agreement was reached quickly.

The grain provision is part of an overall maritime agreement between the two superpowers that is now to be extended until Dec. 31, 1981. Although details of the full pact were not disclosed here, a joint statement said it is designed to extend the basic arrangements reached since 1972 concerning the carriage of cargos between the United States and the Soviet Union.

The statement said the "new agreement will facilitate expanding trade between the two countries."

Failure to reach agreement before the previous expiration date at the end of this month would have raised the possibility that U.S. maritime unions might again have sought to block grain deliveries to the Soviets as they did for two months last summer. That action led to discussions of higher rates.

Under an accord reached Sept. 17, U.S. flag ships are to carry a third of all the grain shipped here at the premium rate. But Moscow, suffering from the worst harvest in a decade, nevertheless reopened the subject of rates in negotiating the overall maritime accord.

American officials said the Soviets had probably delayed finalizing the maritime agreement as a negotiating tactic. On the other hand, there is no doubt that the Soviets are uncomfortable about being in a weak bargaining position with the United States on all aspects of the grain issue and are looking for ways to assert their position.

The Russian Wheat Agreement

1.2 10/24/75 S

THE NEW AMERICAN grain agreement with the Soviet Union is a short step in the right direction. It does not promise any great benefit in itself, but it can lead toward broader and more substantial efforts to stabilize the world's grain trade. In contrast, the continued American attempt to get an oil deal with the Russians is a step in exactly the wrong direction. Linking these two subjects, as the Ford administration insists upon doing, is both absurd and dangerous. Absurd, because the wheat agreement is a serious matter and the oil negotiations are not. Dangerous, because the oil sale would discriminate against the Russians' other customers for oil, in Western Europe.

With the grain agreement, the administration acknowledges at last that the American market safely cannot be left wide open to sudden and unpredictable pounces by the Russians. It commits the Soviet Union to buy at least 6 million tons of American corn and wheat every year. But they cannot buy more than 8 million tons without prior consultation with the U.S. government.

That does not foreclose the possibility of larger sales. It seems quite possible that the United States will let the Russians buy as much as 17 million tons this year, in view of the very large harvest here. But the agreement puts a check on the degree to which Russian demand can swing, either up or down. It puts new pressure on the Soviet government to begin building its own reserves in the good harvest years to help see them through the bad ones. Holding reserves is very much in the Soviets' own interests in any case. They have perceived that point, a bit belatedly, and are now moving to expand their storage capacity.

Unfortunately, there are also important shortcomings in this grain agreement. While it pushes the Soviets to hold grain reserves, it does not require them to do it. The long international dispute over reserves is a disgraceful example of global buck-passing. For many years, up to 1972, the world's grain reserves were held involuntarily by the two big producers of North America. Those reserves were simply the surplus grain they could not sell. Partly because of the massive Soviet imports three years ago, but in general because of the worldwide rise in demand, those North American reserves have been run down to a point at which they no longer stabilize prices. The answer is to build up reserves again. But holding reserves is expensive. No country wants to bear the cost. Governments have been bickering inconclusively for the past couple of years over sharing arrangements.

The issue is currently being taken up at the International Wheat Council in London, although the prospects for progress do not seem terribly promising. The European Common Market is apparently miffed by the American decision not to take the question instead to the trade talks in Geneva. But the Russians are not

taking part in the Geneva talks, and a reserve treaty that does not include the Russians is worthless. It needs to be understood that while the Russians are not the world's biggest grain importer every year, they are continuously the world's most unpredictable.

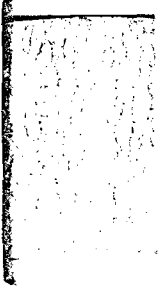
Another defect in the new grain agreement—and this one is the most serious of all—is its implications for our other customers. Japan, for example, is a reliable customer that committed itself last summer to buy American grain steadily at a rate of 14.5 million tons a year. What happens if there is a poor crop in this country? Legally, it appears that the Russians now have a prior claim over the Japanese. True, in a really disastrous harvest, an escape clause in the new agreement would permit the United States to refuse the 6 million ton minimum sale to the Soviets. But supplies could get very tight long before they fell low enough to trigger the escape clause. To give any one buyer—and particularly this one—precedence over the others represents neither good foreign policy nor elementary fairness.

Bilateral deals are a bad way to organize trade in grain, in oil, or in any other commodity. The right kind of agreement is multilateral, extending the same terms and obligations to all nations that want to buy or sell. Bilateral trade treaties inevitably confer a privilege on one country that they deny to others. The Ford administration, to its credit, appears to understand and accept this truth.

Its position is that it faced an emergency, and that the soaring Russian grain purchases had to be controlled quickly. They were rocking the whole American agricultural economy and aggravating inflation. There was no time, the administration concluded, to work out a worldwide grain agreement. That judgment was correct. But this week's bargain with the Russians needs to be seen as just that: a temporary expedient that sets a poor precedent. It makes a world treaty on reserves more urgent than ever.

The worst aspects of the grain agreement are gratuitously reinforced by the administration's misguided attempt to strike a similar bilateral bargain for oil. While the wheat deal has its questionable side, the oil deal has no other side. Since the amount would be small, the whole negotiation is a transparent gesture to impress American voters with the shrewdness of the administration as horse traders. It wants the Russians to sell oil to us more cheaply than they sell to the Germans or the Italians. It's a strange way to persuade the Europeans to open their own markets wider to American goods. The Ford administration keeps saying that, in principle, it still supports open world markets and non-discriminatory trade. It's time for the administration to decide whether to support them in practice as well.

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JUMP THREAT—Unemployed roofer Howard Ray Posey, after quarrel in which his wife threatened to leave him, holds their 6-

month-old baby on fire escape outside their San Diego hotel room. Posey was talked out of his jump threat by Fire Capt. Howard Crosby.

United States International

Russians Buy More U.S. Corn

Associated Press

The Agriculture Department said yesterday that the Soviet Union has bought an additional 301,198 metric tons of U.S. corn, the first purchase since last November.

A department spokesman said the seller was Cargill, Inc., of Minneapolis. There was no estimate of the value of the grain.

The disclosure was included in a weekly report of export commitments by the department. Officials said, however, that the corn sale does not represent additional grain bought by the Soviet Union this season.

Officials said the Soviets originally intended to purchase the grain from Argentina but switched to U.S. suppliers. The changeover, however, boosted U.S. grain sales to Russia in 1975-76 to about 13.4 million tons. A metric ton is 2,205 pounds, equal to about 39.4 bushels of corn.

The Soviets bought about 10 million tons of U.S. grain last summer before the Ford administration imposed an embargo on further transactions. On Oct. 20 the White House announced a new five-year sales agreement with the Soviets, calling for 6 million to 8 million tons of wheat and

corn to be provided annually beginning next Oct. 1.

At that time the embargo was lifted and about 3 million more tons of U.S. grain was sold. That amounted to a cumulative total of more than 13 million tons by early November. The corn sale announced yesterday was the first since then.

The current sales, dating from last summer, represent grain that Russia has bought to help make up its 1975 harvest deficit, a crop that fell far short of Moscow's initial goals, and is not part of the five-year deal which calls for deliveries to begin next fall after 1976 U.S. harvests are ready.

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Soviet is Purchasing \$400 Million Worth Of American Grains

1.2
By WILLIAM ROBBINS

Special to The New York Times

WASHINGTON, April 28—

The Soviet Union, in a long-awaited re-entry into the United States market, has bought 3.1 million tons or 122 million bushels, of corn and 300,000 tons, or 11 million bushels of wheat, the Department of Agriculture announced today.

The sales were made in three separate deals by the largest American grain trading houses, Cargill, the Continental Grain Company and Cook Industries.

No dollar value was announced for the agreements, but on the basis of current prices for contracts in commodity markets, the deals would be worth a total of more than \$400 million.

Today's sales follow the Soviet purchase of two million tons of wheat just yesterday from Canada and one million from Australia, and a high United States Agriculture Department official said today that still more sales were considered likely.

"Discussions are still going on, and I expect further sales," said Richard E. Bell, Assistant Secretary of Agriculture.

The Agriculture Department has long expected and hoped for such deals because of large expected carryovers of both wheat and corn and recent price declines, which have disturbed farmers.

Today's sales continue heavy purchasing that started last

summer as a result of the Soviet Union's disappointing grain crops. Because of severe droughts, the Russians harvested 140 million tons of grain, compared with an early target of 215 million tons.

The Soviet crops are expected to fare better this year, but are still considered unlikely to produce enough to put adequate reserves in the country's depleted bins.

Under October Accord

Of the total grain sold, 1.4 million tons will come under the United States-Soviet agreement, announced last October, under which the Russians are obligated to buy at least six million tons of grain a year for five years, beginning next Oct. 1.

The 1.4 million tons of so-called new crop grain, still to be harvested, includes 1.1 million tons, or 43.3 million bushels, of corn and 300,000 tons, or 11 million bushels, of wheat.

All the sales were metric tons of 2,205 pounds each.

The remainder of the purchases, or two million tons of corn, were made for delivery before the Oct. 1 effective date of the five-year agreement.

The top sales of United States grain to the Soviet Union from the last crop thus stand at 15.8 million metric tons, including 4.4 million metric tons of wheat, or 161.7 million

bushels, and 11.4 million tons of feed grains.

The first of today's sales was announced shortly after commodity markets closed. It was a sale of 400,000 tons of old crop corn for delivery through July, made by Cook Industries.

That was followed shortly by the announcement of Cargill's deal. That company sold a million tons of corn, 500,000 tons of it for delivery before Sept. 30 and 500,000 tons for deliv-

ery from the new crop, after Oct. 1.

Then late today, Continental confirmed that it had concluded the largest of the three deals, 1.7 million tons of corn and the 300,000 tons of wheat. The wheat and 600,000 tons of the corn are for delivery from new crop grain after Oct. 1. The other 1.1 million tons of corn, from old crops, would be delivered before October.

Mr. Bell had predicted earlier

that new sales to the Soviet Union were likely to bring the total volume from the old crop to about 17 million tons.

Before today's sales were announced, the Agriculture Department had said it expected the grain carryover to total about 550 million bushels, or 15 million metric tons, of wheat and 462 million bushels, or 11.8 million metric tons, of corn when the new crops are harvested this summer and fall.

U.S. grain export tangle grows

Christian Science
Monitor
August 20, 1975

1/1
By Godfrey Sperling Jr.
and Harry B. Ellis
Staff correspondents of
The Christian Science Monitor 7/20/75

Washington

President Ford is reported to be looking hard at some form of long-range grain trading arrangements with the Soviet Union, as controversy over the sales intensifies among longshoremen and farmers.

Longtime Ford associate Melvin Laird told newsmen Aug. 19 that Mr. Ford was making a judgment on how best to deal with Moscow on a long-term basis since, Mr. Laird said, it made no planning sense to deal with Soviet needs on an emergency basis — "whenever they come to the U.S."

Current emergency-style trading, Mr. Laird said, meant that U.S. officials "are letting the Soviet Union trade the socks off exporters from the U.S."

Later, Mr. Laird told this newspaper that Mr. Ford had the option of going for some kind of long-term arrangement, such as the three-year agreement for grain sales with the Japanese.

A spokesman for Agriculture Secretary Earl Butz said it would be helpful if the Soviet Union would build up its capacity to store grain, so that it could enter the U.S. market more evenly each year. The Soviet climate forces periodic crop failures, the spokesman said; Secretary Butz is urging the Soviets to compensate by storing more grain, instead of making sudden large purchases which cause prices to fluctuate.

Reuben Johnson of the National Farmers Union agreed that at times the Soviets had been "somewhat disruptive" in the world grain trade because they were "in and outers."

At the same time, East Coast and Gulf longshoremen have their eyes on more jobs for their union as well as rising prices for the consumer as they refuse to load any grain shipments for the Soviet Union until they are assured that domestic prices will not shoot up as they did in 1972.

President Ford said in Minneapolis Aug. 19 that he was "disturbed" by the action of the longshoremen.

*Please turn to Page 19

U.S. grain export tangle continues to grow

Continued from Page 1

And U.S. farmers are up in arms at the longshoremen's actions, demanding the right to export the huge crop they have grown. Currently, sales to Moscow are suspended by Mr. Butz while the U.S. assesses the exact size of the crop; the latest estimate was down 3 percent from the previous one, though still a record.

The International Longshoremen's Association (ILA) — in concert with other U.S. maritime unions — want to use the grain sales to provide more and higher-paying jobs for American seamen and ships.

At issue are the number of U.S. vessels, as opposed to foreign, that will carry this year's corn, wheat, and other grains — 9.8 million tons so far has been ordered by the Soviets, with more to come — and the freight rates involved.

In October, 1972, the U.S. and Soviet Union signed a maritime agreement, stipulating that one-third of the grain bought by Moscow would be shipped in American vessels, one-third in Soviet ships, and the final third in ships of other nations.

Partly because of the Vietnam War, shipping was tight and American owners voluntarily gave up their full quota. Now, however,

merchant traffic is slack and U.S. maritime unions and shipping firms want a new agreement, with more than one-third of grain cargoes to be carried in American bottoms.

Beyond this, the unions are pressing for a higher freight rate than now prevails. So is the U.S. Maritime Administration, since — under current U.S. law — low rates must be supported by subsidies from the U.S. Treasury to American shipping firms.

Meanwhile, "the only thing," says Joseph Halow, executive vice-president of Great Plains Wheat, Inc., "that persuaded American farmers to produce a crop this size was the prospect of selling it."

At least two-thirds of this year's wheat crop, said Mr. Halow in a telephone interview, estimated at 2.1 billion bushels, "must be exported."

Otherwise, he added, farmers will be left with huge carryover stocks, prices will plummet, and next year will see a "substantial reduction" in the amount of land sown.

President Ford says that, without maximum U.S. farm exports, "we would have a huge balance of payments deficit, our dollar would be weakened in foreign markets, and we would pay higher prices for the many items we import every day."

1.2

Ford Predicts Grain Sale Solution If All Sides 'Cool It'

By Carroll Kilpatrick
and Tom Curtis

Washington Post Staff Writers

President Ford said yesterday that the maritime union boycott of grain sales to the Soviets can be resolved if all sides "cool it."

The nation, he said, needs "the overseas sales of American agriculture and we are going to find a way to make certain" they continue.

In Houston, meanwhile, longshoremen complied with a temporary federal court order and returned to their jobs loading 25,000 tons of Russian-bound wheat aboard the Yugoslav tanker *Bosanka*. A second grain ship bound for the Soviet Union was loaded without incident at another dock.

In Galveston, U.S. District Court Judge James Noel, who issued the restraining order late Tuesday, heard arguments

yesterday on a shippers' request for an injunction against future walkouts. Bryan Williams Jr., an attorney for the shippers, said four more ships are expected soon at Texas ports and Lake Charles, La., to carry recently purchased American grain to the Soviet Union.

AFL-CIO President George Meany has said longshoremen at Gulf Coast, Atlantic and Great Lakes ports have been ordered not to load grain bound for the Soviet Union. He has said AFL-CIO maritime unions want assurances from the Ford administration that the grain sales will not cause increases in U.S. food prices and that the government will take steps to provide more work for American seamen.

In Vail, Colo., Mr. Ford tele-

phoned Meany and asked him to work with Labor Secretary John T. Dunlop to resolve the export problem.

An AFL-CIO spokesman said Meany would have no comment on the call.

The President promised representatives of the nation's wheat growers he would work with labor and other groups opposing the sales to find a solution, cautioning the wheat interests that the best approach is to "lower our voices and negotiate a settlement."

"If we cool it for the time being I'm confident we can find some answers," Mr. Ford told the directors of three wheat organizations at a Vail hotel.

Directors of the National Association of Wheat Growers, the Western Wheat Association and the Great Plains

Wheat Association met here Monday and Tuesday and continued their meeting today in order to meet the President.

Dunlop is trying to lay the groundwork for a negotiated settlement, said press secretary Ron Nessen.

The President described the controversy over sales of wheat and other grains as "an extremely important problem" involving farmers, consumers and labor. He repeated his pledge, made in a speech at the Iowa state fair in Des Moines Monday, to support a policy of full production for agriculture.

Full production "gives us great flexibility" in feeding the hungry as well as in the exercise of foreign policy, he said.

"We want to sell more abroad and we will sell more,"

he said, adding that it is necessary to await the Sept. 11 crop report to determine how much grain can be safely exported.

The Soviet Union has had a "serious crop failure but the extent of it is not known precisely," the President said. "They will be in the market for additional" grain purchases in this country, he said.

It is important to guard against the "kind of total disruption in the market" the nation experienced in 1972, when both China and the Soviet Union were heavy grain purchasers, Mr. Ford said.

The President said that the government is negotiating with the Soviet Union to get "a better freight rate" for American ships hauling the grain. He said he wanted to

see more U.S. ships used in carrying the grain abroad.

After their meeting with the President, leaders of the farmer organizations said they would take no action on wheat exports until after the Sept. 11 crop reports.

But they threatened a boycott by farmers on the purchase of goods produced by union labor if the maritime union boycott is not settled by that date. Ken Kendrick, president of the Great Plains Wheat Association, said "it will be a whole new ball game" after Sept. 11.

In Galveston, Judge Noel told attorneys that he will resume his hearings on the request for a temporary restraining order on Friday after they have agreed on uncontested facts in the case.

A federally designated arbitrator was standing by today in Houston, but he said his role appeared to be moot since "we don't have a walkout anymore."

On the docks, longshoremen seemed surprised but happy to be back to work.

"I'll go along with union officials, whatever they say," said one veteran longshoreman.

"It's just another day at work," said another. Raymond Vaughn, who has been on the docks for 15 years, he said he had "no strong feelings" about loading grain destined for the Soviet Union. Both men are members of Houston's International Longshoremen's Association (ILA) local 1273, the white local (Texas I.L.A. unions remain segregated by race).