The original documents are located in Box 10, folder "Grain Sales to the Soviet Union" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS
ON THE SUPPLY OF GRAIN

The Government of the United States of America ("USA") and the Government of the Union of Soviet Socialist Republics ("USSR");

Recalling the "Basic Principles of Relations Between the United States of America and the Union of Soviet Socialist Republics" of May 29, 1972;

Desiring to strengthen long-term cooperation between the two countries on the basis of mutual benefit and equality;

Mindful of the importance which the production of food, particularly grain, has for the peoples of both countries;

Recognizing the need to stabilize trade in grain between the two countries;

Affirming their conviction that cooperation in the field of trade will contribute to overall improvement of relations between the two countries;

Have agreed as follows:

ARTICLE I

The Government of the USA and the Government of the USSR hereby enter into an Agreement for the purchase and sale of wheat and corn for supply to the USSR. To this end, during the period that this Agreement is in force, except as otherwise agreed by the Parties, (i) the foreign trade organizations of the USSR shall purchase from private commercial sources, for shipment in each twelve month period beginning October 1, 1976, six million metric tons of wheat and corn, in approximately equal proportions, grown in the USA; and (ii) the Government of the USA shall employ its good offices to facilitate and encourage such sales by private commercial sources.

The foreign trade organizations of the USSR may increase this quantity without consultations by up to two million metric tons in any twelve month period, beginning October 1, 1976 unless the Government of the USA determines that the USA has a grain supply of less than 225 million metric tons as defined in Article V.

Purchases/sales of wheat and corn under this Agreement will be made at the market price prevailing for these products at the time of purchase/sale and in accordance with normal commercial terms.

ARTICLE II

During the term of this Agreement, except as otherwise agreed by the Parties, the Government of the USA shall not exercise any discretionary authority available to it under United States law to control exports of wheat and corn purchased for supply to the USSR in accordance with Article I.

ARTICLE III

In carrying out their obligations under this Agreement, the foreign trade organizations of the USSR shall endeavor to space their purchases in the USA and shipments to the USSR as evenly as possible over each 12-month period.

ARTICLE IV

The Government of the USSR shall assure that, except as the Parties may otherwise agree, all wheat and corn grown in the USA and purchased by foreign trade organizations of the USSR shall be supplie for consumption in the USSR.

ARTICLE V

In any year this Agreement is in force when the total grain supply in the USA, defined as the official United States Department of Agriculture estimates of the carry-in stocks of grain plus the official United States Department of Agriculture forward crop estimates for the coming crop year, falls below 225 million metric tons of all grains, the Government of the USA may reduce the quantity of wheat and corn available for purchase by foreign trade organizations of the USSR under Article I(i).

ARTICLE VI

Whenever the Government of the USSR wishes the foreign trade organizations of the USSR to be able to purchase more wheat or corn grown in the USA than the amounts specified in Article I, it shall immediately notify the Government of the USA.

Whenever the Government of the USA wishes private commercial sources to be able to sell more wheat or corn grown in the USA than the amounts specified in Article I, it shall immediately notify the Government of the USSR.

In both instances, the Parties will consult as soon as possible in order to reach agreement on possible quantities of grain to be supplied to the USSR prior to purchase/sale or conclusion of contracts for the purchase/sale of grain in amounts above those specified in Article I.

ARTICLE VII

It is understood that the shipment of wheat and corn from the USA to the USSR under this Agreement shall be in accord with the provisions of the American-Soviet Agreement on Maritime Matters which is in force during the period of shipments hereunder.

ARTICLE VIII

The Parties shall hold consultations concerning the implementation of this Agreement and related matters at intervals of six months beginning six months after the date of entry into force of this Agreement, and at any other time at the request of either Party.

ARTICLE IX

This Agreement shall enter into force on execution and shall remain in force until September 30, 1981 unless extended for a mutually agreed period.

DONE at Moscow, this   day of October, 1975, in duplicate, in the English and Russian languages, both texts being equally authentic.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE UNION
OF SOVIET SOCIALIST REPUBLICS:

Not rice per Jane 10/20/75
per John Carlson

[10/17/75]

FILE

SUGGESTED TALKING POINTS
FOR CONGRESSIONAL CONSULTATIONS

The President asked that you be brought up-to-date on the outlook for conclusion of a long term grain agreement with the Soviet Union.

Since the negotiations are not complete, I hope that you will handle this confidential material with great care.

Under Secretary Robinson is back in Moscow. While we cannot be certain, it looks like we will end up about as follows:

Grain

1. A long term (five year) grain agreement will be signed. It will provide for minimum annual purchases by the Soviet Union of six million tons of corn and wheat.

2. Unless we have an extraordinarily short crop, the Soviets will have an option for an additional two million tons.

3. Above ~~eight~~ 8 million tons, they will have to consult the U.S. Government and obtain approval before purchasing.

4. We will have a crop disaster escape clause from the six million ton minimum.

Oil

This has been hard going but we anticipate agreement on a letter of intent to conclude a long term five year agreement under which the U.S. could purchase ten million tons of Soviet crude oil and products a year.

Maritime

We announced earlier that agreement had been reached on a freight rate structure for hauling U.S. grain that was most favorable to our interests. We anticipate renewing the bilateral U.S.-Soviet Maritime Agreement before December 31, 1975, but negotiations are still in course. This agreement provides, and will continue to provide, that at least one-third of the grain will move in U.S. vessels.

We anticipate that when the negotiations are completed the President will make an announcement.

This entire project has been a team effort in which Under Secretary Robinson had the negotiating lead but with close support and coordination of the Department of Agriculture, Federal Energy Adminstration, the Maritime Administration, among others.

When Secretary Robinson returns from Moscow, he will be available to the Congress for briefings. In the meantime, those members of his team who are in Washington will be glad to meet with the appropriate committees and respond to questions. The negotiating team was made up of Ambassador Hinton of State, Assistant Secretary Richard Bell of Agriculture, the Deputy General Counsel of FEA, Mr. Joe Bell, and Mr. Mark Feldman of the Legal Advisor's office in State.

October 17, 1975

FOR IMMEDIATE RELEASE OCTOBER 20, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

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.

(MORE)

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.

# # #

EMBARGOED FOR RELEASE
UNTIL 4:00 P.M. (EDT)

October 20, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

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.

more

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.

-- 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.

more

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.

# # # #

FOR IMMEDIATE RELEASE OCTOBER 20, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
EARL BUTZ
SECRETARY OF THE
DEPARTMENT OF AGRICULTURE
L. WILLIAM SEIDMAN
ASSISTANT TO THE PRESIDENT
FOR ECONOMIC AFFAIRS
FRANK ZARB
ADMINISTRATOR OF THE
FEDERAL ENERGY ADMINISTRATION
DEANE R. HINTON
DEPUTY UNDER SECRETARY OF STATE
AND
ROBERT BLACKWELL
THE MARITIME ADMINISTRATOR

THE BRIEFING ROOM

4:20 P.M. EDT

MR. NESSEN: First of all, you have received some of the paperwork for this. It is embargoed until the end of the briefing.

I am going to read you a statement by the President, which we do not have yet on paper but will by the end of the briefing. We will hand that out at the end of the briefing. As soon as I have finished reading the President's statement, I will introduce you to the gentlemen here behind me, who will give you further explanation and will answer your questions. So let me begin first by reading you a relatively brief statement by the President.

"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, the President is 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, and provided jobs for American transportation workers and seamen.

MORE

"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.

"The President has 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."

To give you more details and to answer your questions we have, first of all, the Secretary of Agriculture, Earl Butz; Bill Seidman, the Assistant to the President for Economic Affairs; Frank Zarb, the Federal Energy Administrator; and Deane Hinton, Ambassador Hinton, Deputy Under Secretary of State. He is the deputy to Charles Robinson, who was the leader of the delegation which negotiated that agreement.

Q And we will get that statement?

MR. NESSEN: It is being typed right now.

I am sorry, we also have Bob Blackwell from the Maritime Administration.

SECRETARY BUTZ: I guess, Ron, this means each of us has five minutes? Is that the way I interpret this? (Laughter)

We are delighted with the conclusion of this five-year agreement with the Soviets. The purchase is, as was indicated in the President's statement, a minimum of six million tons per year, even in those years when the Russians have full production, with a corridor for additional purchases of two million tons additional, except in those years when our supply may fall below 225 million tons. That is an escape clause that was put in there to safeguard all of our customers, domestic and foreign, in the case of a short crop.

I may point out that the lowest our total supplies have been in the last 15 years was 226 million tons in the 1974-1975 year, so that this is a very low figure but is a safety valve, I may point out.

MORE

This goes a long way, I am convinced, to iron out the wide fluctuations in Soviet purchases -- not alone in this market, but in the world market, too -- from year to year. That has been a principle destabilizing factor in grain prices both in this country and abroad so that they are in very heavy one year, the next year they are out and the next year they are in very heavy. This will have the effect of ironing out, evening out, the Soviet purchases in this country and concommitant with it, I am sure, will be increased storage in the Soviet Union itself.

There is considerable evidence that they have committed additional capital this year to the construction of storage silos internally in Russia, and this means that if they make purchases in this country of a minimum of six million tons, in those years when they have a good crop, it obviously will be stored against the time when they have a bad crop. Therefore, that is good for us, it is good for the world market, it is good for our consumers and good for the Soviets.

In any particular year, if they want to purchase beyond eight million tons, the agreement provides for a consultation. To the extent that supplies are available in this country and we are able to meet the commitments that come from our normal export sales to our regular customers, obviously, we will be favorably disposed towards sales of that kind.

This agreement takes effect next October 1, beginning with the 1976-77 crop year. The question arises as to what will occur the rest of this year.

As Mr. Nessen just read in the President's statement, he said he is, as of this date, lifting the embargo, the temporary embargo or temporary suspension of the sales to the Soviets. As you know, we had previously sold the Soviets 9.8 million tons of grain from this year's crop. There was additionally about 500,000 tons which had been sold earlier for delivery out of this year's crop, making a total of approximately 10.3 million tons which has been sold.

We don't know how much additionally the Soviets will purchase from the 1975 crops yet in the period before this agreement becomes effective on October 1, 1976. Our assessment is that additional Soviet purchases of U.S. grain from the 1975-76 crop year -- that is the year we are in right now -- will be no more than seven million metric tons.

Now there has been various speculations about there might be five million. We don't know that there will be seven million. Our best intelligence is that the Soviets have bought a great deal of grain around the world, wherever they could purchase it, during the time this embargo has been in effect.

MORE

They have almost been in the retail market in some places getting this, but if there is any more substantial purchases to be made by anybody they almost have to be made in this country because we have about the sole remaining supply of feed grains to purchase. We expect these purchases, whatever they are, to be spread over time and we have that assurance from the Soviets, so it won't impact greatly on the market price one way or the other.

The Soviets have informed us that they will consult us if they wish to purchase an amount exceeding that level. This is not to say that we won't sell an amount exceeding seven million tons if they should want more than that, but we have an arrangement whereby they will consult and we will take a hard look at the situation at that time.

Our department will continue to monitor these purchases very closely, as we have, and there will be no additional sales beyond that seven million tons without such prior consultation.

The requirement remains in effect that every sale in excess of 50,000 tons to anybody be reported within 24 hours. We will continue to monitor the sales to the Soviets very closely.

I think this is a very fine culmination to a situation that started last July when we held up sales after sales had reached 9.8 million tons. We have one of the largest crops ever in the United States this year. Our wheat crop is substantially above, some 17 percent above, last year's wheat crop. Our corn crop is nearly 23 percent above last year's crop.

There is every indication that we can meet the requirements of our normal customers, plus the seven million I speak of to the Soviets, plus our domestic requirements, and still increase the carryout of feed grains and food grains in the current year.

I think those are all the comments I have.

Q Mr. Secretary, do you think the American farmer now will plant a larger crop in 1976 with this agreement?

SECRETARY BUTZ: No, sir, I don't think so because he planted about as large a crop as he could plant for 1975. We encouraged our farmers to plant fully in 1975. They did. We have already indicated that there will be no set-aside in 1976, and we have asked for full production in 1976.

MORE

I think he won't plant a larger acreage. There will be some shift in acreage. I think we may have some decrease in soybean acreage and some increase in corn acreage where they both compete for the same land.

I think you may find a little heavier fertilization in some cases because nitrogen is going to be a bit cheaper next year than it was last year, and with this kind of an assured market I think you may find more in production investment inputs, as a result. I don't think you can have much more acreage.

Q Mr. Secretary, could we ask just about this oil thing? I am not quite sure I understand this.

Does this mean that they have just now agreed to talk about the oil deal, that no agreement has been made yet?

SECRETARY BUTZ: I think Frank should answer that one.

Q Do you have anything more to that than what it appears at first glance, Mr. Zarb?

MR. ZARB: It is somewhat more than that. It is certainly not a final agreement. It is an agreement to talk about details within certain parameters that are outlined in the order of intent.

Q But do they have an agreement to sell us any oil?

MR. ZARB: No, sir. At the moment, the agreement is that both parties will work in good faith towards the conclusion of an agreement which might have that final result.

Q What is the hold-up in getting that oil agreement?

MR. ZARB: Just completing the discussions that would be necessary to complete such an agreement.

Q How many barrels did that translate to?

MR. ZARB: 200,000 barrels a day.

Q 200,000 barrels a day?

MR. ZARB: Yes.

Q A day?

MR. ZARB: That is correct.

Q Are we arguing over price? I mean, we wanted them to sell below OPEC?

MR. ZARB: The discussion from both parties is going to have to hear results that would be favorable to both, and certainly from our standpoint we would want favorable terms. Those discussions have not been concluded, and I don't think I ought to get into the details of what one party is saying to the other at this moment.

Q Is this amount of oil significant? Is it worth all of the hassle?

MR. ZARB: 200,000 barrels a day on a base of 16-1/2 million to 17 million is not that large in itself. However, I certainly support discussions with any new sources around the world, so long as we are an importer, where we might have terms ultimately favorable to this Nation. So, from the standpoint of whether it is worth the hassle, I think it is.

Q Is that really a new source? Haven't we bought Russian oil before?

MR. ZARB: Not in these quantities.

Q How much have we bought from them before?

MR. ZARB: It is a very small number. I am sorry, I don't have the number but we will get it for you.

Q This is a very small number, too, but it is a smaller number, you say?

MR. ZARB: Yes, and it was not done in the context of a discussion between the parties.

Q This is not a swap, is it, a quid pro quo --

MR. ZARB: Not the way the letter of intent is structured, that is correct.

Q What is the 16-1/2 million or 17 million figure? Is that imports?

MR. ZARB: No, that is our total consumption every day as a Nation.

Q Is this agreement satisfactory to the American Maritime Unions? Does this end any prospective boycotting in the loading of ships to the Soviet Union?

MR. SEIDMAN: They have been briefed on the matter, and I think that you should consult with them to find their views on it.

MORE

Q What is the percentage deal there on American ships? Is that in one-third, one-third, one-third?

MR. SEIDMAN: One-third, the same as it was before.

Q Are the reports true that the Russians have absolutely refused to sell us oil at a lower than world price level, or is that still an issue in these discussions?

MR. ZARB: The question of price is still an issue in the discussions and all of the terms surrounding an ultimate agreement are still open in the discussion. The statement said we will begin a detailed discussion of these issues this month.

Q But when you are talking about parameters, haven't the parameters been narrowed to about a seven percent discount?

MR. ZARB: Seven percent discount from what?

Q Isn't the oil going to be old at about a seven percent discount from OPEC prices?

MR. ZARB: There has been no number of that nature that is even close to agreement in those discussions. I don't know where they came from.

Q Where are you now?

MR. ZARB: I would just as soon not get into the individual details of the discussions except to say that we believe that we ought to have terms that are favorable to the American people in such a transaction.

Q Mr. Zarb, these terms in the letter, are these already agreed on, and are other points outside of this still pending?

MR. ZARB: These are the parameters within which the discussions would take place. These are general in nature, each one of these bullets, and it is the details that would have to be worked out and it is silent on the price provision except to say that it needs to be mutually agreed to.

Q For instance, this says annually 10 million metric tons.

MR. ZARB: It is 200,000 barrels a day.

Q That is the decided on figure?

MORE

MR. ZARB: That is the parameter in which we are talking, yes.

Q But you are not really anywhere near agreement to the oil, are you, Mr. Zarb? I mean, you have agreed to talk about it and there really has been nothing else beyond that, has there?

MR. ZARB: "Anywhere near" is kind of a relative measure. We are further than we were six weeks ago but we are not at a point where I could say that an agreement is imminent within a day or two.

Q Do you expect one this month? Within a month?

MR. ZARB: I just don't know. The discussions will resume this month on these detailed issues and it will depend on how well the discussions go.

Q But you have some major issues to resolve like what the price is and a lot of other things.

MR. ZARB: I think it is fair to say that there are major issues to be resolved.

Q Who changed the exporting requirements? You just said 50,000 tons and I believe it is 100,000 tons. Have we changed what the exporters have to report on?

SECRETARY BUTZ: No, sir, it has been 50,000 tons for some time.

Q Could we ask Mr. Seidman what the economic benefits of this grain agreement are in some specifics?

MR. SEIDMAN: They are listed in the statement which Ron read to you.

Q That was not very specific. I was hoping you could do better than that.

Q What does this mean to the price of bread? (Laughter)

SECRETARY BUTZ: If I just had my loaf of bread now.

Q We have all seen it. We can manage.

SECRETARY BUTZ: I think the market has almost completely discounted these additional sales. There has been speculation in the press and you have all written stories yourself about the Russians going to buy an additional seven million tons or five or six, you pick your figure -- I have seen five more frequently than anything else, I think. We don't know that they are going to buy five million tons or six or seven.

MORE

I just said here today that we have agreed with them that they can purchase seven million if they want to and beyond that we are going to consult and take a hard look at it.

What will be the impact on the price of bread? Negligible. You add a whole dollar a bushel to the price of wheat right now and the increased price of wheat in a loaf of bread would add approximately one cent to a loaf of bread that currently sells for 45 cents, but I think the market has discounted this already.

Q Mr. Butz, have you lost the power to make agricultural decisions in the Administration?

SECRETARY BUTZ: No, sir. I am free to decide what time we set our office hours. (Laughter)

No, sir. The answer is no, but on matters like this obviously it is broader than agriculture, just as I participate in decisions at the White House level that are outside the field of agriculture, as I do sometimes as a member of the Economic Policy Board.

It is true that I have made some recommendations in the past two months that have not been accepted; I have made some that have been accepted. The only thing worse than a fathead in this world is a sorehead, and I am not one of those.

Q Since the Russians went around buying wheat and so forth, do you think the embargo was wrong?

SECRETARY BUTZ: In the total context of the situation the embargo was not wrong. In the first place, we put it on in early July at a time when we had only had the July 1 crop report and that was based on acreage. Last year the deterioration in our corn crop occurred during July and August, and while this year we were pretty sure it would not happen there was always a chance it could happen.

We had a much better planting spring this year than last year and therefore I think in the context of the times it was proper, and it was proper in view of the tremendous emotional reaction in this country that occurs almost with a knee jerk emotional reaction when you sell anything to the Soviets.

This is one of the reasons that I welcome this long-term agreement. I think it means a great deal to us from the standpoint of our farmers and our consumers.

MORE

I likewise welcome the letter of intent to negotiate on 10 million tons of oil a year. I don't know how much 10 million tons is but in my book 10 million tons of anything is a lot. I think it means a lot from the standpoint of shipping because you can ship feed grains in oil tankers and it means you don't have to deadhead back to pick up another load.

It is a little more difficult to ship food grains because you have got to clean the tankers a bit more thoroughly and it costs a bit more to do it, but it is economical, I am told, to clean an oil tanker to ship feed grains. If you can get a two-way transport out of this, it lowers the cost to both of us and I think makes sense.

Q I don't believe I got an answer to my question about what are the economic benefits for consumers? If Mr. Seidman would address that.

SECRETARY BUTZ: Well, there are many economic benefits for consumers. First, let me take the question of neutralizing this tremendous destabilizing factor we have had in prices because of the erratic character of the Soviet purchases. That is the first benefit and that is a benefit I think to our whole food industry here because it gives you a more stable price for your raw supplies.

Secondly, this means that minimum of a billion dollars a year of added foreign exchange. Now then you can put that in the form of the oil that we hope we can get, if you wish; you can put it in the form of more foreign exchange with which we paid for that Nikkon camera you have there in a three-way trade with the Russians.

Somehow or other we didn't pay for that with Japanese Yen; we don't print Japanese Yen. We paid for that with American soybeans. Trade is a multi-national thing, you see. There are many benefits to the American consumers from this.

MR. SEIDMAN: May I say the good Secretary forgot to say that it assures the American farmer of full production costs.

SECRETARY BUTZ: That is quite right. I would not want you to leave that out.

Q Does this tend to stabilize prices at a higher level?

SECRETARY BUTZ: There is another benefit, I might say, that as long as we have got this market for it, it assures the American Secretary of Agriculture of success in his current farm program.

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Q Could I ask Mr. Seidman, does this tend to stabilize food prices at a higher level? I mean, stabilization I can see -- but at a higher level, at a lower level, at the same level?

MR. SEIDMAN: We don't believe so. We believe, actually, that this sale will have a negligible effect on the CTI and on the cost of living which is, I guess, the essential you want to know about.

The answer is we don't believe that it will affect it in any material way.

SECRETARY BUTZ: Let me make just a comment because the question Linda asked is one very frequently asked.

It is in the interest of American consumers to have American agriculture in a posture of full production. This is the way we get our lowest unit costs of production. If we don't have a full and viable export market, then we shortly get in the posture of curtailing agricultural output in this country at considerable Government expense and our unit cost of production goes up if we operate at 80 percent of capacity rather than 100 percent of capacity. Therefore, this is in the interest of lower-cost food for consumers; that it would be without a viable export market.

Q Mr. Butz, is this equal wheat and corn? Can you describe what percent it is of the American crop?

SECRETARY BUTZ: What percent this is of the American crop?

Q Yes.

SECRETARY BUTZ: Not a great deal. The American -- I am so used to thinking in terms of bushels. We produced 2.1 billion bushels of wheat this year. Total grain was about 240 million tons, and 6 million tons of that will be 3 percent, roughly.

Q Mr. Secretary, was the grain deal contingent in any way opon the oil deal?

SECRETARY BUTZ: No, sir.

Q No relationship between them?

SECRETARY BUTZ: No, sir. The discussions were proceeding simultaneously and parallel but they were independent discussions.

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Q Mr. Zarb, on that same point I would like to ask you a question, if I could, please.

Mr. Zarb, realizing the Russians got what they wanted on the grain deal and the Americans got what they want on the grain deal, while it is hoped that the Russians will agree to sell us oil there is no guarantee that the Americans are going to get any oil out of the Russians except should that develop in future negotiations, right?

MR. ZARB: You are asking me whether there is a guarantee that we are going to conclude a deal? Is that your question?

Q No. There is no guarantee that we are going to get any Soviet oil?

MR. ZARB: Well, as was pointed out before, we have been getting some but a small amount of Soviet oil and the question really is I don't think whether or not we are going to get Soviet oil, it is whether we are going to be getting Soviet oil at mutually beneficial terms and that is the issue to be resolved.

Q You think we will get something but it may end up at OPEC prices?

MR. ZARB: I am not prepared to say yes to that question. I think we will wait and see. Obviously, there is no advantage to concluding a deal unless it has some reason for you to do business in that end of the world.

Q If we could not get it at a discount price, would we then purchase any Soviet oil?

MR. ZARB: I think I just rest on my statement that we need to have beneficial terms in our acquisition of that oil and leave the rest of the interpretation up to you.

Q So it is possible that the oil deal may never materialize?

MR. ZARB: I think in all matters of international transactions, as well as domestic, that that is always a possibility but the letter of intent indicates a good faith on both parties to pursue an objective which we think can be mutually advantageous to both sides.

Q Didn't the United States lose its leverage when it made the grain deal? What is the leverage any more on the oil? Is there a secret agreement here?

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MR. ZARB: There is no secret agreement here. The oil deal is going to obviously have to stand on itself as the grain deal has been completed.

Q Why link them at all?

MR. ZARB: They were linked at the outset because they were transactions that could be related, particularly in their transportation, and it was clear during the discussions that a satisfactory and good grain deal could be concluded and that the parties wanted more time to work on an oil deal.

I think within that context we can move forward. I think that is the reason why the letter of intent was completed at the same time that the grain deal was completed.

Q We have lost the leverage on the price; is that right?

MR. ZARB: I am sorry, I didn't hear your question.

Q We lost the leverage on the price so far as holding out the grain until they agreed to our deal on oil.

MR. ZARB: I guess it depends on your definition of leverage. I think that one obvious reason for an oil transaction in the first place could be hard currency with respect to the oil transaction which facilitates the grain transaction.

Q Was there agreement on price on food grains going to Russia?

SECRETARY BUTZ: No, sir. The only agreement is they move at market prices, and I may say they move --

Q What market, Mr. Secretary?

SECRETARY BUTZ: What?

Q What market?

SECRETARY BUTZ: Whatever the market price is, and they are going to move through out independent agencies. There is no subsidy involved; there is no credit involved. They will be sold at market prices, whatever it takes to move it.

Q Mr. Secretary, will you give the State Department a chance to answer a question?

Mr. Ambassador, would you have some words about the effect on detente, whether it is an outgrowth of detente, et cetera?

We would like to ask the Secretary.

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MR. HINTON: If I heard the President's statement, he said this was -- and I believe it to be -- a positive contribution to improve relations.

Q Why is the oil deal so questionable then, if it is questionable? If they want to improve relations, why isn't the oil deal in the same posture as the grain deal, is the point?

MR. HINTON: These have been long and difficult negotiations on both sides. I am sort of surprised as I listened to the questions that there is less appreciation of the fact that there is a letter of intent signed by the two governments, exchanged, which commits the Soviet Union, if we can work out the rest of the deal, to make available 10 million tons of oil a year.

Now the significance of this to me, on the verge of their five-year plan, is that they are going to allocate 10 million tons of oil which will be available for Americans to purchase if the agreement is worked out on these crucial issues, such as price. It is going to be there and we are going to have an option to pick it up if we get the terms that we want.

Q Mr. Ambassador, is there another longer term oil deal also under discussion?

MR. HINTON: There is a reference in the last paragraph of the letter of intent to the possibility of expanding areas of cooperation. There has been no detailed discussion of that at all, it just isn't mentioned.

Q Will a letter of intent on that be forthcoming in the next few weeks or during the month of this negotiation?

MR. HINTON: I could not predict. I mean, it is there in this letter of intent and I am not quite sure why it would need another letter of intent.

Q Outlining the parameters of a longer term technology for crude agreement.

MR. HINTON: I really can't predict how the negotiations will go. It is our intention to button up and, as Frank Zarb put it, within the parameters of this letter of intent the agreement on an oil sale and shipment from the Soviet Union to be available at our option. We don't have to buy it if we don't want it.

Q What about natural gas, Mr. Secretary?

MR. HINTON: Natural gas was, as far as I can recall, never mentioned in the course of these last six weeks or so of discussions.

Q Mr. Ambassador, why should the Russians buy grain at market prices and the Americans buy oil through beneficial price? I don't understand.

MR. HINTON: Well, one of the problems -- Frank, if I might. I am not an expert on oil -- I am not an expert on anything, as a matter of fact.

One of the problems is that there are really no market prices for oil. You can pick up your morning newspaper and get the grain prices in the world, they are all public. There is not a single price for oil that is published in the Soviet Union that we know of. The prices that are published, in the OPEC prices there is a marker price for Saudi crude and everything else is geared to it and people cut that price, some of the Arabs cut that price with credit terms and transportation differentials and you adjust these things as I understand it for qualities and the amount of sulphur and the amount of residue and water. This is an enormously complicated area and there is just no such thing as a world price for oil.

Q Could we ask Mr. Blackwell if labor is satisfied with this?

MR. SEIDMAN: I think I said that they have been briefed on the agreement and that any statement will have to come from them as to their views of it.

Q Well, why did you bring him out here if he can't speak?

MR. SEIDMAN: He is from the Maritime Commission. He is perfectly willing to speak but he is not representing labor.

Q But he isn't.

MR. BLACKWELL: I think the record speaks for itself. We concluded a rate agreement with the Soviet Union on September 19, effective September 22, and in that one month 31 U. S. ships have been fixed to carry over 1.2 million tons of grain to the Soviet Union and the job creation factor has been about 1400 jobs.

Q How many ships was that?

MR. BLACKWELL: Thirty-one so far.

We are also working to move an additional 300,000 tons of grain for the remainder of the November booking period.

Q We have signed an agreement. They have agreed to buy between 6 million and 8 million tons of grain. If they want to get more than 8 million tons, we talk about it. What if they say no, we only need 2 million tons or 3 million tons? What assurance do we have?

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MR. BUTZ: They have obligated themselves to buy a minimum of 6 million tons.

Q What do we do, sue them if they don't take it?

MR. BUTZ: Well, this is an international agreement and I simply want to say that in this area of the Soviet contracts with us for purchase of grain and with American companies for purchase of grain they have executed their contracts and this is in the nature of an intergovernmental contract.

Q Have you been informed today, Mr. Butz, of negotiations for grain sales that have not been announced? I mean have any of the major companies been notified?

MR. BUTZ: Under our rules if any grain sales have been made, they had to report them within 24 hours and none have been reported.

Q Mr. Butz, are there going to be any further negotiations pursuant to rice sales?

MR. BUTZ: This is up to individual companies. There is no limitation on sales of soybeans or rice.

Thank you very much.

THE PRESS: Thank you.

END (AT 4:50 P.M. EDT)